

NATIONAL BANK OF KUWAIT GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2019 (UNAUDITED)



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NATIONAL BANK OF KUWAIT S.A.K.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") as at 30 June 2019, and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three month and six month periods then ended, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the six months period ended 30 June 2019 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the six months period ended 30 June 2019 that might have had a material effect on the business of the Bank or on its financial position.

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8 July 2019
Kuwait

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 June 2019 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Interest income		247,073	220,635	492,380	424,635
Interest expense		104,713	78,857	208,322	148,663
Net interest income		142,360	141,778	284,058	275,972
Murabaha and other Islamic financing income		51,881	45,715	101,460	88,173
Finance cost and Distribution to depositors		21,081	14,274	41,131	27,339
Net income from Islamic financing		30,800	31,441	60,329	60,834
Net interest income and net income from Islamic financing		173,160	173,219	344,387	336,806
Net fees and commissions		41,239	39,427	78,700	76,464
Net investment income		2,197	3,774	8,715	8,063
Net gains from dealing in foreign currencies		9,268	11,886	19,270	19,031
Other operating income		443	430	804	1,817
Non-interest income		53,147	55,517	107,489	105,375
Net operating income		226,307	228,736	451,876	442,181
Staff expenses		44,376	41,656	86,327	79,887
Other administrative expenses	5	23,142	24,565	45,460	46,429
Depreciation of premises and equipment	5	6,328	3,578	12,467	7,240
Amortisation of intangible assets		795	775	1,578	1,549
Operating expenses		74,641	70,574	145,832	135,105
Operating profit before provision for credit losses and impairment losses		151,666	158,162	306,044	307,076
Provision charge for credit losses and impairment losses	3	35,719	51,600	67,125	93,932
Operating profit before taxation		115,947	106,562	238,919	213,144
Taxation	4	9,092	8,789	18,483	16,404
Profit for the period		106,855	97,773	220,436	196,740
Attributable to:					
Shareholders of the Bank		101,364	92,269	209,093	185,856
Non-controlling interests		5,491	5,504	11,343	10,884
		106,855	97,773	220,436	196,740
Basic earnings per share attributable to shareholders of the Bank	6	15 fils	13 fils	31 fils	28 fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 June 2019 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Profit for the period	106,855	97,773	220,436	196,740
Other comprehensive income:				
Investment in debt securities measured at FVOCI:				
Net change in fair value	(7,146)	2,423	8,674	(11,109)
Net transfer to interim condensed consolidated statement of income	2,876	424	3,078	45
	(4,270)	2,847	11,752	(11,064)
Share of other comprehensive loss of associates	(64)	(28)	(64)	(11)
Exchange differences on translation of foreign operations	5,079	(1,968)	11,919	(5,993)
Other comprehensive income (loss) for the period reclassifiable to consolidated statement of income in subsequent periods	745	851	23,607	(17,068)
Net (loss) gain on investments in equity instruments designated at FVOCI (not reclassifiable to consolidated statement of income in subsequent periods)	(322)	62	43	17
Other comprehensive income (loss) for the period	423	913	23,650	(17,051)
Total comprehensive income for the period	107,278	98,686	244,086	179,689
Attributable to:				
Shareholders of the Bank	102,088	93,548	231,812	171,387
Non-controlling interests	5,190	5,138	12,274	8,302
	107,278	98,686	244,086	179,689

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019 (Unaudited)

	Note	30 June 2019 KD 000's	Audited 31 December 2018 KD 000's	30 June 2018 KD 000's
Assets				
Cash and short term funds		3,046,812	2,966,707	3,020,325
Central Bank of Kuwait bonds		818,217	809,871	787,222
Kuwait Government treasury bonds		809,927	872,042	924,667
Deposits with banks		1,753,734	2,364,242	2,341,167
Loans, advances and Islamic financing to customers		16,216,196	15,503,402	15,227,501
Investment securities		3,976,089	3,678,032	3,392,815
Investment in associates		33,703	31,425	51,140
Land, premises and equipment		413,611	362,801	339,798
Goodwill and other intangible assets		581,700	578,973	580,118
Other assets		220,503	260,445	277,073
Total assets		27,870,492	27,427,940	26,941,826
Liabilities				
Due to banks and other financial institutions		6,976,618	8,090,484	7,514,046
Customer deposits		15,454,429	14,388,836	14,620,652
Certificates of deposit issued		724,529	451,128	544,707
Global medium term notes		227,498	220,124	216,968
Subordinated Tier 2 bonds		124,784	124,768	124,751
Other liabilities		586,489	451,290	400,418
Total liabilities		24,094,347	23,726,630	23,421,542
Equity				
Share capital	7	652,399	621,332	621,332
Proposed bonus shares	7	-	31,067	-
Statutory reserve		310,666	310,666	295,872
Share premium account		803,028	803,028	803,028
Treasury shares	7	(57,210)	(65,425)	(65,425)
Treasury shares reserve		17,425	14,010	14,010
Other reserves	7	1,456,690	1,448,579	1,325,583
Equity attributable to shareholders of the Bank		3,182,998	3,163,257	2,994,400
Perpetual Tier 1 Capital Securities		210,700	210,700	210,700
Non-controlling interests		382,447	327,353	315,184
Total equity		3,776,145	3,701,310	3,520,284
Total liabilities and equity		27,870,492	27,427,940	26,941,826

Yacoub Yousef Al-Fulaij
Board Member

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2019 (Unaudited)

	Notes	Six months ended 30 June	
		2019 KD 000's	2018 KD 000's
Operating activities			
Profit for the period		220,436	196,740
Adjustments for:			
Net investment income		(8,715)	(8,063)
Depreciation of premises and equipment		12,467	7,240
Amortisation of intangible assets		1,578	1,549
Provision charge for credit losses and impairment losses	3	67,125	93,932
Share based payment reserve		-	50
Taxation	4	18,483	16,404
		<u>311,374</u>	<u>307,852</u>
Operating profit before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(8,346)	(131,631)
Kuwait Government treasury bonds		62,115	151,544
Deposits with banks		610,508	147,021
Loans, advances and Islamic financing to customers		(779,778)	(809,568)
Other assets		39,942	(27,077)
Due to banks and other financial institutions		(1,113,866)	44,743
Customer deposits		1,065,593	841,045
Certificates of deposit issued		273,401	53,872
Other liabilities		117,717	9,242
Tax paid		(23,250)	(19,528)
		<u>555,410</u>	<u>567,515</u>
Net cash from operating activities			
Investing activities			
Purchase of investment securities		(767,499)	(896,183)
Proceeds from sale/redemption of investment securities		485,733	818,239
Dividend income		951	1,046
Dividend from associates		153	236
Acquisition of non-controlling interests		-	(13,744)
Proceeds from sale of land, premises and equipment		438	1,804
Purchase of land, premises and equipment		(25,509)	(24,565)
		<u>(305,733)</u>	<u>(113,167)</u>
Net cash used in investing activities			
Financing activities			
Proceeds from sale of treasury shares		11,630	12,390
Dividends paid		(214,344)	(174,883)
Interest paid on Perpetual Tier 1 capital securities		(6,125)	(6,038)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary		(2,563)	(2,544)
Dividend paid by a subsidiary to non-controlling interests		(7,785)	(6,588)
Capital increase in a subsidiary contributed by non-controlling interest		49,615	-
		<u>(169,572)</u>	<u>(177,663)</u>
Net cash used in financing activities			
Increase in cash and short term funds		80,105	276,685
Cash and short term funds at 1 January		2,966,707	2,743,640
Cash and short term funds at 30 June		3,046,812	3,020,325

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2019 (Unaudited)

KD 000's

Equity attributable to shareholders of the Bank

	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	Treasury shares reserve	Other reserves (Note 7)	Total	Perpetual Tier 1 Capital Securities	Non-controlling interests	Total equity
At 1 January 2019	621,332	31,067	310,666	803,028	(65,425)	14,010	1,448,579	3,163,257	210,700	327,353	3,701,310
Profit for the period	-	-	-	-	-	-	209,093	209,093	-	11,343	220,436
Other comprehensive income	-	-	-	-	-	-	22,719	22,719	-	931	23,650
Total comprehensive income	-	-	-	-	-	-	231,812	231,812	-	12,274	244,086
Issue of bonus shares (Note 7)	31,067	(31,067)	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	8,215	3,415	-	11,630	-	-	11,630
Dividends paid (Note 7)	-	-	-	-	-	-	(214,344)	(214,344)	-	-	(214,344)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	-	(6,125)	(6,125)	-	-	(6,125)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(7,785)	(7,785)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	-	(1,535)	(1,535)	-	(1,028)	(2,563)
Increase in holding in a subsidiary	-	-	-	-	-	-	(1,551)	(1,551)	-	(2,137)	(3,688)
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	-	53,303	53,303
Other movements	-	-	-	-	-	-	(146)	(146)	-	467	321
At 30 June 2019	652,399	-	310,666	803,028	(57,210)	17,425	1,456,690	3,182,998	210,700	382,447	3,776,145
Balance at 31 December 2017	591,744	29,588	295,872	803,028	(77,799)	13,994	1,372,964	3,029,391	210,700	321,010	3,561,101
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	-	(29,045)	(29,045)	-	(104)	(29,149)
Restated balance as at 1 January 2018	591,744	29,588	295,872	803,028	(77,799)	13,994	1,343,919	3,000,346	210,700	320,906	3,531,952
Profit for the period	-	-	-	-	-	-	185,856	185,856	-	10,884	196,740
Other comprehensive loss	-	-	-	-	-	-	(14,469)	(14,469)	-	(2,582)	(17,051)
Total comprehensive income	-	-	-	-	-	-	171,387	171,387	-	8,302	179,689
Issue of bonus shares (Note 7)	29,588	(29,588)	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	12,374	16	-	12,390	-	-	12,390
Dividends paid (Note 7)	-	-	-	-	-	-	(174,883)	(174,883)	-	-	(174,883)
Interest paid on perpetual Tier 1 capital Securities	-	-	-	-	-	-	(6,038)	(6,038)	-	-	(6,038)
Share based payment in a subsidiary	-	-	-	-	-	-	30	30	-	20	50
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,588)	(6,588)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	-	-	-	-	-	(1,506)	(1,506)	-	(1,038)	(2,544)
Acquisition of non-controlling interests	-	-	-	-	-	-	(7,326)	(7,326)	-	(6,418)	(13,744)
At 30 June 2018	621,332	-	295,872	803,028	(65,425)	14,010	1,325,583	2,994,400	210,700	315,184	3,520,284

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

30 June 2019 (Unaudited)

1 Incorporation and registration

The interim condensed consolidated financial information of National Bank of Kuwait S.A.K.P. (the “Bank”) and its subsidiaries (collectively the “Group”) for the six months period ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 8 July 2019. The Bank is a public shareholding company incorporated in the State of Kuwait in 1952 and is registered as a bank (commercial registration number – 8490) with the Central Bank of Kuwait. The Bank’s registered office is at Abdullah Al Ahmed Street, P.O. Box 95, Safat 13001, Kuwait.

2 Accounting policies

Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’. The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the changes described below arising from the adoption of IFRS 16 ‘Leases’ effective from 1 January 2019.

The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with the regulations issued by Central Bank of Kuwait (CBK) for financial services institutions in the State of Kuwait. The regulations require the expected credit loss on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance with CBK guidelines or provisions as required by CBK instructions, with consequent impact on related disclosures. The regulations also require adoption of all other requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2018. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

Changes in accounting policies

Adoption of IFRS 16 ‘Leases’

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group’s incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

30 June 2019 (Unaudited)

3 Provision charge for credit losses and impairment losses

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	KD 000's	KD 000's	KD 000's	KD 000's
Provision charge for credit facilities – specific	31,664	43,858	58,455	84,951
Provision charge for credit facilities – general	3,465	2,698	8,080	1,545
Other impairment losses	590	5,044	590	7,436
	<u>35,719</u>	<u>51,600</u>	<u>67,125</u>	<u>93,932</u>

4 Taxation

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	KD 000's	KD 000's	KD 000's	KD 000's
National Labour Support Tax	2,597	2,342	5,296	4,677
Zakat	1,143	1,017	2,326	2,051
Contribution to Kuwait Foundation for the Advancement of Sciences	1,004	887	1,898	1,641
Overseas tax	4,348	4,543	8,963	8,035
	<u>9,092</u>	<u>8,789</u>	<u>18,483</u>	<u>16,404</u>

5 Impact on adoption of IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings.

The Group presents right-of-use assets in 'land, premises and equipment' and lease liabilities in 'other liabilities' in the interim condensed consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 30 June 2019 amounted to KD 33,106 thousand and KD 30,935 thousand respectively.

Depreciation charge for right-of-use assets for the period amounted to KD 4,570 thousand and is included in 'depreciation of premises and equipment' in the interim condensed consolidated statement of income. Rent expenses included in 'other administrative expenses' is lower to the extent of KD 4,654 thousand during the period as a result of applying IFRS 16.

6 Earnings per share

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019 (Unaudited)

6 Earnings per share (continued)

	Three months ended 30 June		Six months ended 30 June	
	2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Profit attributable to shareholders of the Bank	101,364	92,269	209,093	185,856
Less: Interest paid on Perpetual Tier 1 capital Securities	(6,125)	(6,038)	(6,125)	(6,038)
Less: Profit distribution on Perpetual Tier 1 sukuk by a subsidiary attributable to shareholders of the Bank	(1,535)	(1,506)	(1,535)	(1,506)
	<u>93,704</u>	<u>84,725</u>	<u>201,433</u>	<u>178,312</u>
Weighted average number of shares outstanding during the period net of treasury shares (thousands)	<u>6,433,854</u>	<u>6,428,562</u>	<u>6,432,100</u>	<u>6,423,970</u>
Basic earnings per share	<u>15 fils</u>	<u>13 fils</u>	<u>31 fils</u>	<u>28 fils</u>

Earnings per share calculations for the period ended 30 June 2018 have been adjusted to take account of the bonus shares issued in 2019.

7 Shareholders' equity

a) The authorised share capital of the Bank comprises 7,500,000,000 shares (31 December 2018: 7,500,000,000 shares and 30 June 2018: 7,500,000,000 shares) of 100 fils each. The issued and fully paid up share capital of the Bank comprises 6,523,985,887 shares (31 December 2018: 6,213,319,893 shares and 30 June 2018: 6,213,319,893 shares) of 100 fils each.

b) Treasury shares

	30 June	Audited	30 June
	2019	31 December 2018	2018
Number of treasury shares	81,900,000	89,200,000	89,200,000
Treasury shares as a percentage of total shares in issue	1.3%	1.4%	1.4%
Cost of treasury shares (KD thousand)	57,210	65,425	65,425
Market value of treasury shares (KD thousand)	80,098	74,393	66,900
Weighted average market value per treasury share (fils)	918	784	749

c) Dividend and bonus shares

The Annual General Assembly meeting of the shareholders held on 9 March 2019 approved 5% bonus shares (2018: 5%) and a cash dividend of 35 fils per share (2018: 30 fils per share) for the year ended 31 December 2018. The cash dividend was paid subsequently and the bonus shares increased the number of issued and fully paid up shares by 310,665,994 (2018: 295,872,375) and share capital by KD 31,067 thousand (2018: KD 29,588 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019 (Unaudited)

7 Shareholders' equity (continued)
d) Other reserves

	General reserve	Retained earnings	Foreign currency translation reserve	Cumulative changes in fair values	Share based payment reserve	Proposed cash dividend	Total other reserves
At 1 January 2019	117,058	1,315,182	(225,725)	13,311	14,409	214,344	1,448,579
Profit for the period	-	209,093	-	-	-	-	209,093
Other comprehensive income	-	-	11,626	11,093	-	-	22,719
Total comprehensive income	-	209,093	11,626	11,093	-	-	231,812
Dividends paid	-	-	-	-	-	(214,344)	(214,344)
Interest paid on perpetual Tier 1 capital securities	-	(6,125)	-	-	-	-	(6,125)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	(1,535)	-	-	-	-	(1,535)
Realised gain on equity investments at FVOCI	-	2,293	-	(2,293)	-	-	-
Increase in holding in a subsidiary	-	(1,551)	-	-	-	-	(1,551)
Other movements	-	(146)	-	-	-	-	(146)
At 30 June 2019	117,058	1,517,211	(214,099)	22,111	14,409	-	1,456,690
Balance at 31 December 2017	117,058	1,252,044	(234,491)	49,479	14,381	174,493	1,372,964
Impact of adopting IFRS 9 at 1 January 2018	-	(24,427)	-	(4,618)	-	-	(29,045)
Restated balance as at 1 January 2018	117,058	1,227,617	(234,491)	44,861	14,381	174,493	1,343,919
Profit for the period	-	185,856	-	-	-	-	185,856
Other comprehensive loss	-	-	(4,329)	(10,140)	-	-	(14,469)
Total comprehensive income (loss)	-	185,856	(4,329)	(10,140)	-	-	171,387
Dividend on treasury shares sold	-	(390)	-	-	-	390	-
Dividends paid	-	-	-	-	-	(174,883)	(174,883)
Interest paid on perpetual Tier 1 capital securities	-	(6,038)	-	-	-	-	(6,038)
Profit distribution on Perpetual Tier 1 sukuk by a subsidiary	-	(1,506)	-	-	-	-	(1,506)
Realised loss on equity investments at FVOCI	-	(92)	-	92	-	-	-
Share based payment in a subsidiary	-	-	-	-	30	-	30
Acquisition of non-controlling interests	-	(7,326)	-	-	-	-	(7,326)
At 30 June 2018	117,058	1,398,121	(238,820)	34,813	14,411	-	1,325,583

KD 000's

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8 Segmental analysis

The Group organises and manages its operations by geographic territory in the first instance, primarily Domestic and International. Within its domestic operations, the Group segments its business into Consumer and Private Banking, Corporate Banking, Investment Banking and Asset Management, Islamic Banking and Group Centre. All operations outside Kuwait are classified as International. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment.

Consumer and Private Banking

Consumer Banking provides a diversified range of products and services to individuals. The range includes consumer loans, credit cards, deposits, foreign exchange and other branch related services. Private Banking provides a comprehensive range of customised and innovative banking services to high net worth individuals and to institutional clients.

Corporate Banking

Corporate Banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposits, trade finance, foreign exchange and advisory services.

Investment Banking and Asset Management

Investment Banking provides a full range of capital market advisory and execution services. The activities of Asset Management include wealth management, asset management, custody, brokerage and research.

Islamic Banking

Islamic banking represents the financial results of Boubyan Bank K.S.C.P., the Islamic banking subsidiary of the Group.

Group Centre

Group Centre includes treasury, investments, and other defined Group activities. Treasury provides a comprehensive range of treasury services and products to its clients, and is also responsible for the Bank's liquidity and market risk management. Group Centre includes any residual in respect of transfer pricing and inter segment allocations.

International

International includes all branches, subsidiaries and associates outside Kuwait.

The following table presents net operating income, profit for the period, total assets and total liabilities information in respect of the Group's business segments:

	30 June 2019						
	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
<i>Six months</i>							
Net operating income	142,286	81,628	15,761	76,410	26,646	109,145	451,876
Profit for the period	89,293	35,762	9,469	28,875	3,369	53,668	220,436
Total assets	4,654,283	5,075,812	57,408	4,792,940	3,317,672	9,972,377	27,870,492
Total liabilities	5,507,268	2,329,976	7,550	4,166,331	1,176,931	10,906,291	24,094,347

National Bank of Kuwait Group

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8 Segmental analysis (continued)

30 June 2018

	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
<i>Six months</i>							
Net operating income	<u>135,497</u>	<u>92,616</u>	<u>15,900</u>	<u>73,066</u>	<u>23,168</u>	<u>101,934</u>	<u>442,181</u>
Profit (loss) for the period	<u>80,128</u>	<u>27,583</u>	<u>9,970</u>	<u>25,841</u>	<u>(2,232)</u>	<u>55,450</u>	<u>196,740</u>
Total assets	<u>4,491,928</u>	<u>5,229,439</u>	<u>55,049</u>	<u>4,166,840</u>	<u>3,839,624</u>	<u>9,158,946</u>	<u>26,941,826</u>
Total liabilities	<u>4,981,196</u>	<u>2,723,811</u>	<u>7,440</u>	<u>3,711,413</u>	<u>1,701,646</u>	<u>10,296,036</u>	<u>23,421,542</u>

9 Commitments and contingent liabilities

	30 June 2019 KD 000's	Audited 31 December 2018 KD 000's	30 June 2018 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	344,420	223,920	217,135
Letters of credit	380,458	456,359	450,523
Guarantees	3,822,127	3,707,656	3,842,625
	<u>4,547,005</u>	<u>4,387,935</u>	<u>4,510,283</u>

Irrevocable commitments to extend credit amount to KD 789,471 thousand (31 December 2018: KD 615,778 thousand, 30 June 2018: KD 704,047 thousand). This includes commitments to extend credit which are irrevocable over the life of the facility or are revocable only in response to a material adverse change.

In the normal course of business, the Group has exposure to various indirect credit commitments which, though not reflected in the interim condensed consolidated statement of financial position, are subject to normal credit standards, financial controls and monitoring procedures.

These credit commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Credit losses, if any, which may result from exposure to such commitments are not expected to be significant.

The Group has commitments in respect of capital expenditure amounting to KD 30,325 thousand (31 December 2018: KD 36,399 thousand, 30 June 2018: KD 48,998 thousand).

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10 Fair value of financial instruments

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices for identical or similar instruments in market that are considered less than active or other valuation techniques in which all significant inputs are observable from market data. Debt securities under this category mainly include sovereign debt instruments in the Middle East & North Africa (MENA) region.

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

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

<i>30 June 2019</i>	<i>Level 1 KD 000's</i>	<i>Level 2 KD 000's</i>	<i>Level 3 KD 000's</i>	<i>Total KD 000's</i>
Debt securities	2,553,874	399,197	14,000	2,967,071
Equities and other investments	47,945	64,985	80,375	193,305
	<u>2,601,819</u>	<u>464,182</u>	<u>94,375</u>	<u>3,160,376</u>
Derivative financial instruments (Note 11)	-	(81,801)	-	(81,801)
 <i>31 December 2018</i>	 <i>Level 1 KD 000's</i>	 <i>Level 2 KD 000's</i>	 <i>Level 3 KD 000's</i>	 <i>Total KD 000's</i>
Debt securities	2,168,487	460,505	14,000	2,642,992
Equities and other investments	44,979	57,463	83,787	186,229
	<u>2,213,466</u>	<u>517,968</u>	<u>97,787</u>	<u>2,829,221</u>
Derivative financial instruments (Note 11)	-	16,793	-	16,793
 <i>30 June 2018</i>	 <i>Level 1 KD 000's</i>	 <i>Level 2 KD 000's</i>	 <i>Level 3 KD 000's</i>	 <i>Total KD 000's</i>
Debt securities	2,041,929	269,834	14,379	2,326,142
Equities and other investments	51,058	73,355	67,244	191,657
	<u>2,092,987</u>	<u>343,189</u>	<u>81,623</u>	<u>2,517,799</u>
Derivative financial instruments (Note 11)	-	37,426	-	37,426

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10 Fair value of financial instruments (continued)

The table below analyses the movement in level 3 and the income (interest, dividend and realised/unrealised gain) generated during the periods.

	<i>At 1 January 2019 KD 000's</i>	<i>Change in fair value KD 000's</i>	<i>Additions KD 000's</i>	<i>Sale/ redemption KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 30 June 2019 KD 000's</i>	<i>Net gains in the interim condensed consolidated statement of income KD 000's</i>
Debt securities	14,000	-	-	-	-	14,000	486
Equities and other investments	83,787	(887)	1,529	(4,455)	401	80,375	144
	<u>97,787</u>	<u>(887)</u>	<u>1,529</u>	<u>(4,455)</u>	<u>401</u>	<u>94,375</u>	<u>630</u>

	<i>At 1 January 2018 KD 000's</i>	<i>Change in fair value KD 000's</i>	<i>Additions KD 000's</i>	<i>Sale/ redemption KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 30 June 2018 KD 000's</i>	<i>Net gains (losses) in the interim condensed consolidated statement of income KD 000's</i>
Debt securities	14,377	-	-	-	2	14,379	479
Equities and other investments	65,487	(1,807)	6,463	(3,017)	118	67,244	(286)
	<u>79,864</u>	<u>(1,807)</u>	<u>6,463</u>	<u>(3,017)</u>	<u>120</u>	<u>81,623</u>	<u>193</u>

11 Derivative financial instruments

Derivative financial instruments are financial instruments that derive their value by referring to interest rates, foreign exchange rates, index of prices or rates and credit rating or credit index. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivative financial instruments are carried at fair value in the consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counter parties of replacing all their transactions with the Group.

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

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30 June 2019 (Unaudited)

11 Derivative financial instruments (continued)

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualifies as effective hedging instruments are disclosed as 'held as fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of derivative financial instruments for customers are covered by entering into opposite transactions (back to back) with counter parties or by other risk mitigating transactions.

Interest rate swaps

Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time. In cross currency interest rate swaps, the Group exchanges interest payment in two different currencies on a defined principal amount for a fixed period of time and also exchanges defined principal amounts in two different currencies at inception of the contract and re-exchanges principal amounts on maturity.

Forward foreign exchange

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date.

The fair value of derivative financial instruments included in the financial records, together with their notional amounts is summarised as follows:

	30 June 2019			Audited 31 December 2018			30 June 2018		
	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's
Interest rate swaps (held as fair value hedges)	6,656	85,748	2,668,053	40,062	27,814	2,354,863	51,447	30,239	2,195,428
Interest rate swaps (others)	418	403	86,186	429	408	85,995	651	624	88,733
Forward foreign exchange contracts	5,843	8,567	2,549,489	15,912	11,388	2,771,024	24,518	8,327	2,718,884
	<u>12,917</u>	<u>94,718</u>	<u>5,303,728</u>	<u>56,403</u>	<u>39,610</u>	<u>5,211,882</u>	<u>76,616</u>	<u>39,190</u>	<u>5,003,045</u>

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12 Related party transactions

Related parties comprise Board Members and Executive Officers of the Bank, their close family members, companies controlled by them or close family members and associates of the Group. Certain related parties were customers of the Group in the ordinary course of business. Transactions with related parties were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulations of Central Bank of Kuwait.

Details of the interests of related parties are as follows:

	Number of Board Members or Executive Officers		Number of related parties		30 June 2019	31 December 2018 Audited	30 June 2018	KD 000's
	30 June 2019	31 December 2018	30 June 2019	31 December 2018				
Board Members								
Loans (secured)	3	3	17	15	77,435	115,322	110,959	
Contingent liabilities	-	-	9	9	29,315	27,860	24,688	
Credit cards	7	6	11	11	56	56	66	
Deposits	9	9	56	59	38,834	34,207	50,735	
Collateral against credit facilities	3	3	15	13	338,436	315,165	288,150	
Interest and fee income					1,848	4,876	2,401	
Interest expense					175	168	74	
Purchase of equipment and other expenses					3	5	3	
Executive Officers								
Loans	3	2	6	6	3,057	2,552	2,133	
Contingent liabilities	3	4	-	-	2	2	2	
Credit cards	13	13	4	4	47	87	33	
Deposits	13	13	32	37	9,112	6,141	6,086	
Interest and fee income					60	119	51	
Interest expense					47	59	19	
Associates								
Placements					50,085	19,309	12,519	
Acceptances					14,889	530	4,647	

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30 June 2019 (Unaudited)

12 Related party transactions (continued)

Details of compensation to key management personnel are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	KD 000's	KD 000's	KD 000's	KD 000's
Salaries and other short term benefits	2,454	1,975	4,894	3,868
Post-employment benefits	195	200	257	266
Share based compensation	400	287	721	489
	<u>3,049</u>	<u>2,462</u>	<u>5,872</u>	<u>4,623</u>