

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

2023 Financial Performance

The Group has delivered strong financial results for the year 2023, notwithstanding challenges arising from macroeconomic and geopolitical situations, while benefitting from increase in benchmark interest rates, business activities and volume growth.

The Group reported net profit attributable to shareholders of the Bank of KD 560.6 million compared to KD 509.1 million for 2022, an increase of 10.1%. Operating profit amounted to KD 740.3 million compared to KD 623.6 million in 2022, an increase of 18.7%.

Net interest income and net income from Islamic financing totaled KD 905.1 million (2022: KD 755.8 million). Net fees and commissions increased to KD 196.6 million (2022: KD 181.8 million). Net investment income was KD 27.5 million in 2023 (2022: KD 15.7 million). Net gains from dealing in foreign currencies decreased to KD 36.1 million in 2023 (2022: KD 55.4 million).

Total operating expenses were KD 426.5 million (2022: KD 386.1 million). The cost to income ratio for 2023 was 36.6% (2022: 38.2%).

The provision charge for credit losses and impairment losses were KD 103.1 million (2022: KD 45.4 million).

The return on average equity was 15% (2022: 14.3%).

2023 Balance Sheet

Total assets of the Group grew to KD 37,665.0 million from KD 36,338.4 million at the end of 2022, an increase of 3.7%. Loans, advances, and Islamic financing to customers grew by KD 1,282.6 million to KD 22,281.0 million, an increase of 6.1%. Investment securities grew by KD 1,250.1 million to KD 6,884.8 million, an increase of 22.2%.

Customer deposits grew to KD 21,949.0 million from KD 20,178.1 million at the end of 2022, an increase of 8.8%. The Group benefits from a loyal Kuwaiti customer base whose deposits remain a continuing source of stable funding. Due to banks were KD 3,963.8 million (2022: KD 4,018.0 million) and Deposits from other financial institutions were KD 3,725.6 million (2022: KD 3,740.9 million). Certificates of deposits issued were KD 822.9 million (2022: KD 1,801.6 million) and other borrowed funds were KD 1,331.0 million (2022: KD 1,243.6 million).

The Group maintained a strong liquidity position with cash, short term funds, Central Bank of Kuwait bonds and Kuwait Government treasury bonds amounting to KD 5,435.6 million at the year-end. Deposits with banks were KD 1,318.1 million at the year end. The Group has continued to maintain Basel III liquidity ratios well in excess of minimum requirements.

The Group's general provisions in respect of on-balance sheet credit facilities were KD 697.6 million at the year-end (2022: KD 660.0 million), whilst specific provisions were KD 165.3 million at the year-end (2022: KD 167.9 million). The Group operates a conservative credit policy with a balanced diversification across all business sectors and geographical areas. Loan collateral profiles and values are continually monitored to ensure that optimum protection is afforded to the Group at all times.

Cash and non-cash credit facilities provided by the Bank to Board Members or Executive Officers and their related parties were KD 72.6 million at the year-end against collateral of KD 153.1 million. Deposits of Board Members or Executive Officers and their related parties were KD 36.9 million. Proposed remuneration to Directors of the Bank was KD 770 thousand.

Equity

Total equity attributable to the shareholders of the Bank after deducting the proposed cash dividend of KD 198.2 million was KD 3,685.5 million (2022: KD 3,434.2 million).

The Basel III capital adequacy ratio was 17.3% at the year-end (2022: 17.4%) as compared to the CBK prescribed regulatory minimum of 15% (2022: 13.5%). The leverage ratio was 9.7% at the year-end (2022: 9.4%) as compared to the CBK prescribed regulatory minimum of 3%.

Capital Market Authority Requirements

The necessary measures were taken to ensure compliance with Law No (7) of 2010, and subsequent Executive By-Laws relating to the Establishment of the Capital Market Authority and Organization of Securities Activities.

The Bank maintains a record for reporting the Bank's shares owned by the Insider Persons (or their dependent children) to the Capital Market Authority and Boursa Kuwait Company.

Bonus Shares, Dividends and Proposed Appropriations

Net profit for the year was principally allocated as follows:

1. KD 277.5 million to the dividend account for the distribution of a cash dividend. Proposed final dividend of KD 198.2 million (25 fils per share) subject to the approval of shareholders at the annual general meeting (proposed dividend - 25 fils in 2022). An interim cash dividend of KD 79.3 million (10 fils per share) was paid during 2023 (10 fils per share in 2022).
2. KD 39.6 million to the share capital account to cover the issuance of bonus shares equal to 5% of share capital at the end of 2023 (5% for 2022) (equivalent to 396,497,281 shares with a nominal value of 100 fils per share) subject to the approval of shareholders at the annual general meeting.
3. KD 18.9 million to the statutory reserve account to make the statutory reserve in excess of 50% of share capital.
4. KD 21.9 million to interest and profit payment towards perpetual Tier 1 Capital Securities and perpetual Tier 1 Sukuk.
5. KD 202.7 million to retained earnings.

Financial highlights

KD million	2023	2022	2021
Total assets	37,665.0	36,338.4	33,256.6
Loans, advances and Islamic financing to customers	22,281.0	20,998.4	19,722.5
Customer deposits	21,949.0	20,178.1	18,281.0
Net operating income	1,166.8	1,009.7	899.8
Profit attributable to shareholders of the Bank	560.6	509.1	362.2