

Kuwait: 20th of January 2020

Mr. Mohammad Saud Al-Osaimi
Chief Executive Officer - Boursa Kuwait Company
State of Kuwait

Subject: Annual Financial Statements for the year ended 31/12/2019

Dear Sirs,

It is our pleasure to inform you that Central Bank of Kuwait has approved National Bank of Kuwait Annual Financial Statements for the financial year ended 31/12/2019, including the Balance Sheet, the Statement of Income and the External Auditors' notes.

We would like to inform you that NBK Board has convoked the General Assembly of the Shareholders to hold an ordinary meeting at 10:30 a.m. on Saturday 7/3/2020, followed – directly – by another extraordinary meeting in the Bank's new Head Office, proposing the following distributions for the financial year ended 31/12/2019, after obtaining the approvals form competent authorities:

- 1- Distribution of cash dividend, representing 35% of the nominal value (thirty five fils per share).
- 2- Distribution of a 5% bonus shares from issued and paid up capital (five shares for every 100 shares).

Attached; Financial Results Form - Kuwaiti Companies for the year 2019 after satisfying the required data and a copy of Central Bank of Kuwait approval.

With reference to Boursa Kuwait Rule Book requirements issued as per the decision No (1) for year 2018 and since National Bank of Kuwait has been classified under the "Premier Market" category. The Bank is glad to announce a quarterly Analysts/Investors Conference that will take place through a Live Webcast at 3 p.m. (according to local time) on Thursday 23/1/2020, Interested parties should reach out to the Bank through the following email address: Investor-Relations@nbk.com in order to provide them with the invitation and access details for the aforementioned conference.

Sincerely yours,

 On behalf of National Bank of Kuwait (S.A.K.P.)



Isam J. Al-Sager

Group Chief Executive Officer

**Financial Results Form
Kuwaiti Company (KWD)**

نموذج نتائج البيانات المالية
للشركات الكويتية (د.ك.)

| | | |
|----------------------|------------|-----------------|
| Select from the list | 2020-01-20 | اختر من القائمة |
|----------------------|------------|-----------------|

| | |
|--|---------------------------|
| Company Name | اسم الشركة |
| National Bank of Kuwait S.A.K.P | بنك الكويت الوطني ش.م.ك.ع |
| Board of Directors Meeting Date | تاريخ اجتماع مجلس الإدارة |
| 2020-01-08 | |

| التغيير (%) Change (%) | اختر من القائمة Select from the list | اختر من القائمة Select from the list | البيان Statement |
|---------------------------|---|---|--|
| | 2018-12-31 | 2019-12-31 | |
| 8.2% | 370,709,000 | 401,291,000 | صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company |
| 8.2% | 55 | 60 | ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share |
| 6.8% | 13,675,715,000 | 14,606,287,000 | الموجودات المتداولة Current Assets |
| 6.7% | 27,427,940,000 | 29,270,753,000 | إجمالي الموجودات Total Assets |
| 6.3% | 22,340,497,000 | 23,738,349,000 | المطلوبات المتداولة Current Liabilities |
| 5.4% | 23,726,630,000 | 25,011,593,000 | إجمالي المطلوبات Total Liabilities |
| 8.6% | 3,163,257,000 | 3,433,744,000 | إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company |
| 1.4% | 883,219,000 | 895,517,000 | إجمالي الإيرادات التشغيلية Total Operating Revenue |
| -2.6% | 606,881,000 | 591,243,000 | صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss) |
| - | No accumulated losses | لا يوجد خسائر متراكمة | الخسائر المتراكمة / رأس المال المدفوع Accumulated Loss / Paid-Up Share Capital |



| التغيير (%) Change (%) | اختر من القائمة Select from the list | اختر من القائمة Select from the list | البيان Statement |
|---------------------------|---|---|--|
| | 2018-12-31 | 2019-12-31 | |
| 0.8% | 98,314,000 | 99,123,000 | صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company |
| 0.3% | 14 | 14 | ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share |
| 0.6% | 221,421,000 | 222,762,000 | إجمالي الإيرادات التشغيلية Total Operating Revenue |
| -4.7% | 147,167,000 | 140,281,000 | صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss) |


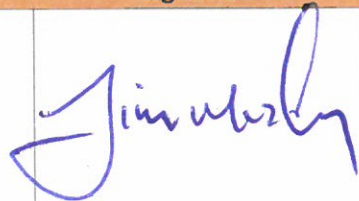
• Not Applicable for first Quarter

• لا ينطبق على الربع الأول

| Increase/Decrease in Net Profit (Loss) is due to | سبب ارتفاع/انخفاض صافي الربح (الخسارة) |
|--|---|
| The increase in net profit for the year ended 31st December 2019 as compared to year ended 31st December 2018 was primarily due to higher non-interest income and lower provision charges for credit losses and impairment losses. | يعود سبب الارتفاع في صافي الربح للسنة المالية المنتهية في ٣١ ديسمبر ٢٠١٩ مقارنة مع السنة المالية المنتهية في ٣١ ديسمبر ٢٠١٨ بشكل أساسي إلى ارتفاع إيرادات غير الفوائد وانخفاض مخصصات خسائر الائتمان وخسائر انخفاض القيمة. |
| Total Revenue realized from dealing with related parties (value, KWD) | بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.) |
| KD 3,745,000 | 3,745,000 دينار كويتي |
| Total Expenditures incurred from dealing with related parties (value, KWD) | بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.) |
| KD 460,000 | 460,000 دينار كويتي |

| Corporate Actions | | استحقاقات الأسهم (الإجراءات المؤسسية) | |
|-------------------|--------------------|---|------------------|
| النسبة | القيمة | | |
| 35 Fils | KD 226,372,506.045 | <input type="checkbox"/> وزيقات نقدية | Cash Dividends |
| 5 % | KD 32,619,929.400 | <input type="checkbox"/> وزيقات أسهم منحة | Bonus Share |
| | None لا يوجد | <input type="checkbox"/> وزيقات أخرى | Other Dividend |
| | _____ | <input type="checkbox"/> عدم توزيع أرباح | No Dividends |
| | | <input type="checkbox"/> زيادة رأس المال | Capital Increase |
| | | <input type="checkbox"/> خفيض رأس المال | Capital Decrease |

| The Company's comments in case the auditor has concerns or a qualified opinion | تعقيب الشركة في حال قيام مراقب الحسابات بإبداء ملاحظات أو تحفظات |
|--|--|
| Not Applicable | لا يوجد |

| ختم الشركة Company Seal | التوقيع Signature | المسمى الوظيفي Title | الاسم Name |
|---|---|-----------------------------|---------------|
|  R.C. 8310 - 03 |  | رئيس مجموعة الرقابة المالية | جيم مورفي |



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.

**Deloitte & Touche
Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT S.A.K.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International' *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

We have identified the following key audit matters:

a) Credit losses on loans, advances and Islamic financing to customers

The recognition of credit losses on loans, advances and Islamic financing (“credit facilities”) to customers is the higher of Expected Credit Loss (“ECL”) under International Financial Reporting Standard 9: Financial Instruments (“IFRS 9”), determined in accordance with Central Bank of Kuwait (the “CBK”) guidelines, and the provision required by the CBK rules on classification of credit facilities and calculation of their provision (“the CBK rules”) as disclosed in the accounting policies and in Note 12 to the consolidated financial statements.

Recognition of ECL under IFRS 9, determined in accordance with CBK guidelines, is a new and complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management’s judgement in assessing significant increase in credit risk and classification of credit facilities into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral. Recognition of specific provision on impaired facility under the CBK rules is based on the instructions by CBK on the minimum provision to be recognized together with any additional provision to be recognised based on management estimate of expected cash flows related to that credit facility.

Due to the significance of credit facilities and the related estimation uncertainty and judgement in the impairment calculation, this was considered as a key audit matter.

Our audit procedures included assessing the design and implementation of controls over the inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the adequacy of credit losses.

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected a samples of credit facilities outstanding as at the reporting date and checked the appropriateness of the Group’s determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. For a sample of credit facilities, we have checked the appropriateness of the Group’s staging criteria, Exposure at Default (“EAD”) Probability of Default (“PD”) and Loss Given Default (“LGD”) including the eligibility and value of collateral considered in the ECL models used by the Group to determine ECL taking into consideration CBK guidelines. We have also checked the consistency of various inputs and assumptions used by the Group’s management to determine ECL.

Further, for the CBK rules provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, it has been computed accordingly. For the samples selected, we have verified whether all impairment events have been identified by the Group’s management. For the selected samples which also included impaired credit facilities, we have assessed the valuation of collateral and checked the resultant provision calculations.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Impairment of goodwill and other intangible assets

The Group has goodwill and other intangible assets with carrying value of KD 582,927 thousand as at 31 December 2019. The impairment tests of goodwill and other intangible assets performed by the management are significant to our audit because the assessment of the recoverable amount of goodwill and other intangible assets under the value-in-use basis is complex and requires considerable judgments on part of management. Estimates of future cash flows are based on management's views of variables such as the growth in the banking sector, economic conditions such as the economic growth and expected inflation rates and yield. Therefore, we identified the impairment testing of goodwill and other intangible assets as a key audit matter.

As part of our audit procedures, we have verified prevailing market prices where management has used these as a benchmark to compute the recoverable value. Where "value in use" is the basis to compute the recoverable value we obtained management's impairment calculations and tested the reasonableness of key assumptions, including profit forecasts and the selection of growth rates and discount rates. We also involved our valuation specialists and challenged the management to substantiate the assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts. We tested the integrity of supporting calculations and corroborated certain information with third party sources. We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison with third party information, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were also assessed through comparison to current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and the understanding of the reasons for growth profiles used. We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions.

We also assessed the adequacy of the Group's disclosures regarding those assumptions, which are disclosed in Note 15 to the consolidated financial statements.

c) Valuation of derivative financial instruments

The Group has significant derivative financial instruments, the valuation of which is determined through the application of valuation techniques that often involves the exercise of judgement and the use of assumptions and estimates. Due to the significance of the derivative financial instruments and the related estimation and uncertainty, we have assessed the valuation of derivative financial instruments as a key audit matter.

Our audit procedures included, testing controls over the identification, measurement and management of derivative financial instruments to conclude on the operating effectiveness of the key controls in place. We assessed whether the key controls in the above processes were designed, implemented and operating effectively.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

c) Valuation of derivative financial instruments (continued)

In addition to the testing of key controls, we evaluated and challenged the methodologies, inputs and assumptions used by the Group in determining fair values, with the assistance of our valuation specialists and by reference to externally available market data to assess whether appropriate inputs are used in the valuation. We also compared, on sample basis, valuations derived from our internal valuation model, to the fair values determined by the Group. Further, we assessed whether the disclosures in the consolidated financial statements concerning the valuation basis and inputs used in the fair value measurement are adequate and that disclosures relating to the fair value risks and sensitivities appropriately reflect the Group's exposure to the derivative financial instruments at the reporting date. Refer to Note 28 to the consolidated financial statements for the disclosures on derivative financial instruments.

Other information included in the Annual Report of the Group for the year ended 31 December 2019

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2019, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Bank's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2019 after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT S.A.K.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments, and 2/BS/342/2014 dated 21 October 2014 respectively, the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or by the Bank's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments, and 2/BS/342/2014 dated 21 October 2014 respectively, the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Bank or on its financial position.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT S.A.K.P. (continued)

Report on Other Legal and Regulatory Requirements (continued)

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2019 that might have had a material effect on the business of the Bank or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS



BADER A. AL-WAZZAN
LICENCE NO. 62 A
DELOITTE & TOUCHE
AL WAZZAN & CO.

8 January 2020
Kuwait



د. محمد يوسف الهاشل
المحافظ

التاريخ: 25 جمادى الأولى 1441
الموافق: 20 يناير 2020
الإشارة: 2020/370/105/2

الأخ الفاضل ناصر مساعد عبدالله السابر
رئيس مجلس إدارة بنك الكويت الوطني

تحية طيبة وبعد ،

بالإشارة إلى كتابكم المؤرخ 2020/1/8 المرفق به نسخة من البيانات المالية الختامية المجمعة لمصرفكم لعام 2019 ، وعظفاً على البيانات والإيضاحات الواردة إلينا في هذا الخصوص والتي كان آخرها بتاريخ 2020/1/15 .

أود الإفادة بأنه بناءً على ما انتهت إليه دراسة البيانات المالية المشار إليها ، فإنه لا يوجد لدينا ملاحظات في هذا الشأن ، كما نفيديكم بموافقة بنك الكويت المركزي على قيام مصرفكم بتوزيع أرباح نقدية بنسبة 35% من القيمة الإسمية للسهم الواحد ، أي بواقع خمسة وثلاثين فلساً لكل سهم ، وكذلك بتوزيع أسهم منحة بنسبة 5% .

وبناءً على ما تقدم ، فإنه يمكن لمصرفكم اتخاذ الإجراءات اللازمة مع الجهات المختصة لعقد الجمعية العامة للبنك .

مع أطيب التحيات .

د . محمد يوسف الهاشل

371 - نسخة لهيئة أسواق المال .

372 - نسخة لبورصة الكويت .