

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 2022.

## 2022 Financial Performance

Despite the challenging geopolitical environment and negative global economic outlook, the Group delivered exceptionally strong financial results for the year 2022, benefitting from higher oil prices, improved business activity, increase in benchmark interest rates and lower charge for credit provisions.

The Group reported a net profit attributable to shareholders of the Bank of KD 509.1 million compared to KD 362.2 million for 2021, an increase of 40.5%. Operating profit amounted to KD 623.6 million compared to KD 547.4 million in 2021, an increase of 13.9%.

Net interest income and net income from Islamic financing totaled KD 755.8 million (2021: KD 669.3 million). Net fees and commissions increased to KD 181.8 million (2021: KD 168.8 million). Net investment income was KD 15.7 million in 2022 (2021: KD 27.9 million). Net gains from dealing in foreign currencies increased to KD 55.4 million in 2022 (2021: KD 29.7 million).

Total operating expenses were KD 386.1 million (2021: KD 352.4 million). The cost to income ratio for 2022 was 38.2% (2021: 39.2%).

The provision charge for credit losses and impairment losses were KD 45.4 million (2021: KD 132.5 million).

The return on average equity was 14.3% (2021: 10.2%).

## 2022 Balance Sheet

Total assets of the Group grew to KD 36,338.4 million from KD 33,256.6 million at the end of 2021, an increase of 9.3%. Loans, advances and Islamic financing to customers grew by KD 1,275.9 million to KD 20,998.4 million, an increase of 6.5%. Investment securities grew by KD 723.9 million to KD 5,634.7 million, an increase of 14.7%.

Customer deposits grew to KD 20,178.1 million from KD 18,281.0 million at the end of 2021, an increase of 10.4%. The Group benefits from a loyal Kuwaiti customer base whose deposits remain a continuing source of stable funding. Due to banks were KD 4,018.0 million (2021: KD 4,098.7 million) and Deposits from other financial institutions were KD 3,740.9 million (2021: KD 3,135.6 million). Certificates of deposits issued were KD 1,801.6 million (2021: KD 1,339.4 million) and other borrowed funds were KD 1,243.6 million (2021: KD 1,266.6 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 6,416.3 million at the year end. Deposits with banks were KD 1,490.3 million at the year end.

The Group's general provisions in respect of on-balance sheet credit facilities were KD 660.0 million at the year end (2021: KD 509.7 million), whilst specific provisions were KD 167.9 million at the year end (2021: KD 123.9 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 74.7 million at the year end against collateral of KD 174.9 million. Deposits of Board Members or Executive Officers and their related parties were KD 52.4 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 188.8 million was KD 3,434.2 million (2021: KD 3,323.8 million).

The Basel III capital adequacy ratio was 17.4% at the year end (2021: 18.1%) as compared to the CBK prescribed regulatory minimum of 13.5% (2021: 12.5%). The leverage ratio was 9.4% at the year end (2021: 9.8%) 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 Bursa Kuwait Company.

## Bonus Shares, Dividends and Proposed Appropriations

Net profit for the year was principally allocated as follows:

1. KD 264.3 million to the dividend account for the distribution of a cash dividend. Proposed final dividend of KD 188.8 million (25 fils per share) subject to the approval of shareholders at the annual general meeting (proposed dividend - 30 fils in 2021). An interim cash dividend of KD 75.5 million (10 fils per share) was paid during 2022.
2. KD 37.8 million to the share capital account to cover the issuance of bonus shares equal to 5% of share capital at the end of 2022 (5% for 2021) (equivalent to 377,616,458 shares with a nominal value of 100 fils per share) subject to the approval of shareholders at the annual general meeting.
3. KD 18.0 million to the statutory reserve account to make the statutory reserve in excess of 50% of share capital.
4. KD 21.8 million to interest and profit payment towards perpetual Tier 1 Capital Securities and Perpetual Tier 1 Sukuk.
5. KD 167.2 million to retained earnings.

## Financial Highlights

KD million	2022	2021	2020
Total assets	36,338.4	33,256.6	29,717.4
Loans, advances and Islamic financing to customers	20,998.4	19,722.5	17,504.3
Customer deposits	20,178.1	18,281.0	17,104.2
Total operating income	1,009.7	899.8	839.0
Profit attributable to shareholders of the Bank	509.1	362.2	246.3