



**Kuwait International Bank K.S.C.P. and its Subsidiaries  
State of Kuwait**

**Interim Condensed Consolidated Financial Information  
30 June 2021 (Unaudited)**

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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT INTERNATIONAL BANK K.S.C.P.**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait International Bank K.S.C.P. (the “Bank”) and its Subsidiaries (together the “Group”) as at 30 June 2021, and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month 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.

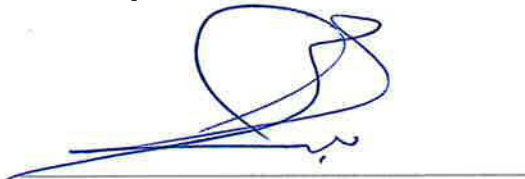
### **Report on Other Legal and Regulatory Requirements**

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 violation of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, or of the Bank’s Memorandum of Incorporation and the Articles of Association, as amended, during the six-month period ended 30 June 2021 that might have had a material effect on the business of the Bank or on its financial position.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT INTERNATIONAL BANK K.S.C.P. (CONTINUED)**

**Report on Other Legal and Regulatory Requirements (continued)**

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 violation of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the six-month period ended 30 June 2021 that might have had a material effect on the business of the Bank or on its financial position.



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**BADER A. AL-WAZZAN**  
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DELOITTE & TOUCHE  
AL-WAZZAN & CO.



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**BADER A. AL-ABDULJADER**  
LICENCE NO. 207 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

4 August 2021  
Kuwait

# Kuwait International Bank K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

Period ended 30 June 2021

		<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
<i>Notes</i>		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	Financing income	20,714	22,637	39,863	48,091
	Finance costs and estimated distribution to depositors	(7,861)	(10,665)	(15,284)	(24,137)
	<b>Net financing income</b>	<b>12,853</b>	11,972	<b>24,579</b>	23,954
	Fees and commission income	3,011	1,474	5,803	3,844
	Net gain from foreign exchange	312	148	517	417
	Investment income	1,444	1,288	2,630	904
	Other income	258	133	528	233
	<b>TOTAL OPERATING INCOME</b>	<b>17,878</b>	15,015	<b>34,057</b>	29,352
	Staff costs	(5,363)	(5,311)	(10,678)	(10,450)
	General and administrative expenses	(3,525)	(3,947)	(6,379)	(6,685)
	Depreciation	(1,093)	(1,002)	(2,176)	(2,030)
	<b>TOTAL OPERATING EXPENSES</b>	<b>(9,981)</b>	(10,260)	<b>(19,233)</b>	(19,165)
	<b>Profit from operations before provisions and impairment losses</b>	<b>7,897</b>	4,755	<b>14,824</b>	10,187
	Provisions and impairment losses	(6,600)	(7,456)	(12,391)	(10,011)
	<b>PROFIT/ (LOSS) FROM OPERATIONS</b>	<b>1,297</b>	(2,701)	<b>2,433</b>	176
	<b>Provision for:</b>				
	Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(12)	25	(21)	(1)
	National Labor Support Tax (NLST)	(25)	68	(49)	(8)
	Zakat	(8)	30	(12)	-
	<b>PROFIT/ (LOSS) FOR THE PERIOD</b>	<b>1,252</b>	(2,578)	<b>2,351</b>	167
	<i>Attributable to:</i>				
	Shareholders of the Bank	1,206	(2,656)	2,217	103
	Non-controlling interests	46	78	134	64
		<b>1,252</b>	(2,578)	<b>2,351</b>	167
	Basic and diluted loss per share attributable to shareholders of the Bank	(1.32) fils	(5.16) fils	(0.33) fils	(2.46) fils

The accompanying notes from 1 to 17 form an integral part of this interim condensed consolidated financial information.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 June 2021

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<b>30 June 2021</b>	<i>30 June 2020</i>	<b>30 June 2021</b>	<i>30 June 2020</i>
<b>Profit/ (loss) for the period</b>	<b>1,252</b>	<i>(2,578)</i>	<b>2,351</b>	<i>167</i>
<b>Other comprehensive (loss)/ income:</b>				
<i>Items that may be reclassified to interim condensed consolidated statement of profit or loss</i>				
- Change in fair value of debt instruments at fair value through other comprehensive income	<b>72</b>	<i>4,320</i>	<b>(652)</b>	<i>391</i>
- Foreign currency translation adjustments	<b>(405)</b>	<i>(225)</i>	<b>(660)</b>	<i>1,425</i>
<i>Items that will not be reclassified to interim condensed consolidated statement of profit or loss</i>				
- Change in fair value of equity investments at fair value through other comprehensive income	<b>(133)</b>	<i>(2,790)</i>	<b>2,747</b>	<i>(7,211)</i>
<b>Other comprehensive (loss)/ income for the period</b>	<b>(466)</b>	<i>1,305</i>	<b>1,435</b>	<i>(5,395)</i>
<b>Total comprehensive income/ (loss) for the period</b>	<b>786</b>	<i>(1,273)</i>	<b>3,786</b>	<i>(5,228)</i>
<i>Attributable to:</i>				
Shareholders of the Bank	<b>734</b>	<i>(1,343)</i>	<b>3,645</b>	<i>(5,284)</i>
Non-controlling interests	<b>52</b>	<i>70</i>	<b>141</b>	<i>56</i>
<b>Total comprehensive income/ (loss) for the period</b>	<b>786</b>	<i>(1,273)</i>	<b>3,786</b>	<i>(5,228)</i>

The accompanying notes from 1 to 17 form an integral part of this interim condensed consolidated financial information.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

		<i>KD 000's</i>		
	<i>Notes</i>	<b>30 June 2021</b>	<i>31 December 2020 (Audited)</i>	<i>30 June 2020</i>
<b>ASSETS</b>				
Cash and balances with banks		<b>204,699</b>	111,059	99,269
Due from banks	6	<b>212,626</b>	420,309	412,446
Financing receivables	7	<b>2,108,910</b>	1,979,004	1,949,020
Investment securities	15	<b>240,738</b>	184,362	179,253
Investment in associate		<b>1,634</b>	1,543	1,549
Investment properties		<b>53,719</b>	53,824	58,093
Other assets		<b>29,938</b>	19,281	16,074
Property and equipment		<b>36,542</b>	32,213	30,494
<b>TOTAL ASSETS</b>		<b><u>2,888,806</u></b>	<u>2,801,595</u>	<u>2,746,198</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and financial institutions	8	<b>617,940</b>	671,386	779,274
Depositors' accounts		<b>1,777,291</b>	1,644,803	1,570,126
Sukuk issued	9	<b>89,942</b>	90,403	-
Other liabilities		<b>50,211</b>	42,684	43,218
<b>TOTAL LIABILITIES</b>		<b><u>2,535,384</u></b>	<u>2,449,276</u>	<u>2,392,618</u>
<b>EQUITY</b>				
Share capital		<b>113,275</b>	113,275	113,275
Share premium		<b>49,480</b>	49,480	49,480
Treasury shares		<b>(45,234)</b>	(45,234)	(45,234)
Other reserves		<b>141,276</b>	140,182	141,378
<b>Equity attributable to shareholders of the Bank</b>		<b><u>258,797</u></b>	<u>257,703</u>	<u>258,899</u>
Perpetual Tier 1 Sukuk	16	<b>91,035</b>	91,035	91,035
Non-controlling interests		<b>3,590</b>	3,581	3,646
<b>TOTAL EQUITY</b>		<b><u>353,422</u></b>	<u>352,319</u>	<u>353,580</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>2,888,806</u></b>	<u>2,801,595</u>	<u>2,746,198</u>

Saleh Sulaiman Al Trad  
Acting Chairman

Mohamed Said El Saka  
Deputy Chief Executive Officer

The accompanying notes from 1 to 17 form an integral part of this interim condensed consolidated financial information.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2021

	<i>Equity attributable to shareholders of the Bank</i>												<i>Perpetual Tier 1 Sukuk</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Other reserves</i>											<i>Total</i>			
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Treasury shares</i>	<i>Retained earnings</i>	<i>Fair valuation reserve</i>	<i>Revaluation surplus</i>	<i>Foreign currency translation adjustments</i>	<i>Total other reserves</i>				
Balance as at 1 January 2021	113,275	49,480	(45,234)	38,737	32,654	4,846	33,068	16,900	14,037	(60)	140,182	257,703	91,035	3,581	352,319
Profit for the period	-	-	-	-	-	-	2,217	-	-	-	2,217	2,217	-	134	2,351
Other comprehensive income/ (loss)	-	-	-	-	-	-	-	2,088	-	(660)	1,428	1,428	-	7	1,435
Total comprehensive income/ (loss)	-	-	-	-	-	-	2,217	2,088	-	(660)	3,645	3,645	-	141	3,786
Profit paid on Perpetual Tier 1 Sukuk (Note 16)	-	-	-	-	-	-	(2,551)	-	-	-	(2,551)	(2,551)	-	-	(2,551)
Transfer due to disposals of investment at FVOCI	-	-	-	-	-	-	28	(28)	-	-	-	-	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(132)	(132)
<b>Balance as at 30 June 2021</b>	<b>113,275</b>	<b>49,480</b>	<b>(45,234)</b>	<b>38,737</b>	<b>32,654</b>	<b>4,846</b>	<b>32,762</b>	<b>18,960</b>	<b>14,037</b>	<b>(720)</b>	<b>141,276</b>	<b>258,797</b>	<b>91,035</b>	<b>3,590</b>	<b>353,422</b>
Balance as at 1 January 2020	107,881	49,480	(45,234)	38,736	32,653	4,846	58,185	19,782	14,581	(120)	168,663	280,790	91,035	3,590	375,415
Profit for the period	-	-	-	-	-	-	103	-	-	-	103	103	-	64	167
Other comprehensive (loss)/ income	-	-	-	-	-	-	-	(6,812)	-	1,425	(5,387)	(5,387)	-	(8)	(5,395)
Total comprehensive income/ (loss)	-	-	-	-	-	-	103	(6,812)	-	1,425	(5,284)	(5,284)	-	56	(5,228)
Transfer due to disposals of investment at FVOCI	-	-	-	-	-	-	(1,071)	1,071	-	-	-	-	-	-	-
Modification loss of deferral of financing instalments	-	-	-	-	-	-	(7,203)	-	-	-	(7,203)	(7,203)	-	-	(7,203)
Dividends (Note 10)	-	-	-	-	-	-	(6,797)	-	-	-	(6,797)	(6,797)	-	-	(6,797)
Bonus shares (Note 10)	5,394	-	-	-	-	-	(5,394)	-	-	-	(5,394)	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 16)	-	-	-	-	-	-	(2,607)	-	-	-	(2,607)	(2,607)	-	-	(2,607)
Balance as at 30 June 2020	113,275	49,480	(45,234)	38,736	32,653	4,846	35,216	14,041	14,581	1,305	141,378	258,899	91,035	3,646	353,580

The accompanying notes from 1 to 17 form an integral part of this interim condensed consolidated financial information.



# Kuwait International Bank K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 30 June 2021

	Notes	<i>KD 000's</i>	
		<i>Six months ended</i>	
		<i>30 June</i>	<i>30 June</i>
		<i>2021</i>	<i>2020</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period		2,351	167
Adjustments for:			
Net gain from foreign exchange		(517)	(417)
Dividend income		(861)	(646)
Realised (gain)/ loss from sale of investment securities		(628)	185
Change in fair value of financial assets at fair value through profit or loss		(274)	36
Share of result from an associate		(91)	(11)
Rental income from investment properties		(776)	(468)
Depreciation		2,176	2,030
Provisions and impairment losses	4	12,391	10,011
		<u>13,771</u>	<u>10,887</u>
<i>Changes in operating assets and liabilities:</i>			
Due from banks		(9,084)	24,613
Financing receivables		(140,296)	(100,672)
Other assets		(11,207)	(1,029)
Due to banks and financial institutions		(53,446)	(15,852)
Depositors' accounts		132,488	100,552
Other liabilities		5,364	(4,347)
Net cash (used in)/ from operating activities		<u>(62,410)</u>	<u>14,152</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities		(112,266)	(77,187)
Proceeds on sale/ redemption of investment securities		59,240	70,665
Purchase of property and equipment		(5,909)	(793)
Dividend income received		861	646
Rental income received		776	468
Net cash used in investing activities		<u>(57,298)</u>	<u>(6,201)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Profit paid on perpetual tier 1 sukuk	16	(2,551)	(2,607)
Dividends paid to non-controlling interests		(132)	-
Cash dividends paid		(83)	(6,130)
Net cash used in financing activities		<u>(2,766)</u>	<u>(8,737)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(122,474)</b>	<b>(786)</b>
Effect of foreign currency translation		(660)	1,425
Cash and cash equivalents at the beginning of the period		<u>429,051</u>	<u>329,993</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	11	<u><u>305,917</u></u>	<u><u>330,632</u></u>

The accompanying notes from 1 to 17 form an integral part of this interim condensed consolidated financial information.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
30 June 2021

## 1. INCORPORATION AND ACTIVITIES

Kuwait International Bank K.S.C.P. (the “Bank”) is a Kuwaiti public shareholding company incorporated in the State of Kuwait on 13 May 1973 as a specialised bank and is regulated by the Central Bank of Kuwait (the “CBK”). The Bank’s shares are listed on Boursa Kuwait.

In June 2007, the CBK licensed the Bank to operate in accordance with Islamic Sharia’a from 1 July 2007. From that date, all activities are conducted in accordance with Islamic Sharia’a, as approved by the Bank’s Fatwa and Sharia’a Supervisory Board.

The Bank is engaged principally in providing Islamic banking services, the purchase and sale of properties, leasing, and other trading activities. Trading activities are conducted on the basis of purchasing various commodities and selling them on murabaha at agreed profit margin which can be settled in cash or on installment credit basis.

The registered office of the Bank is at West Tower - Joint Banking Center, P.O. Box 22822, Safat 13089, Kuwait.

The Bank owns 73.6% of issued share capital of Al Dawli Takaful Insurance Company KSCC (“KIB Takaful”), Kuwait. KIB Takaful is engaged in providing Sharia’a compliant insurance services. In addition, the Bank beneficially owns 100% of issued share capital of KIB Tier 1 Sukuk Limited and KIB Sukuk Limited, incorporated as a special purpose vehicle with limited liability in the Cayman Islands.

The interim condensed consolidated financial information of the Bank and its Subsidiaries (together the “Group”) for the period ended 30 June 2021 were authorized for issue by the Acting Chairman on 3 August 2021 in accordance with a resolution of the Bank’s Board of Directors on 12 July 2021.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, except for point (a) below.

- (a) The interim condensed consolidated financial information have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendments:
- (i) Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
  - (ii) Furthermore, in the comparative periods, modification losses on financial assets (Consumer and other instalment financing and credit cards) arising from payment holidays to customers in response to Covid-19 set out in the CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020 were recognized in retained earnings instead of consolidated statement of profit or loss as required by IFRS 9.

The above framework is hereinafter referred to as ‘IFRS as adopted by CBK for use by the State of Kuwait’.

The ECL for credit facilities as at 30 June 2021 is lower than the provision for impairment of credit facilities required by CBK.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with IFRSs as adopted for use by the State of Kuwait, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars (“KD”) which is the functional currency of the Bank and KIB Takaful, rounded to the nearest thousand Kuwaiti Dinars, except when otherwise stated.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
30 June 2021

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

#### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

## 3. FINANCE COSTS AND ESTIMATED DISTRIBUTION TO DEPOSITORS

The management of the Bank has estimated distribution to depositors and profit attributable to Bank's shareholders based on the results for the six-month period ended 30 June 2021. The actual distribution to depositors for deposits of tenures exceeding 6 months could be different from the amounts presented in the interim condensed consolidated statement of profit or loss. The actual profit to be distributed to these depositors will be determined by the Board of Directors of the Bank in accordance with the Bank's articles of association, based on the annual audited results for the financial year ending 31 December 2021.

## 4. PROVISIONS AND IMPAIRMENT LOSSES

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Financing receivables	<b>5,069</b>	7,838	<b>11,290</b>	10,388
Provision for/ (reversal of) Murabaha finance with banks	<b>90</b>	(62)	<b>90</b>	(60)
(Reversal of)/ provision for expected credit losses for other financial assets	<b>(263)</b>	(237)	<b>(301)</b>	135
Provision for/ (reversal of) impairment on non-cash credit facilities	<b>43</b>	(2)	<b>102</b>	(191)
Provision no longer required	<b>(539)</b>	(81)	<b>(990)</b>	(261)
Other provisions	<b>2,200</b>	-	<b>2,200</b>	-
	<b>6,600</b>	7,456	<b>12,391</b>	10,011

# Kuwait International Bank K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
30 June 2021

## 5. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted earnings/ (loss) per share are computed by dividing profit/ (loss) for the period attributable to the shareholders of the Bank adjusted for profit paid (if any) on Perpetual Tier 1 Sukuk by the weighted average number of shares outstanding during the period, less treasury shares, as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
Profit/ (loss) for the period attributable to the shareholders of the Bank (KD 000's)	<b>1,206</b>	(2,656)	<b>2,217</b>	103
Less: profit paid on Perpetual Tier 1 Sukuk (KD 000's)	<b>(2,551)</b>	(2,607)	<b>(2,551)</b>	(2,607)
	<b>(1,345)</b>	(5,263)	<b>(334)</b>	(2,504)
Weighted average number of shares outstanding less treasury shares (shares'000)	<b>1,019,586</b>	1,019,586	<b>1,019,586</b>	1,019,586
Basic and diluted loss per share	<b>(1.32) fils</b>	(5.16) fils	<b>(0.33) fils</b>	(2.46) fils

## 6. DUE FROM BANKS

	<i>KD 000's</i>		
	<i>30 June 2021</i>	<i>31 December 2020 (Audited)</i>	<i>30 June 2020</i>
Tawarruq transactions with CBK and government debts	<b>96,434</b>	96,301	134,243
Murabaha finance with banks (contractual maturity of 90 days or less)	<b>101,218</b>	317,992	231,363
Murabaha finance with banks (contractual maturity of more than 90 days)	<b>15,126</b>	6,083	46,913
	<b>212,778</b>	420,376	412,519
Less: Provision for impairment	<b>(151)</b>	(61)	(62)
Less: Expected credit losses	<b>(1)</b>	(6)	(11)
	<b>212,626</b>	420,309	412,446

## 7. FINANCING RECEIVABLES

	<i>KD 000's</i>		
	<i>30 June 2021</i>	<i>31 December 2020 (Audited)</i>	<i>30 June 2020</i>
Financing receivables	<b>2,172,636</b>	2,031,872	2,009,698
Provision for credit losses as per CBK instructions	<b>(63,726)</b>	(52,868)	(60,678)
	<b>2,108,910</b>	1,979,004	1,949,020

The following tables show reconciliations from the opening to the closing balance of the loss allowance as per CBK instructions:

	<i>30 June 2021</i>			<i>30 June 2020</i>		
	<i>Specific</i>	<i>General</i>	<i>Total</i>	<i>Specific</i>	<i>General</i>	<i>Total</i>
As at 1 January	<b>7,107</b>	<b>45,761</b>	<b>52,868</b>	6,228	46,714	52,942
Provision charged	<b>3,874</b>	<b>7,416</b>	<b>11,290</b>	10,369	19	10,388
Amounts (written off)/ collected	<b>(482)</b>	<b>50</b>	<b>(432)</b>	(2,652)	-	(2,652)
As at 30 June	<b>10,499</b>	<b>53,227</b>	<b>63,726</b>	13,945	46,733	60,678

The available provision on non-cash facilities of KD 4,675 thousand (31 December 2020: KD 4,573 thousand, 30 June 2020: KD 4,721 thousand) is included under other liabilities.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) 30 June 2021

### 7. FINANCING RECEIVABLES (continued)

Expected credit losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 55,985 thousand as at 30 June 2021 (31 December 2020: KD 55,167 thousand; 30 June 2020: KD 63,635 thousand), which is lower than the provision for credit facilities under the CBK instructions of KD 68,552 thousand (31 December 2020: KD 57,502 thousand; 30 June 2020: KD 65,461 thousand).

An analysis of the carrying amounts of credit facilities, and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations. For contingent liabilities and commitments, the amounts in the table represent the amounts committed or guaranteed, respectively.

	<i>KD 000's</i>			
<i>30 June 2021</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Financing receivables *	1,666,746	446,884	59,006	2,172,636
Contingent liabilities	256,283	44,035	2,690	303,008
Commitments	473,558	46,868	78	520,504
	<u>2,396,587</u>	<u>537,787</u>	<u>61,774</u>	<u>2,996,148</u>
Cash facilities	(5,993)	(14,798)	(26,796)	(47,587)
Non-cash facilities	(1,931)	(3,822)	(2,645)	(8,398)
Expected credit losses	(7,924)	(18,620)	(29,441)	(55,985)
	<u>2,388,663</u>	<u>519,167</u>	<u>32,333</u>	<u>2,940,163</u>
	<i>KD 000's</i>			
<i>31 December 2020 (Audited)</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Financing receivables *	1,546,190	431,553	54,129	2,031,872
Contingent liabilities	226,421	46,055	2,638	275,114
Commitments	365,352	46,459	695	412,506
	<u>2,137,963</u>	<u>524,067</u>	<u>57,462</u>	<u>2,719,492</u>
Cash facilities	(6,718)	(16,454)	(22,220)	(45,392)
Non-cash facilities	(2,787)	(4,358)	(2,630)	(9,775)
Expected credit losses	(9,505)	(20,812)	(24,850)	(55,167)
	<u>2,128,458</u>	<u>503,255</u>	<u>32,612</u>	<u>2,664,325</u>
	<i>KD 000's</i>			
<i>30 June 2020</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Financing receivables *	1,566,664	363,283	79,751	2,009,698
Contingent liabilities	233,204	51,779	2,716	287,699
Commitments	354,297	76,678	199	431,174
	<u>2,154,165</u>	<u>491,740</u>	<u>82,666</u>	<u>2,728,571</u>
Cash facilities	(7,424)	(14,173)	(30,951)	(52,548)
Non-cash facilities	(2,896)	(5,464)	(2,727)	(11,087)
Expected credit losses	(10,320)	(19,637)	(33,678)	(63,635)
	<u>2,143,845</u>	<u>472,103</u>	<u>48,988</u>	<u>2,664,936</u>

\* Financing receivables does not include Murabaha finance with banks.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
30 June 2021

## 7. FINANCING RECEIVABLES (continued)

An analysis of the changes in the Expected Credit Losses in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines:

2021	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL allowance as at 1 January 2021	9,505	20,812	24,850	55,167
Impact due to transfer between stages	129	(703)	574	-
Additional ECL for the period	(1,693)	(1,476)	4,419	1,250
Amounts written off	(17)	(13)	(402)	(432)
<b>At 30 June 2021</b>	<b>7,924</b>	<b>18,620</b>	<b>29,441</b>	<b>55,985</b>
2020	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL allowance as at 1 January 2020	8,033	20,581	28,642	57,256
Impact due to transfer between stages	(528)	(4,450)	4,978	-
Additional ECL for the period	2,817	3,746	2,468	9,031
Amounts written off	(2)	(240)	(2,410)	(2,652)
<b>At 30 June 2020</b>	<b>10,320</b>	<b>19,637</b>	<b>33,678</b>	<b>63,635</b>

## 8. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	KD 000's		
	30 June 2021	31 December 2020 (Audited)	30 June 2020
Murabaha payable to banks	188,219	202,892	312,518
Murabaha payable to financial institutions	407,210	446,222	445,172
Current and call accounts	22,511	22,272	21,584
	<b>617,940</b>	<b>671,386</b>	<b>779,274</b>

## 9. SUKUK ISSUED

On 30 November 2020, the Bank through Trust Certificate Issuance Programme (USD 2 Billion) issued USD denominated subordinated Tier 2 Sukuk amounting to USD 300 million with a tenor of 10 years (callable at each periodic distribution date after 5 years). The Tier 2 Sukuk is listed on the International Securities Market of the London Stock Exchange. Sukuk bears a profit rate of 2.375% per annum, payable semi-annually in arrears until the First Call Date subject to terms of the issue. After that, the expected profit rate will be reset based on prevailing 5-year US Treasury plus a margin of 1.99% per annum.

These Wakala Sukuk are unsecured and callable in whole at the option of the Bank on 30 November 2025 and each periodic distribution date thereafter, subject to certain conditions and regulatory approvals.

## Kuwait International Bank K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
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### 10. SHAREHOLDERS' MEETINGS

On 6 May 2021, the Annual General Assembly meeting of the Bank's shareholders has been held. Accordingly, the consolidated financial statements for the year ended 31 December 2020 and recommendation of the Board of Directors not to distribute cash dividends or bonus shares have been approved by the Bank's shareholders.

On 26 March 2020, the Annual General Assembly and Extraordinary General Assembly meetings of the Bank's shareholders approved the distribution of cash dividends amounting to KD 6,797 thousand and bonus shares of 5% for the financial year ended 31 December 2019.

### 11. CASH AND CASH EQUIVALENTS

	<u>30 June</u>	<u>31 December</u>	<u>KD 000's</u>
	<u>2021</u>	<u>2020</u>	<u>30 June</u>
		<i>(Audited)</i>	<u>2020</u>
Cash and balances with banks	<b>204,699</b>	111,059	99,269
Murabaha finance with banks (contractual maturity of 90 days or less)	<b>101,218</b>	317,992	231,363
	<b><u>305,917</u></b>	<u>429,051</u>	<u>330,632</u>

### 12. COMMITMENTS AND CONTINGENT LIABILITIES

	<u>30 June</u>	<u>31 December</u>	<u>KD 000's</u>
	<u>2021</u>	<u>2020</u>	<u>30 June</u>
		<i>(Audited)</i>	<u>2020</u>
Acceptances	<b>7,482</b>	6,281	15,527
Letters of credit	<b>6,118</b>	4,865	6,072
Letters of guarantee	<b>289,408</b>	263,968	266,100
	<b><u>303,008</u></b>	<u>275,114</u>	<u>287,699</u>

The Group also has revocable cash commitments to extend credit amounting to KD 274,295 thousand (31 December 2020: KD 252,048 thousand, 30 June 2020: KD 236,355 thousand).

# Kuwait International Bank K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
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## 13. RELATED PARTY TRANSACTIONS

These are transactions with certain related parties (major shareholders, associate, directors and executive officers of the Group, close members of their families and companies in which they are principal owners or over which they are able to exert significant influence) who were customers of the Group in the ordinary course of business. Such transactions were made on substantially the same terms including profit 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. Transactions with subsidiaries are eliminated in full and hence not disclosed.

The transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

					<i>KD 000's</i>	
	<i>Major shareholders and other related parties</i>	<i>Associate</i>	<i>Directors and Executive officers</i>	<i>30 June 2021</i>	<i>31 December 2020</i> <i>(Audited)</i>	<i>30 June 2020</i>
<b>Balances</b>						
Financing receivables	<b>121,038</b>	-	<b>45,831</b>	<b>166,869</b>	165,329	174,917
Credit cards	-	-	<b>42</b>	<b>42</b>	30	74
Deposits	<b>12,502</b>	<b>163</b>	<b>5,505</b>	<b>18,170</b>	18,265	19,153
Commitments and contingent liabilities	<b>33,611</b>	-	<b>6,691</b>	<b>40,302</b>	47,068	39,132
Collaterals against credit facilities	<b>104,289</b>	-	<b>80,923</b>	<b>185,212</b>	167,905	175,431
<b>Transactions</b>						
Financing income	<b>2,050</b>	-	<b>1,006</b>	<b>3,056</b>	7,337	4,242
Estimated distribution to depositors	<b>73</b>	-	<b>29</b>	<b>102</b>	320	145
Others	-	-	<b>188</b>	<b>188</b>	311	146
	<b>30 June 2021</b>		<b>31 December 2020</b> <i>(Audited)</i>		<b>30 June 2020</b>	
	<i>No. of Directors and Executive officers</i>	<i>KD 000's</i>	<i>No. of Directors and Executive officers</i>	<i>KD 000's</i>	<i>No. of Directors and Executive officers</i>	<i>KD 000's</i>
<b>Directors</b>						
Financing receivables	<b>4</b>	<b>45,429</b>	4	46,008	5	50,939
Deposits	<b>10</b>	<b>4,309</b>	8	5,845	10	1,547
Commitments and contingent liabilities	<b>5</b>	<b>6,588</b>	4	5,563	5	6,997
Collaterals against credit facilities	<b>5</b>	<b>80,923</b>	4	63,833	5	69,784
<b>Executive officers</b>						
Financing receivables	<b>13</b>	<b>402</b>	8	257	8	162
Credit cards	<b>21</b>	<b>42</b>	16	30	16	74
Deposits	<b>26</b>	<b>1,196</b>	21	1,123	21	1,298
Commitments and contingent liabilities	<b>25</b>	<b>103</b>	18	84	18	80

### Key management personnel compensation

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
Short-term benefits	<b>662</b>	630	<b>1,275</b>	1,253
Post-employment benefits	<b>54</b>	45	<b>100</b>	89



# Kuwait International Bank K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
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## 14. SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the Chief Executive Officer that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operating segments meet the criteria for reportable segments and are as follows:

Commercial and International Banking	:	Comprising of range of banking services and investment products to corporate customers providing commodity and real estate Murabaha finance, Ijara and Wakala facilities.
Retail Banking	:	Comprising of range of banking services and investment products to individual customers, providing commodity Murabaha finance, Ijara and Wakala facilities.
Treasury, Fund Management and Institutional Banking	:	Comprising of liquidity management, correspondent banking, clearing, murabaha investments, exchange of deposits with banks and financial institutions.
Investment Management	:	Comprising of investment in associate and other investments, including investment properties.
Others	:	Comprising of those which is not pertaining to the above segments and includes those relating to all subsidiaries.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The Group measures the performance of operating segments through measure of segment operating income and results in management and reporting systems.

Segment assets principally comprise all assets and segment liabilities comprise all liabilities that are attributable to the segment.

The following table presents operating income, results for the period, total assets and total liabilities information regarding the Group's reportable segments.

	<i>KD 000's</i>					
	<i>Commercial and International Banking</i>	<i>Retail Banking</i>	<i>Treasury, Fund Management and Institutional Banking</i>	<i>Investment management</i>	<i>Others</i>	<i>Total</i>
<b>30 June 2021</b>						
Segment operating income/(loss)	<b>31,309</b>	<b>4,372</b>	<b>(7,377)</b>	<b>4,447</b>	<b>1,306</b>	<b>34,057</b>
Segment result	<b>9,724</b>	<b>1,202</b>	<b>435</b>	<b>2,723</b>	<b>(11,733)</b>	<b>2,351</b>
Segment assets	<b>1,823,198</b>	<b>310,403</b>	<b>436,258</b>	<b>265,249</b>	<b>53,698</b>	<b>2,888,806</b>
Segment liabilities	<b>356,956</b>	<b>782,101</b>	<b>1,354,741</b>	<b>-</b>	<b>41,586</b>	<b>2,535,384</b>
<b>31 December 2020 (Audited)</b>						
Segment assets	1,698,081	291,548	553,820	211,938	46,208	2,801,595
Segment liabilities	283,990	717,612	1,413,939	-	33,735	2,449,276
<b>30 June 2020</b>						
Segment operating income/(loss)	34,702	3,469	(12,673)	2,946	908	29,352
Segment result	4,683	815	(169)	(443)	(4,719)	167
Segment assets	1,697,162	263,111	526,366	218,559	41,000	2,746,198
Segment liabilities	351,096	689,709	1,317,465	-	34,348	2,392,618

The Group operates from the State of Kuwait only.

# Kuwait International Bank K.S.C.P. and its Subsidiaries

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## 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments that are carried at fair value:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>KD 000's</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>30 June 2021</b>				
<b>Investment securities</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted securities	<b>13,699</b>	-	-	<b>13,699</b>
<i>Financial assets at fair value through other comprehensive income:</i>				
Quoted equity securities	<b>2,749</b>	-	-	<b>2,749</b>
Unquoted equity securities	-	-	<b>26,074</b>	<b>26,074</b>
Investment in sukuk	<b>198,216</b>	-	-	<b>198,216</b>
	<b>214,664</b>	-	<b>26,074</b>	<b>240,738</b>
<b>31 December 2020 (Audited)</b>				
<b>Investment securities</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted securities	13,514	-	-	13,514
<i>Financial assets at fair value through other comprehensive income:</i>				
Quoted equity securities	2,585	-	-	2,585
Unquoted equity securities	-	-	23,836	23,836
Investment in sukuk	144,427	-	-	144,427
	160,526	-	23,836	184,362
<b>30 June 2020</b>				
<b>Investment securities</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted securities	13,303	-	-	13,303
<i>Financial assets at fair value through other comprehensive income:</i>				
Quoted equity securities	2,796	-	-	2,796
Unquoted equity securities	-	-	23,684	23,684
Investment in sukuk	139,470	-	-	139,470
	155,569	-	23,684	179,253

There has been no change in valuation techniques as compared to prior periods. During the period ended 30 June 2021, there were no transfers between the levels.

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### 15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The movement in Level 3 of financial instrument during the period are as follows:

	<i>KD 000's</i>				
	Balance as at 1 January	Change in fair value	Sale/ redemption	Exchange rate movements	Balance as at 30 June
<b>30 June 2021</b>					
<i>Financial assets at fair value through other comprehensive income:</i>					
Unquoted equity securities	23,836	2,447	(202)	(7)	26,074
	<u>23,836</u>	<u>2,447</u>	<u>(202)</u>	<u>(7)</u>	<u>26,074</u>
31 December 2020 (Audited)					
<i>Financial assets at fair value through other comprehensive income:</i>					
Unquoted equity securities	29,928	(6,125)	-	33	23,836
	<u>29,928</u>	<u>(6,125)</u>	<u>-</u>	<u>33</u>	<u>23,836</u>
30 June 2020					
<i>Financial assets at fair value through other comprehensive income:</i>					
Unquoted equity securities	29,928	(6,297)	-	53	23,684
	<u>29,928</u>	<u>(6,297)</u>	<u>-</u>	<u>53</u>	<u>23,684</u>

### 16. PERPETUAL TIER 1 SUKUK

On 10 June 2019, the Bank through a Sharia'a compliant Sukuk arrangement issued RegS Tier 1 Sukuk amounting to USD 300 million. Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, deeply subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier I Sukuk is listed on the Irish Stock Exchange (Euronext Dublin) and is callable by the Bank after five-year period ending 10 June 2024 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions including prior regulatory approvals.

The net proceeds from Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as "Mudareb") on an unrestricted basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Tier I Sukuk bears a profit rate of 5.625% per annum to be paid semi-annually in arrears until the First Call Date subject to terms of the issue. After that, the expected profit rate will be reset based on then prevailing 5-year US Treasury plus a margin of 3.6% per annum.

At the issuer's sole discretion, it may elect not to make any Mudaraba distributions expected and in such event, the Mudaraba profit will not be accumulated and will not constitute a default event. During the current period, the Bank paid profit amounting to KD 2,551 thousand (30 June 2020: KD 2,607 thousand).

### 17. IMPACT OF COVID-19 PANDEMIC

The Covid-19 pandemic which spread rapidly across global geographies in 2020 causing significant disruption to business and economic activities and bringing unprecedented uncertainties to the global economic environment continued its impact in the current year. Fiscal and monetary authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic on the business and economic environment.

#### Covid-19 support measures

In response to the crisis the CBK implemented a number of measures targeted at reinforcing the banking sectors ability to play a vital role in the economy and remain liquid to support the business and economy. These measures include, but not limited to, the expansion of lending capacity by relaxing liquidity and capital ratio requirements, strengthening financing capabilities, providing direction in lending to productive economic sectors and in the provision of liquidity to impacted customers as also postponed of installments on personal finances.

## 17. IMPACT OF COVID-19 PANDEMIC (continued)

### Covid-19 support measures (continued)

Some of the important regulatory measures taken by CBK which remained applicable as of this report are given below:

- Decreased the Liquidity Coverage Ratio (“LCR”) from 100% to 80%
- Decreased the Net Stable Financing Ratio (“NSFR”) from 100% to 80%
- Decreased the regulatory Liquidity Ratio from 18% to 15%
- Increased the limit for maximum negative cumulative gap for liquidity based on maturity ladders
- Released Capital conservation buffer of 2.5% of risk-weighted assets in the form of CET1
- Decreased the risk weights for lending to SMEs from 75% to 25% to be applied in the calculation of risk weighted assets
- Increased the limit for maximum permissible financing (Finance-to-Deposits Ratio) from 90% to 100% of deposits
- Increased finance-to-value limits for finance granted to individuals for the purpose of purchasing and/or developing real estate properties. This has since been reverted to original levels effective 1 July 2021.
- Provision of finance by banks at concessional profit rates to SMEs and other companies impacted by the Covid-19 (Emergency Line of Credit programme) with significant government guarantees.

### 2021 consumer and other instalments loans deferral scheme

Kuwait banks announced postponement of payment of consumer and instalment loans to eligible customer, upon request, in accordance with the CBK circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. (2) of Law No. (3) of 2021 (“the Law”) regarding the deferral of the financial obligations for a six-month period with cancellation of interest and profits resulting from this deferral (“the 2021 scheme”). The cost of the instalment deferrals are fully borne by the Government of Kuwait in accordance with the Law.

The Bank implemented the 2021 scheme by postponing the instalments for a six-month period from the customer request date with the corresponding extension of the facility tenure. The instalment deferral resulted in a loss to the Bank arising from the modification of contractual cash-flows, provisionally estimated at KD 5,786 thousand in accordance with IFRS 9. This loss was offset by an equivalent amount receivable from Government of Kuwait as Government Grant in accordance with the Law. The Bank has recorded the Government grant income by setting it off against the modification loss from the 2021 scheme. The Government grant receivable is included in other assets in the interim condensed consolidated statement of financial position.

### Expected Credit Loss (“ECL”) estimates

The Bank considered the potential impact of the continued uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the period ended 30 June 2021.

### Significant increase in credit risk

Where applicable the Bank considered the following aspects to assess if there was significant increase in credit risk or objective evidence of impairment in the light of Covid-19 situation.

- Temporary financial difficulties of the borrowers are distinguished from longer-term or permanent impacts
- Borrowers operating in certain sectors or industries are likely to be more vulnerable and could be severely impacted
- Deferral of instalments or profit payments on financing facilities will not automatically trigger significant increase in credit risk
- Retail personal finance to certain customer segments are more likely to have significant increase in credit risk arising from job losses and pay cuts
- Significant corporate exposures are individually assessed to identify vulnerability impact and if any significant increase in credit risk is likely as and when reliable data is available

The above assessment has resulted in a suitable classification of certain exposures and corresponding increase in ECL estimates, where applicable based on management judgement.

**17. IMPACT OF COVID-19 PANDEMIC (continued)**

**Macro-economic factors**

The Bank considered the effects of volatility witnessed in the range of macroeconomic factors and in the scenarios used for determination of ECL. In particular, given the continuing uncertainties, albeit declining, and impact stemming from Covid-19, Bank made suitable assumptions reflected through constructing a plausible forward-looking view of the macroeconomic factors. The Bank applied appropriate probability weightages on three scenarios ('Baseline', 'Benign', 'Severe') which is combined with realistic forecasts of macro-economic factors across all three scenarios in estimating ECL outcome.