



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

**Interim Condensed Consolidated Financial Information
30 June 2022 (Unaudited)**

I N D E X

Page

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information	1 - 2
Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)	3
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	4
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	5
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	6
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	7
Notes to the Interim Condensed Consolidated Financial Information (Unaudited)	8 - 17



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Ernst & Young
Al Alban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baijakh 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

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 2022, and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three and six-months periods then ended, and the related interim condensed consolidated statements of 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 2022 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 2022 that might have had a material effect on the business of the Bank or on its financial position.



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



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

Kuwait 28 July 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

Period ended 30 June 2022

		<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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	Financing income	24,491	20,714	45,805	39,863
	Finance costs and estimated distribution to depositors	(13,348)	(7,861)	(22,722)	(15,284)
	Net financing income	11,143	12,853	23,083	24,579
	Fees and commission income	2,606	3,011	5,665	5,803
	Net gain from foreign exchange	241	312	522	517
	Investment income	907	1,444	1,476	2,630
	Other income	205	258	390	528
	TOTAL OPERATING INCOME	15,102	17,878	31,136	34,057
	Staff costs	(5,681)	(5,363)	(11,758)	(10,678)
	General and administrative expenses	(3,955)	(3,525)	(7,086)	(6,379)
	Depreciation	(1,118)	(1,093)	(2,213)	(2,176)
	TOTAL OPERATING EXPENSES	(10,754)	(9,981)	(21,057)	(19,233)
	Profit from operations before provisions and impairment losses	4,348	7,897	10,079	14,824
	Provisions and impairment losses	(3,650)	(6,600)	(6,688)	(12,391)
	PROFIT FROM OPERATIONS	698	1,297	3,391	2,433
	Provision for:				
	Kuwait Foundation for the Advancement of Sciences (KFAS)	(7)	(12)	(30)	(21)
	National Labor Support Tax (NLST)	(17)	(25)	(89)	(49)
	Zakat	2	(8)	(27)	(12)
	PROFIT FOR THE PERIOD	676	1,252	3,245	2,351
	<i>Attributable to:</i>				
	Shareholders of the Bank	715	1,206	3,165	2,217
	Non-controlling interests	(39)	46	80	134
		676	1,252	3,245	2,351
	Basic and diluted (loss)/ earnings per share attributable to shareholders of the Bank	(1.78) fils	(1.27) fils	0.53 fils	(0.31) fils

The accompanying notes from 1 to 18 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 2022

	<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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Profit for the period	676	1,252	3,245	2,351
Other comprehensive (loss)/ income:				
<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	(6,061)	230	(14,778)	(190)
- Less: Gain on debt instruments at FVOCI reclassified to profit or loss upon disposal	-	(158)	(6)	(462)
- Foreign currency translation adjustments	840	(405)	1,260	(660)
<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	(1,541)	(133)	(361)	2,747
Other comprehensive (loss)/ income for the period	(6,762)	(466)	(13,885)	1,435
Total comprehensive (loss)/ income for the period	(6,086)	786	(10,640)	3,786
<i>Attributable to:</i>				
Shareholders of the Bank	(6,061)	734	(10,747)	3,645
Non-controlling interests	(25)	52	107	141
Total comprehensive (loss)/ income for the period	(6,086)	786	(10,640)	3,786

The accompanying notes from 1 to 18 form an integral part of this interim condensed consolidated financial information.

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

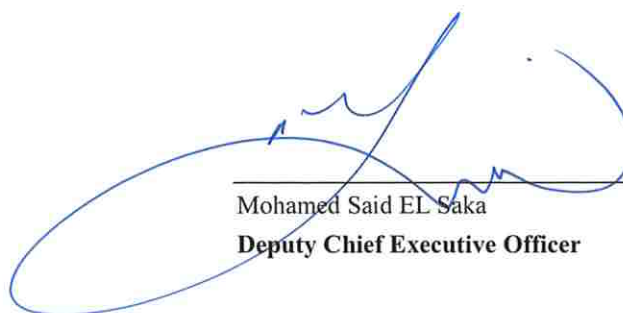
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

		<i>KD 000's</i>		
	<i>Notes</i>	30 June 2022	<i>31 December 2021 (Audited)</i>	<i>30 June 2021</i>
ASSETS				
Cash and balances with banks	6	187,949	87,583	204,699
Deposits with the Central Bank of Kuwait		106,481	146,297	96,434
Due from banks	6	189,911	212,358	101,217
Financing receivables	7	2,605,556	2,270,474	2,123,885
Investment securities	16	297,724	295,839	240,738
Investment in an associate		1,709	1,674	1,634
Investment properties		53,447	53,545	53,719
Other assets	8	34,603	29,092	29,938
Property and equipment		37,882	38,207	36,542
TOTAL ASSETS		<u>3,515,262</u>	<u>3,135,069</u>	<u>2,888,806</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	9	727,872	561,826	617,940
Depositors' accounts		2,289,158	2,061,626	1,777,291
Sukuk issued	10	91,677	90,397	89,942
Other liabilities	11	66,334	63,497	50,211
TOTAL LIABILITIES		<u>3,175,041</u>	<u>2,777,346</u>	<u>2,535,384</u>
EQUITY				
Share capital		117,807	113,275	113,275
Share premium		49,480	49,480	49,480
Treasury shares		(45,234)	(45,234)	(45,234)
Other reserves		123,555	145,511	141,276
Equity attributable to shareholders of the Bank		245,608	263,032	258,797
Perpetual Tier 1 Sukuk	17	91,035	91,035	91,035
Non-controlling interests		3,578	3,656	3,590
TOTAL EQUITY		<u>340,221</u>	<u>357,723</u>	<u>353,422</u>
TOTAL LIABILITIES AND EQUITY		<u>3,515,262</u>	<u>3,135,069</u>	<u>2,888,806</u>



Jassem Hassan Zainal
Acting Chairman



Mohamed Said EL Saka
Deputy Chief Executive Officer

The accompanying notes from 1 to 18 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 2022

	<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 2022	113,275	49,480	(45,234)	39,876	33,793	4,846	36,285	17,503	13,493	(285)	145,511	263,032	91,035	3,656	357,723
Profit for the period	-	-	-	-	-	-	3,165	-	-	-	3,165	3,165	-	80	3,245
Other comprehensive (loss)/ income	-	-	-	-	-	-	-	(15,172)	-	1,260	(13,912)	(13,912)	-	27	(13,885)
Total comprehensive income/ (loss)	-	-	-	-	-	-	3,165	(15,172)	-	1,260	(10,747)	(10,747)	-	107	(10,640)
Cash dividends (Note 12)	-	-	-	-	-	-	(4,078)	-	-	-	(4,078)	(4,078)	-	-	(4,078)
Bonus shares issuance (Note 12)	4,532	-	-	-	-	-	(4,532)	-	-	-	(4,532)	-	-	-	-
Transfer due to disposals of investment at FVOCI	-	-	-	-	-	-	322	(322)	-	-	-	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 17)	-	-	-	-	-	-	(2,599)	-	-	-	(2,599)	(2,599)	-	-	(2,599)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(185)	(185)
Balance as at 30 June 2022	117,807	49,480	(45,234)	39,876	33,793	4,846	28,563	2,009	13,493	975	123,555	245,608	91,035	3,578	340,221
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
Transfer due to disposals of investment at FVOCI	-	-	-	-	-	-	28	(28)	-	-	-	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 17)	-	-	-	-	-	-	(2,551)	-	-	-	(2,551)	(2,551)	-	-	(2,551)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(132)	(132)
Balance as at 30 June 2021	113,275	49,480	(45,234)	38,737	32,654	4,846	32,762	18,960	14,037	(720)	141,276	258,797	91,035	3,590	353,422

The accompanying notes from 1 to 18 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 2022

	Notes	<i>KD 000's</i>	
		<i>Six months ended</i>	
		30 June 2022	30 June 2021
OPERATING ACTIVITIES			
Profit for the period		3,245	2,351
Adjustments for:			
Net gain from foreign exchange		(522)	(517)
Dividend income		(946)	(861)
Realised loss/ (gain) from sale of debt instruments		110	(628)
Change in fair value of financial assets at FVTPL		(105)	(274)
Share of result from an associate		(35)	(91)
Rental income from investment properties		(500)	(776)
Depreciation		2,213	2,176
Provisions and impairment losses	4	6,688	12,391
		10,148	13,771
<i>Changes in operating assets and liabilities:</i>			
Deposits with the Central Bank of Kuwait		39,816	(133)
Financing receivables		(341,799)	(149,248)
Other assets		(6,050)	(11,207)
Due to banks and financial institutions		166,046	(53,446)
Depositors' accounts		227,532	132,488
Other liabilities		4,521	5,364
Net cash from/ (used in) operating activities		100,214	(62,411)
INVESTING ACTIVITIES			
Purchase of investment securities		(102,674)	(112,266)
Proceeds on redemption/ sale of investment securities		85,764	59,240
Purchase of property and equipment		(1,276)	(5,909)
Dividend income received		946	861
Rental income received		500	776
Net cash used in investing activities		(16,740)	(57,298)
FINANCING ACTIVITIES			
Profit paid on perpetual tier 1 sukuk		(2,599)	(2,551)
Dividends paid to non-controlling interests		(185)	(132)
Cash dividends paid		(4,031)	(83)
Net cash used in financing activities		(6,815)	(2,766)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		76,659	(122,475)
Effect of foreign currency translation		1,260	(660)
Cash and cash equivalents at the beginning of the period		299,941	429,051
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	377,860	305,916

The accompanying notes from 1 to 18 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 2022

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 (Premier Market).

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 vehicles 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 2022 were authorised for issue by the Bank’s Board of Directors on 6 July 2022.

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 has been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations, including the CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, 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) Recognition of modification losses on financial assets arising from payment holidays to customers as a result of COVID-19 during the financial year ended 31 December 2020, as required by CBK circular reference 2/BS, RBA/461/2020. Modification losses referred to in the circular, are recognized in retained earnings instead of profit or loss as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognized in profit or loss in accordance with IFRS 9. All modification losses incurred after the financial year ended 31 December 2020 are recognized in the consolidated statement of profit or loss. The application of the policy will result in application of different accounting presentation for modification loss in 2020 compared to 2021.

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 2022 is lower than the provision for impairment of credit facilities required by CBK (Note 7).

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 2021. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 2022

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 information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no material impact on the interim condensed consolidated financial statements of the Group as there were no significant modifications of the Group's financial instruments during the period.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

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 2022. 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 2022.

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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Impairment losses on financing receivables	4,089	5,159	14,749	11,380
Provision for/ (reversal of) expected credit losses for other financial assets	2	(263)	(97)	(301)
Provision for impairment on non-cash credit facilities	72	43	68	102
Provision no longer required	(513)	(539)	(8,032)	(990)
Other provisions	-	2,200	-	2,200
	<u>3,650</u>	<u>6,600</u>	<u>6,688</u>	<u>12,391</u>

5. BASIC AND DILUTED (LOSS)/ EARNINGS PER SHARE

Basic and diluted (loss)/ earnings per share are computed by dividing profit for the period attributable to the shareholders of the Bank adjusted for profit paid (if any) on Perpetual Tier1 Sukuk by the weighted average number of shares issued during the period, less treasury shares, as follows:

	<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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Profit for the period attributable to the shareholders of the Bank (KD 000's)	715	1,206	3,165	2,217
Less: profit paid on Perpetual Tier 1 Sukuk (KD 000's)	(2,599)	(2,551)	(2,599)	(2,551)
	(1,884)	(1,345)	566	(334)
Weighted average number of shares outstanding less treasury shares (shares'000)	<u>1,060,369</u>	<u>1,060,369</u>	<u>1,060,369</u>	<u>1,060,369</u>
Basic and diluted (loss)/ earnings per share	<u>(1.78) fils</u>	<u>(1.27) fils</u>	<u>0.53 fils</u>	<u>(0.31) fils</u>

Basic and diluted (loss)/ earnings per share for the current and comparative period presented has been adjusted to reflect the effect of bonus shares for 2021 (Note 12).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) 30 June 2022

6. CASH AND CASH EQUIVELENTS

	<i>KD 000's</i>		
	30 June 2022	<i>31 December 2021 (Audited)</i>	<i>30 June 2021</i>
Cash	14,329	8,984	9,532
Balances with banks	19,591	11,569	44,093
Balances with CBK	154,031	67,032	151,075
	187,951	87,585	204,700
Less: Expected credit losses	(2)	(2)	(1)
Cash and balances with banks	187,949	87,583	204,699
Murabaha finance with banks (contractual maturity of 90 days or less) - Net	189,911	212,358	101,217
Cash and cash equivalents	377,860	299,941	305,916

7. FINANCING RECEIVABLES

	<i>KD 000's</i>		
	30 June 2022	<i>31 December 2021 (Audited)</i>	<i>30 June 2021</i>
Financing receivables	2,681,296	2,332,358	2,187,762
Provision for credit losses as per CBK instructions	(75,740)	(61,884)	(63,877)
	2,605,556	2,270,474	2,123,885

The following tables show reconciliations from the opening to the closing balance of the loss allowance:

	<i>KD 000's</i>					
	2022			2021		
	Specific	General	Total	Specific	General	Total
As at 1 January	10,651	51,233	61,884	7,107	45,822	52,929
Provision charged	1,206	13,543	14,749	3,874	7,506	11,380
Amounts written off	(893)	-	(893)	(482)	50	(432)
As at 30 June	10,964	64,776	75,740	10,499	53,378	63,877

Provision on non-cash facilities of KD 3,609 thousand (31 December 2021: KD 3,541 thousand, 30 June 2021: KD 4,675 thousand) is included under other liabilities (Note 11).

Expected credit losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 53,755 thousand as at 30 June 2022 (31 December 2021: KD 52,247 thousand; 30 June 2021: KD 55,985 thousand), which is lower than the provision for credit facilities under the CBK instructions of KD 79,349 thousand (31 December 2021: KD 65,425 thousand; 30 June 2021: KD 68,552 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) 30 June 2022

7. FINANCING RECEIVABLES (continued)

An analysis of the carrying amounts of credit facilities (financing receivables, contingent liabilities and commitments), and the corresponding expected credit losses based on the staging criteria under IFRS 9 in accordance with CBK regulations.

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
30 June 2022				
Financing receivables	2,149,613	472,590	59,093	2,681,296
Contingent liabilities	307,770	44,619	1,354	353,743
Commitments	720,757	42,465	1	763,223

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
31 December 2021 (Audited)				
Financing receivables	1,815,282	461,837	55,239	2,332,358
Contingent liabilities	299,737	39,923	1,352	341,012
Commitments	594,656	37,112	-	631,768

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
30 June 2021				
Financing receivables	1,681,872	446,884	59,006	2,187,762
Contingent liabilities	256,283	44,035	2,690	303,008
Commitments	473,297	46,868	78	520,243

An analysis of the changes in the expected credit losses in relation to credit facilities (financing receivables, contingent liabilities and commitments):

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2022	8,304	20,025	23,918	52,247
Transfer to Stage 1	117	(31)	(86)	-
Transfer to Stage 2	(63)	219	(156)	-
Transfer to Stage 3	(4)	(325)	329	-
(Reversal)/ charge ECL allowance for the period	(3,521)	1,778	3,251	1,508
At 30 June 2022	4,833	21,666	27,256	53,755

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2021	9,505	20,812	24,850	55,167
Transfer to Stage 1	482	(84)	(398)	-
Transfer to Stage 2	(41)	186	(145)	-
Transfer to Stage 3	(6)	(26)	32	-
Reversal ECL allowance for the year	(1,636)	(863)	(421)	(2,920)
At 31 December 2021 (Audited)	8,304	20,025	23,918	52,247

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2021	9,505	20,812	24,850	55,167
Transfer to Stage 1	309	(32)	(277)	-
Transfer to Stage 2	(34)	83	(49)	-
Transfer to Stage 3	(11)	(71)	82	-
(Reversal)/ charge ECL allowance for the period	(1,845)	(2,171)	4,834	818
At 30 June 2021	7,924	18,621	29,440	55,985

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) 30 June 2022

8. OTHER ASSETS

	<i>KD 000's</i>		
	30 June 2022	<i>31 December 2021 (Audited)</i>	<i>30 June 2021</i>
Prepayments and refundable deposits	4,267	3,478	4,665
Transactions in progress	1,994	2,114	1,679
Clearing and under settlement accounts	9,789	6,811	5,391
Accrued income	2,105	2,287	2,445
Right of use assets - Net	3,107	2,354	2,772
Government grant receivable	6,012	6,012	5,786
Others	7,329	6,036	7,200
	<u>34,603</u>	<u>29,092</u>	<u>29,938</u>

9. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	<i>KD 000's</i>		
	30 June 2022	<i>31 December 2021 (Audited)</i>	<i>30 June 2021</i>
Murabaha payable to banks	325,415	181,006	188,219
Murabaha payable to other financial institutions	372,143	349,704	407,210
Current and call accounts	30,314	31,116	22,511
	<u>727,872</u>	<u>561,826</u>	<u>617,940</u>

10. 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.

11. OTHER LIABILITIES

	<i>KD 000's</i>		
	30 June 2022	<i>31 December 2021 (Audited)</i>	<i>30 June 2021</i>
Depositors' profit payable	8,907	7,429	6,227
Provision on non-cash credit facilities (Note 7)	3,609	3,541	4,675
Accrued staff benefits	12,675	12,410	10,036
Payables and purchase orders	8,081	8,317	8,051
Dividend payable	1,433	1,385	1,443
Accrued expenses	7,851	8,884	8,273
Taxes and other dues	146	497	82
Lease liability	2,944	2,274	2,603
Provision against legal cases	10,749	10,749	-
Others	9,939	8,011	8,821
	<u>66,334</u>	<u>63,497</u>	<u>50,211</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) 30 June 2022

12. SHAREHOLDERS' MEETINGS

On 6 April 2022, the Annual General Assembly meeting of the Bank's shareholders approved the distribution of dividends for the year ended 31 December 2021 as follows:

- Cash dividends of 4 fils per share amounting to KD 4,078 thousand (31 December 2020: Nil) to the eligible shareholders as detailed in the schedule approved by Annual General Assembly, after excluding treasury shares; and
- Bonus shares of 4% (31 December 2020: Nil) to the eligible shareholders as detailed in the schedule approved by Annual General Assembly.

The approved bonus shares and cash dividend had been distributed to the shareholders registered in the Bank's records as at the entitlement date.

The extraordinary general assembly meeting of the Bank's shareholders held on 6 April 2022 also approved to increase the authorised, issued and paid up capital from KD 113,275 thousand to KD 117,807 thousand by issuing 45,310 thousand shares as bonus shares amounted to KD 4,532 thousand.

13. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>KD 000's</i>		
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
		<i>(Audited)</i>	
Acceptances	16,386	25,213	7,482
Letters of credit	9,763	4,923	6,118
Letters of guarantee	327,594	310,876	289,408
	<u>353,743</u>	<u>341,012</u>	<u>303,008</u>

The Group also has revocable cash commitments to extend credit amounting to KD 469,409 thousand (31 December 2021: KD 373,351 thousand, 30 June 2021: KD 274,295 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) 30 June 2022

14. 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>Total</i>			
	<i>Major shareholders and other related parties</i>	<i>Associate</i>	<i>Directors and Executive officers</i>	<i>30 June 2022</i>	<i>31 December 2021 (Audited)</i>	<i>30 June 2021</i>
Balances						
Financing receivables	143,665	-	68,706	212,371	192,486	166,869
Credit cards	-	-	49	49	34	42
Deposits	29,967	345	9,347	39,659	36,346	18,170
Commitments and contingent liabilities	54,247	-	924	55,171	87,952	40,302
Collaterals against credit facilities	110,243	-	84,697	194,940	179,797	185,212
Transactions						
Financing income	2,126	-	974	3,100	6,597	3,056
Estimated distribution to depositors	132	-	27	159	265	102
Others	-	-	176	176	435	188

	<i>30 June 2022</i>		<i>31 December 2021 (Audited)</i>		<i>30 June 2021</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>	<i>No. of Directors and Executive officers</i>	<i>KD 000's</i>
Directors						
Financing receivables	5	68,230	5	54,417	4	45,429
Deposits	8	7,605	10	5,934	10	4,309
Commitments and contingent liabilities	4	830	4	3,991	5	6,588
Collaterals against credit facilities	5	84,697	4	68,359	5	80,923
Executive officers						
Financing receivables	14	476	14	387	13	402
Credit cards	26	49	24	34	21	42
Deposits	26	1,742	29	1,125	26	1,196
Commitments and contingent liabilities	26	94	25	104	25	103

Key management personnel compensation:

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
Short-term benefits	684	662	1,401	1,275
Post-employment benefits	54	54	113	100
Board committees and representative remuneration (included in general and administrative expenses)	164	-	164	-

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
30 June 2022

15. SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the Chief Executive Officer that are also 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 a 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 primarily 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 other financial institutions.
Investment Management	:	Comprising of investment in an associate and other investments, including investment properties.
Others	:	Comprising of those which is not directly 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 Bank 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>
30 June 2022						
Segment operating income/(loss)	33,701	3,303	(10,613)	4,441	304	31,136
Segment result	14,512	411	(1,344)	2,185	(12,519)	3,245
Segment assets	2,256,987	361,177	541,760	295,480	59,858	3,515,262
Segment liabilities	668,816	813,814	1,633,228	-	59,183	3,175,041
31 December 2021 (Audited)						
Segment assets	1,945,572	333,146	504,203	295,361	56,787	3,135,069
Segment liabilities	443,288	807,646	1,471,144	-	55,268	2,777,346
30 June 2021						
Segment operating income/(loss)	32,280	4,372	(7,377)	4,447	335	34,057
Segment result	10,349	1,614	435	2,723	(12,770)	2,351
Segment assets	1,823,198	310,403	436,258	265,249	53,698	2,888,806
Segment liabilities	356,956	782,101	1,354,741	-	41,586	2,535,384

The Group operates from the State of Kuwait only.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
30 June 2022

16. 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>
30 June 2022				
Investment securities				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted securities	1,858	-	-	1,858
Quoted sukuk	474	-	-	474
<i>Financial assets at fair value through other comprehensive income:</i>				
Quoted equity securities	3,061	-	-	3,061
Unquoted equity securities	-	-	24,338	24,338
Investment in sukuk	267,993	-	-	267,993
	<u>273,386</u>	<u>-</u>	<u>24,338</u>	<u>297,724</u>
31 December 2021 (Audited)				
Investment securities				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted securities	1,233	-	-	1,233
Quoted sukuk	494	-	-	494
<i>Financial assets at fair value through other comprehensive income:</i>				
Quoted equity securities	2,878	-	-	2,878
Unquoted equity securities	-	-	25,733	25,733
Investment in sukuk	265,501	-	-	265,501
	<u>270,106</u>	<u>-</u>	<u>25,733</u>	<u>295,839</u>
30 June 2021				
Investment securities				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted securities	13,699	-	-	13,699
<i>Financial assets at fair value through other comprehensive income:</i>				
Quoted equity securities	2,749	-	-	2,749
Unquoted equity securities	-	-	26,074	26,074
Investment in sukuk	198,216	-	-	198,216
	<u>214,664</u>	<u>-</u>	<u>26,074</u>	<u>240,738</u>

There has been no change in valuation techniques as compared to prior periods. During the period ended 30 June 2022, there were no transfers between the levels.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
30 June 2022

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Opening balance	Change in fair value	Sale/ redemption	Exchange rate movements	<i>KD 000's</i> Ending balance
30 June 2022					
<i>Financial assets at fair value through other comprehensive income:</i>					
Unquoted equity securities	25,733	(530)	(874)	9	24,338
	<u>25,733</u>	<u>(530)</u>	<u>(874)</u>	<u>9</u>	<u>24,338</u>
31 December 2021 (Audited)					
<i>Financial assets at fair value through other comprehensive income:</i>					
Unquoted equity securities	23,836	2,118	(217)	(4)	25,733
	<u>23,836</u>	<u>2,118</u>	<u>(217)</u>	<u>(4)</u>	<u>25,733</u>
30 June 2021					
<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>

17. 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 2,599 thousand (30 June 2021: KD 2,551 thousand).

18. IMPACT OF COVID-19 PANDEMIC

The Group is gradually recovering from the effects of Covid-19 pandemic. The Group's operating environment is moderately rebound and signs of economic recovery is visible across the region and globally. High vaccination rates and strict social distancing measures significantly reduced the impact of latest variants of virus.

During the years 2020 and 2021, CBK implemented various measures targeted at reinforcing the banking sector ability to play a vital role in the economy. Those measures are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021 and 31 December 2020.