



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

**Interim Condensed Consolidated Financial Information
30 June 2019 (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 - 15



Building a better
working world

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

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

Deloitte.

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

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

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

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 2019, and the related interim condensed consolidated statements of profit or loss and, profit or loss and other comprehensive income for the three and six-month periods then ended, and the related interim condensed consolidated statement 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 2019 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 2019 that might have had a material effect on the business of the Bank or on its financial position.



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



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

29 July 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

Period ended 30 June 2019

		<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>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Financing income		25,035	21,963	49,600	42,500
Finance costs and estimated distribution to depositors	3	(12,092)	(8,384)	(23,232)	(15,365)
Net financing income		12,943	13,579	26,368	27,135
Fees and commission income		2,866	2,707	5,357	5,251
Net gain from foreign exchange		293	(85)	485	418
Investment income		1,758	907	2,527	1,514
Other income		177	113	321	218
TOTAL OPERATING INCOME		18,037	17,221	35,058	34,536
Staff costs		(4,946)	(4,579)	(9,725)	(8,950)
General and administrative expenses		(4,200)	(4,137)	(6,795)	(6,679)
Depreciation		(907)	(553)	(1,802)	(1,093)
TOTAL OPERATING EXPENSES		(10,053)	(9,269)	(18,322)	(16,722)
Profit from operations before provisions and impairment losses		7,984	7,952	16,736	17,814
Provisions and impairment losses	4	(4,389)	(3,469)	(6,562)	(5,240)
PROFIT FROM OPERATIONS		3,595	4,483	10,174	12,574
Provision for:					
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(33)	(41)	(94)	(115)
National Labor Support Tax (NLST)		(81)	(113)	(247)	(318)
Zakat		(31)	(43)	(99)	(123)
PROFIT FOR THE PERIOD		3,450	4,286	9,734	12,018
<i>Attributable to:</i>					
Shareholders of the Bank		3,394	4,267	9,606	11,967
Non-controlling interests		56	19	128	51
		3,450	4,286	9,734	12,018
Basic and diluted earnings per share attributable to shareholders of the Bank	5	3.49 fils	4.39 fils	9.89 fils	12.32 fils

The accompanying notes from 1 to 14 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 2019

KD 000's

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
Profit for the period	3,450	4,286	9,734	12,018
Other comprehensive 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	363	185	987	(300)
- Foreign currency translation adjustments	(90)	-	(90)	-
<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	900	617	850	1,205
Other comprehensive income for the period	1,173	802	1,747	905
Total comprehensive income for the period	4,623	5,088	11,481	12,923
<i>Attributable to:</i>				
Shareholders of the Bank	4,567	5,069	11,353	12,874
Non-controlling interests	56	19	128	49
Total comprehensive income for the period	4,623	5,088	11,481	12,923

The accompanying notes from 1 to 14 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 2019

		<i>KD 000's</i>		
	<i>Notes</i>	<i>30 June 2019</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018</i>
ASSETS				
Cash and balances with banks		35,777	41,585	14,834
Due from banks	6	395,123	315,673	350,070
Financing receivables		1,720,977	1,605,833	1,521,220
Investment securities	13	89,746	105,975	89,040
Investment in associate		1,527	1,518	1,518
Investment properties		58,380	58,523	60,238
Other assets		16,549	10,987	17,001
Property and equipment		29,507	28,501	27,292
TOTAL ASSETS		2,347,586	2,168,595	2,081,213
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	7	502,645	517,537	474,950
Depositors' accounts		1,426,307	1,318,535	1,290,011
Other liabilities		50,574	55,919	48,830
TOTAL LIABILITIES		1,979,526	1,891,991	1,813,791
EQUITY				
Share capital		107,881	103,732	103,732
Share premium		49,480	49,480	49,480
Treasury shares		(45,234)	(45,234)	(45,234)
Other reserves		161,356	165,212	156,071
Equity attributable to shareholders of the Bank		273,483	273,190	264,049
Perpetual Tier 1 Sukuk	14	91,035	-	-
Non-controlling interests		3,542	3,414	3,373
TOTAL EQUITY		368,060	276,604	267,422
TOTAL LIABILITIES AND EQUITY		2,347,586	2,168,595	2,081,213

Raed Jawad Bukhamseen

Vice Chairman and Chief Executive Officer

Mohamed Said EL Saka

Deputy Chief Executive Officer

The accompanying notes from 1 to 14 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 2019

	<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 reserve</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 2019	103,732	49,480	(45,234)	36,891	30,808	4,846	61,967	15,763	14,937	-	165,212	273,190	-	3,414	276,604
Impact of adopting IFRS 16 at 1 January 2019 (Refer to Note 2.2)	-	-	-	-	-	-	(33)	-	-	-	(33)	(33)	-	-	(33)
Balance as at 1 January 2019 (Restated)	103,732	49,480	(45,234)	36,891	30,808	4,846	61,934	15,763	14,937	-	165,179	273,157	-	3,414	276,571
Profit for the period	-	-	-	-	-	-	9,606	-	-	-	9,606	9,606	-	128	9,734
Other comprehensive income/ (loss)	-	-	-	-	-	-	-	1,837	-	(90)	1,747	1,747	-	-	1,747
Total comprehensive income/ (loss)	-	-	-	-	-	-	9,606	1,837	-	(90)	11,353	11,353	-	128	11,481
Dividends (Note 8)	-	-	-	-	-	-	(10,271)	-	-	-	(10,271)	(10,271)	-	-	(10,271)
Bonus shares (Note 8)	4,149	-	-	-	-	-	(4,149)	-	-	-	(4,149)	-	-	-	-
Issue of Perpetual Tier 1 Sukuk (Note 14)	-	-	-	-	-	-	-	-	-	-	-	-	91,035	-	91,035
Transaction cost on issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	(756)	-	-	-	(756)	(756)	-	-	(756)
Balance as at 30 June 2019	107,881	49,480	(45,234)	36,891	30,808	4,846	56,364	17,600	14,937	(90)	161,356	273,483	91,035	3,542	368,060
Balance as at 1 January 2018	103,732	49,480	(45,234)	34,656	28,573	4,846	54,907	14,077	15,530	-	152,589	260,567	-	3,324	263,891
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	-	(735)	680	-	-	(55)	(55)	-	-	(55)
Balance as at 1 January 2018 (Restated)	103,732	49,480	(45,234)	34,656	28,573	4,846	54,172	14,757	15,530	-	152,534	260,512	-	3,324	263,836
Profit for the period	-	-	-	-	-	-	11,967	-	-	-	11,967	11,967	-	51	12,018
Other comprehensive income/ (loss)	-	-	-	-	-	-	-	907	-	-	907	907	-	(2)	905
Total comprehensive income	-	-	-	-	-	-	11,967	907	-	-	12,874	12,874	-	49	12,923
Dividends (Note 8)	-	-	-	-	-	-	(9,337)	-	-	-	(9,337)	(9,337)	-	-	(9,337)
Balance as at 30 June 2018	103,732	49,480	(45,234)	34,656	28,573	4,846	56,802	15,664	15,530	-	156,071	264,049	-	3,373	267,422

The accompanying notes from 1 to 14 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 2019

	Notes	<i>KD 000's</i>	
		<i>Six months ended</i>	
		30 June 2019	30 June 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		9,734	12,018
Adjustments for:			
Net gain from foreign exchange		(485)	(418)
Dividend income		(533)	(767)
Realised loss from sale of investment securities		152	-
Change in fair value of financial assets at fair value through profit or loss		(1,049)	302
Share of result from an associate		(9)	-
Rental income from investment properties		(1,088)	(1,049)
Depreciation		1,802	1,093
Provisions and impairment losses	4	6,562	5,240
		15,086	16,419
<i>Changes in operating assets and liabilities:</i>			
Due from banks		(29,022)	64,147
Financing receivables		(119,634)	(222,437)
Other assets		(5,564)	269
Due to banks and financial institutions		(14,892)	80,512
Depositors' accounts		107,772	86,798
Other liabilities		(7,253)	(5,154)
Net cash (used in)/from operating activities		(53,507)	20,554
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		(42,284)	(36,231)
Proceeds on sale/ redemption of investment securities		61,192	31,622
Purchase of property and equipment		(2,665)	(2,007)
Dividend income received		533	767
Rental income received		1,088	1,049
Net cash from/(used in) investing activities		17,864	(4,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Perpetual Tier 1 Sukuk		91,035	-
Perpetual Tier 1 Sukuk issuing costs		(756)	-
Cash dividends paid		(9,907)	(9,050)
Net cash from/(used in) financing activities		80,372	(9,050)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Effect of foreign currency translation		(90)	-
Cash and cash equivalents at the beginning of the period		96,208	50,516
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	140,847	57,220

The accompanying notes from 1 to 14 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 2019

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”) (formerly known as Ritaj Takaful Insurance Company KSCC), Kuwait. KIB Takaful is engaged in providing Sharia’a compliant insurance services. In addition, the Bank owns 100% of issued share capital of KIB Tier 1 Sukuk Limited, incorporated as a special purpose company 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 2019 were authorized for issue by the Vice Chairman and Chief Executive Officer on 29 July 2019 in accordance with a resolution of the Bank’s Board of Directors on 9 July 2019.

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 (IAS) 34, ‘Interim Financial Reporting’. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the changes described below arising from adoption of IFRS 16 ‘Leases’ effective from 1 January 2019.

The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require expected credit loss (“ECL”) to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The ECL for credit facilities is lower than the provision for impairment of credit facilities required by CBK, subsequent to additional provisions and collection, as of the date of authorisation of issuance of Group’s interim condensed consolidated financial information.

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, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2018. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The consolidated financial statements 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 2019

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of IFRS 16 ‘Leases’

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group’s incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective yield method.

Impact on adoption of IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Right of use assets are calculated from inception of the lease and depreciated to the reporting date and lease liabilities are calculated at the present value of future lease payments and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application. The Group presents right-of-use assets in ‘other assets’ and lease liabilities in ‘other liabilities’ in the interim condensed consolidated statement of financial position.

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 2019. 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 2019.

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>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Financing receivables	3,607	3,836	5,158	6,575
Expected credit losses for other financial assets	25	2	20	(21)
Expected credit losses for investment in sukuk	31	14	53	12
Reversal of impairment on non-cash credit facilities	(25)	(66)	(159)	(383)
Provision no longer required	(199)	(317)	(668)	(943)
Other impairment losses	950	-	2,158	-
	4,389	3,469	6,562	5,240

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
30 June 2019

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing profit for the period attributable to the shareholders of the Bank 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>	
	30 June 2019	<i>30 June 2018</i>	30 June 2019	<i>30 June 2018</i>
Profit for the period attributable to the shareholders of the Bank (KD 000's)	3,394	4,267	9,606	11,967
Weighted average number of shares outstanding less treasury shares (shares'000)	971,037	971,037	971,037	971,037
Basic and diluted earnings per share	3.49 fils	4.39 fils	9.89 fils	12.32 fils

Basic and diluted earnings per share for the current and comparative periods presented has been adjusted to reflect the effect of bonus shares for 2018 (Note 8).

6. DUE FROM BANKS

	<i>KD 000's</i>		
	30 June 2019	<i>31 December 2018 (Audited)</i>	<i>30 June 2018</i>
Tawarruq transactions with CBK and government debts	220,861	223,240	257,719
Murabaha finance with banks (contractual maturity of 90 days or less)	105,070	54,623	42,386
Murabaha finance with banks (contractual maturity of more than 90 days)	69,207	37,815	49,969
	395,138	315,678	350,074
Less: Expected credit losses	(15)	(5)	(4)
	395,123	315,673	350,070

7. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	<i>KD 000's</i>		
	30 June 2019	<i>31 December 2018 (Audited)</i>	<i>30 June 2018</i>
Murabaha payable to banks (a)	150,196	85,176	71,501
Murabaha payable to financial institutions	329,244	422,098	394,105
Current and call accounts	23,205	10,263	9,344
	502,645	517,537	474,950

a) During 2018, the Bank obtained an unsecured syndication Murabaha financing amounting to USD 250 million (equivalent to KD 76 million) for a tenor of 3 years.

8. SHAREHOLDERS' MEETINGS

On 28 March 2019, the Annual General Assembly and Extraordinary General Assembly meetings of the Bank's shareholders approved the distribution of dividends for the financial year ended 31 December 2018 as follows:

- Cash dividends of 11 fils per share amounting to KD 10,271 thousand (31 December 2017: 10 fils per share amounting to KD 9,337 thousand) 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 2017: Nil) to the eligible shareholders as detailed in the schedule approved by Annual General Assembly.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
30 June 2019

8. SHAREHOLDERS' MEETINGS (continued)

The bonus shares increased the number of issued and fully paid up shares by 41,493,066 shares (31 December 2017: Nil) and increase in share capital by KD 4,149 thousand (31 December 2017: Nil).

The Annual General Assembly approved the issuance of Sukuk as per the principles of Islamic Sharia'a and capital adequacy requirements ("Basel III") for Islamic Banks in accordance with CBK regulations and delegated the Board of Directors to set the terms and conditions of these Sukuk (Note 14).

9. CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<u>30 June 2019</u>	<u>31 December 2018</u> <i>(Audited)</i>	<u>30 June 2018</u>
Cash and balances with banks	35,777	41,585	14,834
Murabaha finance with banks (contractual maturity of 90 days or less)	105,070	54,623	42,386
	<u>140,847</u>	<u>96,208</u>	<u>57,220</u>

10. 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>	<u>30 June 2019</u>	<u>31 December 2018</u> <i>(Audited)</i>	<u>30 June 2018</u>
Balances						
Financing receivables	116,293	-	47,150	163,443	164,715	156,840
Credit cards	-	-	70	70	74	62
Deposits	12,573	7	4,092	16,672	17,131	16,501
Commitments and contingent liabilities	33,973	-	3,612	37,585	39,034	42,600
Collaterals against credit facilities	102,469	-	66,765	169,234	168,647	158,973
Transactions						
Financing income	2,882	-	914	3,796	7,300	3,579
Estimated distribution to depositors	100	-	10	110	183	89
Others	-	-	244	244	436	260

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
30 June 2019

10. RELATED PARTY TRANSACTIONS (continued)

	30 June 2019		31 December 2018 (Audited)		30 June 2018	
	No. of Directors and Executive officers	KD 000's	No. of Directors and Executive officers	KD 000's	No. of Directors and Executive officers	KD 000's
Directors						
Financing receivables	6	46,961	5	41,613	6	40,849
Credit cards	-	-	-	-	-	-
Deposits	9	2,868	8	312	8	1,358
Commitments and contingent liabilities	3	3,539	4	2,306	4	1,981
Collaterals against credit facilities	5	66,765	4	62,227	5	62,241
Executive officers						
Financing receivables	7	189	6	186	6	39
Credit cards	17	70	17	74	16	62
Deposits	19	1,224	20	986	20	735
Commitments and contingent liabilities	17	73	19	73	16	69
Collaterals against credit facilities	-	-	7	29	8	39

Key management personnel compensation

	KD 000's			
	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Short-term benefits	578	451	1,162	886
Post-employment benefits	39	31	77	60

11. COMMITMENTS AND CONTINGENT LIABILITIES

	KD 000's		
	30 June 2019	31 December 2018 (Audited)	30 June 2018
Acceptances	14,546	17,181	17,142
Letters of credit	8,688	9,941	14,836
Letters of guarantee	249,866	263,281	278,542
	<u>273,100</u>	<u>290,403</u>	<u>310,520</u>

The Group also has revocable cash commitments to extend credit amounting to KD 188,937 thousand (31 December 2018: KD 165,275 thousand, 30 June 2018: KD 194,988 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
30 June 2019

12. 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 and real estate 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 revenue 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 2019						
Segment operating income/(loss)	35,164	1,667	(6,479)	3,106	1,600	35,058
Segment result	15,170	(2,166)	(959)	188	(2,499)	9,734
Segment assets	1,474,946	265,589	420,118	146,066	40,867	2,347,586
Segment liabilities	318,649	798,000	820,606	-	42,271	1,979,526
31 December 2018 (Audited)						
Segment assets	1,396,924	251,732	350,544	134,959	34,436	2,168,595
Segment liabilities	324,267	737,784	781,116	-	48,824	1,891,991
30 June 2018						
Segment operating income/(loss)	31,203	3,677	(3,520)	1,825	1,351	34,536
Segment result	14,448	521	957	(394)	(3,514)	12,018
Segment assets	1,323,158	240,770	346,114	130,353	40,818	2,081,213
Segment liabilities	287,758	614,948	867,744	-	43,341	1,813,791

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 2019

13. 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 2019				
Investment securities				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted equity securities	13,052	-	-	13,052
<i>Financial assets at fair value through other comprehensive income:</i>				
Unquoted equity securities	-	-	28,358	28,358
Investment in sukuk	48,336	-	-	48,336
	61,388	-	28,358	89,746
31 December 2018 (Audited)				
Investment securities				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted equity securities	12,627	-	-	12,627
<i>Financial assets at fair value through other comprehensive income:</i>				
Unquoted equity securities	-	-	27,504	27,504
Investment in sukuk	65,844	-	-	65,844
	78,471	-	27,504	105,975
30 June 2018				
Investment securities				
<i>Financial assets at fair value through profit or loss:</i>				
Quoted equity securities	13,232	-	-	13,232
<i>Financial assets at fair value through other comprehensive income:</i>				
Unquoted equity securities	-	-	27,574	27,574
Investment in sukuk	47,732	-	502	48,234
	60,964	-	28,076	89,040

There has been no change in valuation techniques as compared to prior periods. During the period ended 30 June 2019, 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 2019

13. 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	Impairment	Additions/ transfers	Sale/ redemption	Exchange rate movements	Balance as at 30 June
30 June 2019							
<i>Financial assets at fair value through other comprehensive income:</i>							
Unquoted equity securities	27,504	850	-	-	-	4	28,358
	<u>27,504</u>	<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>28,358</u>
30 June 2018							
<i>Financial assets at fair value through other comprehensive income:</i>							
Unquoted equity securities	26,353	1,205	-	8	-	8	27,574
Investment in sukuk	734	-	-	-	(232)	-	502
	<u>27,087</u>	<u>1,205</u>	<u>-</u>	<u>8</u>	<u>(232)</u>	<u>8</u>	<u>28,076</u>

14. PERPETUAL TIER 1 SUKUK

On 10 June 2019, the Bank ("Issuer") 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.