

**KUWAIT FINANCE HOUSE K.S.C.P. AND  
SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (UNAUDITED)**

**31 MARCH 2020**



Building a better  
working world

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C.P. (“the Bank”) and its subsidiaries (collectively “the Group”) as at 31 March 2020 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months 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 preparation 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 preparation 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 violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation, as amended, during the three-months period ended 31 March 2020 that might have had a material effect on the business of the Bank or on its financial position.

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 violations 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 three-month period ended 31 March 2020 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

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Kuwait Finance House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2020

	Notes	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March 2020</i>	<i>31 March 2019</i>
<b>INCOME</b>			
Financing income		<b>225,623</b>	228,402
Finance cost and estimated distribution to depositors	3	<b>(79,783)</b>	(100,165)
Net financing income		<b>145,840</b>	128,237
Investment income		<b>25,961</b>	25,500
Fees and commission income		<b>18,871</b>	23,573
Net gain from foreign currencies		<b>18,166</b>	9,261
Other operating income		<b>11,282</b>	10,269
<b>TOTAL OPERATING INCOME</b>		<b>220,120</b>	196,840
<b>OPERATING EXPENSES</b>			
Staff costs		<b>(48,494)</b>	(48,265)
General and administrative expenses		<b>(22,380)</b>	(20,360)
Depreciation and amortization		<b>(10,182)</b>	(10,072)
<b>TOTAL OPERATING EXPENSES</b>		<b>(81,056)</b>	(78,697)
<b>NET OPERATING INCOME</b>		<b>139,064</b>	118,143
Provisions and impairment		<b>(74,931)</b>	(40,025)
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>		<b>64,133</b>	78,118
Taxation	5	<b>(11,533)</b>	(16,779)
<b>PROFIT FOR THE PERIOD</b>		<b>52,600</b>	61,339
<b>Attributable to:</b>			
Shareholders of the Bank		<b>44,275</b>	51,595
Non-controlling interests		<b>8,325</b>	9,744
		<b>52,600</b>	61,339
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>	4	<b>5.83 fils</b>	6.81 fils

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2020

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
<b>Profit for the period</b>	<b>52,600</b>	61,339
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
Revaluation (loss) gain on equity instruments at fair value through other comprehensive income	<b>(8,954)</b>	1,088
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:</i>		
Sukuk investments at fair value through other comprehensive income:		
Net change in fair value during the period	<b>(107,634)</b>	20,369
Recycled to interim condensed consolidated statement of income	<b>5,527</b>	11,552
Net (loss) gain on sukuk investments at fair value through other comprehensive income	<b>(102,107)</b>	31,921
Share of other comprehensive loss from associates and joint ventures	<b>(415)</b>	(73)
Exchange differences on translation of foreign operations	<b>(8,392)</b>	(18,170)
<b>Other comprehensive (loss) income for the period</b>	<b>(119,868)</b>	14,766
<b>Total comprehensive (loss) income for the period</b>	<b>(67,268)</b>	76,105
<b>Attributable to:</b>		
Shareholders of the Bank	<b>(70,062)</b>	66,555
Non-controlling interests	<b>2,794</b>	9,550
	<b>(67,268)</b>	76,105

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2020

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2019</i>
<b>ASSETS</b>				
Cash and balances with banks and financial institutions	7	1,711,895	1,910,088	1,387,604
Due from banks		3,744,550	3,782,828	3,483,535
Financing receivables		9,795,465	9,336,555	9,207,940
Investment in Sukuk		2,555,254	2,276,432	2,054,517
Trading properties		106,820	107,613	145,739
Investments		207,328	210,524	269,456
Investment in associates and joint ventures		490,610	504,343	494,368
Investment properties		457,383	455,406	487,417
Other assets		674,994	546,782	599,474
Intangible assets and goodwill		31,915	31,329	31,625
Property and equipment		234,364	228,958	221,088
<b>TOTAL ASSETS</b>		<b>20,010,578</b>	<b>19,390,858</b>	<b>18,382,763</b>
<b>LIABILITIES</b>				
Due to banks and financial institutions		2,387,897	2,427,166	2,644,019
Sukuk payables		326,104	319,965	503,319
Depositors' accounts		14,277,351	13,552,645	12,298,873
Other liabilities		846,317	847,707	922,099
<b>TOTAL LIABILITIES</b>		<b>17,837,669</b>	<b>17,147,483</b>	<b>16,368,310</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>				
Share capital	8	697,649	697,649	697,649
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	8	69,765	69,765	-
Treasury shares		(34,784)	(36,243)	(43,930)
Reserves	6	402,127	470,908	447,505
		<b>1,855,090</b>	<b>1,922,412</b>	<b>1,821,557</b>
Proposed cash dividends	8	137,980	137,980	-
<b>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>		<b>1,993,070</b>	<b>2,060,392</b>	<b>1,821,557</b>
Non-controlling interests		179,839	182,983	192,896
<b>TOTAL EQUITY</b>		<b>2,172,909</b>	<b>2,243,375</b>	<b>2,014,453</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>20,010,578</b>	<b>19,390,858</b>	<b>18,382,763</b>



HAMAD ABDOUL MOHSEN AL-MARZOUQ  
(CHAIRMAN)



AHMED SOUAD AL KHARJ  
(ACTING GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2020

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 6)	Subtotal	Proposed cash dividends			Subtotal
Balance at 1 January 2020	697,649	720,333	69,765	(36,243)	470,908	1,922,412	137,980	2,060,392	182,983	2,243,375
Profit for the period	-	-	-	-	44,275	44,275	-	44,275	8,325	52,600
Other comprehensive loss	-	-	-	-	(114,337)	(114,337)	-	(114,337)	(5,531)	(119,868)
Total comprehensive income	-	-	-	-	(70,062)	(70,062)	-	(70,062)	2,794	(67,268)
Share based payments	-	-	-	-	474	474	-	474	-	474
Net movement in treasury shares	-	-	-	1,459	809	2,268	-	2,268	-	2,268
Group share of distribution to Tier 1 Sukuk of an associate	-	-	-	-	(2)	(2)	-	(2)	-	(2)
Capital redemption of a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(6,203)	(6,203)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	265	265
<b>Balance at 31 March 2020</b>	<b>697,649</b>	<b>720,333</b>	<b>69,765</b>	<b>(34,784)</b>	<b>402,127</b>	<b>1,855,090</b>	<b>137,980</b>	<b>1,993,070</b>	<b>179,839</b>	<b>2,172,909</b>

KD 000's

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C.P. and Subsidiaries

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

For the period ended 31 March 2020

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 6)	Subtotal	Proposed cash dividends			Subtotal
Balance at 1 January 2019	634,226	720,333	63,423	(44,452)	395,278	1,768,808	125,097	1,893,905	180,265	2,074,170
Profit for the period	-	-	-	-	51,595	51,595	-	51,595	9,744	61,339
Other comprehensive income (loss)	-	-	-	-	14,960	14,960	-	14,960	(194)	14,766
Total comprehensive income	-	-	-	-	66,555	66,555	-	66,555	9,550	76,105
Zakat	-	-	-	-	(14,748)	(14,748)	-	(14,748)	-	(14,748)
Share based payments	-	-	-	-	250	250	-	250	-	250
Issue of bonus shares	63,423	-	(63,423)	-	-	-	-	-	-	-
Cash dividends (Note 8)	-	-	-	-	-	-	(125,097)	(125,097)	-	(125,097)
Net movement in treasury shares	-	-	-	522	170	692	-	692	-	692
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	3,081	3,081
Balance at 31 March 2019	697,649	720,333	-	(43,930)	447,505	1,821,557	-	1,821,557	192,896	2,014,453

KD 000's

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2020

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March</i>	<i>31 March</i>
<i>Note</i>	<i>2020</i>	<i>2019</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	52,600	61,339
Adjustments to reconcile profit to net cash flows:		
Depreciation and amortization	10,182	10,072
Provisions and impairment	74,931	40,025
Gain on sale of investments	(2,537)	(7,995)
Dividends income	(1,315)	(987)
Share of results of associates and joint ventures	(1,527)	(4,509)
Gain on sale of trading and investment properties	(1,620)	(3,275)
Other investment income	(16,462)	(5,363)
	<u>114,252</u>	<u>89,307</u>
Changes in operating assets and liabilities		
<i>Decrease (increase) in operating assets:</i>		
Financing receivables and due from banks	(567,161)	48,827
Investment in Sukuk	(386,456)	(470,787)
Trading properties	793	1,900
Other assets	(138,376)	(70,569)
Statutory deposit with Central Banks	72,770	(768)
<i>Increase (decrease) in operating liabilities:</i>		
Due to banks and financial institutions	(33,130)	(40,329)
Depositors' accounts	724,706	518,563
Other liabilities	(9,768)	54,765
Net cash flows (used in) from operating activities	<u>(222,370)</u>	<u>130,909</u>
<b>INVESTING ACTIVITIES</b>		
Investments, net	(3,838)	12,477
Purchase of investment properties	(96)	(257)
Proceeds from sale of investment properties	3,501	6,662
Purchase of property and equipment	(12,211)	(6,041)
Proceeds from sale of property and equipment	3,382	231
Intangible assets, net	(1,105)	(2,144)
Proceeds from sale/redemption of investment in associates and joint ventures	8,732	233
Dividend received	6,988	9,088
Net cash flows from investing activities	<u>5,353</u>	<u>20,249</u>
<b>FINANCING ACTIVITIES</b>		
Net movement in treasury shares	2,268	522
Capital redemption of a subsidiary to non-controlling interests	(6,203)	-
Net cash flows (used in) from financing activities	<u>(3,935)</u>	<u>522</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(220,952)</b>	<b>151,680</b>
Cash and cash equivalents at 1 January	7 <u>2,520,002</u>	<u>1,770,279</u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	7 <u><u>2,299,050</u></u>	<u><u>1,921,959</u></u>

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 31 March 2020

**1 INCORPORATION AND REGISTRATION**

The interim condensed consolidated financial information of Kuwait Finance House K.S.C.P. (“the Bank”) and subsidiaries (collectively “the Group”) for the three months period ended 31 March 2020 were authorised for issue by the Bank’s Board of Directors on 4 May 2020.

The shareholders’ annual ordinary general assembly held on 13 April 2020 approved the audited consolidated financial statements of the Group for the year ended 31 December 2019.

The Bank is a public shareholding company incorporated in Kuwait on 23 March 1977 and is registered as an Islamic bank with the Central Bank of Kuwait. It is engaged in all Islamic banking activities for its own account as well as for third parties, including financing, purchase and sale of investments, leasing, project construction and other trading activities without practising usury. The Bank’s registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

All activities are conducted in accordance with Islamic Shari’a, as approved by the Bank’s Fatwa and Shari’a Supervisory Board.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial information of the Group have been prepared in accordance with International Accounting Standard (“IAS”) 34: Interim Financial Reporting, except as noted below:

The annual consolidated financial statements for the year ended 31 December 2019 were 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 expected credit loss (“ECL”) to be measured at the higher of the ECL on financing facilities computed under IFRS 9: Financial Instruments (“IFRS 9”) in accordance 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 accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Further, results for the three months period ended 31 March 2020, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications were made in order to more appropriately present certain items of interim condensed consolidated statement of financial position and do not affect previously reported assets, liabilities, and equity.

**Impact of COVID-19**

The Group has performed an impact assessment in relation to the COVID-19 economic consequences by testing various stress scenarios, downgrading the risk rating of customers operating in impacted sectors, and updating of forward-looking information relating to the macroeconomic environment for local and foreign operations to ensure that the reported amounts are appropriate. Furthermore, the carrying values of the Group’s non-financial assets is determined based on management’s best assessment of observable information available as at the reporting date.

**3 FINANCE COST 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 three months period ended 31 March 2020. The actual distribution to depositors and profit attributable to Bank’s shareholders could be different from the amounts presented in the interim condensed consolidated statement of income.

The actual profit to be distributed to all parties concerned 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 year ending 31 December 2020.

# Kuwait Finance House K.S.C.P. and Subsidiaries

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

At 31 March 2020

### 4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares held by the Group.

	<i>Three months ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
<b>Basic and diluted earnings per share:</b>		
Profit for the period attributable to shareholders of the Bank (thousand KD)	<b>44,275</b>	51,595
Weighted average number of shares outstanding during the period (thousand shares)	<b>7,590,531</b>	7,572,056
Basic and diluted earnings per share attributable to the shareholders of the Bank	<b>5.83 fils</b>	6.81 fils

The weighted average number of shares outstanding for the current and comparative period have been adjusted to reflect the bonus shares issued subsequent to the reporting date (Note 8).

The employees' shares based payments plan has no impact on earnings per share.

### 5 TAXATION

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	<b>(377)</b>	(465)
National Labour Support Tax (NLST)	<b>(851)</b>	(841)
Zakat (based on Zakat Law No. 46/2006)	<b>(428)</b>	(452)
Taxation related to subsidiaries	<b>(9,877)</b>	(15,021)
	<b>(11,533)</b>	(16,779)

# Kuwait Finance House K.S.C.P. and Subsidiaries

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

At 31 March 2020

### 6 RESERVES

The movement of reserves is analysed as follows:

	31 March 2020						31 March 2019									
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
	KD 000's								KD 000's							
Balance at 1 January 2020	324,875	310,127	55,137	11,899	51,815	(263,569)	(19,376)	470,908	298,527	298,527	64,927	6,947	(14,715)	(238,293)	(20,642)	395,278
Profit for the period	-	-	44,275	-	-	-	-	44,275	-	-	51,595	-	-	-	-	51,595
Other comprehensive loss	-	-	-	-	(108,158)	(6,179)	-	(114,337)	-	-	-	-	25,883	(10,923)	-	14,960
Total comprehensive income (loss)	-	-	44,275	-	(108,158)	(6,179)	-	(70,062)	-	-	51,595	-	25,883	(10,923)	-	66,555
Share based payments	-	-	-	-	-	-	474	474	-	-	(14,748)	-	-	-	-	(14,748)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	2,061	-	(2,061)	-	-	-	-	-	-	-	-	-	250	170
Group share of distribution to Tier 1 Sukuik of an associate	-	-	(2)	-	-	-	-	(2)	-	-	-	-	-	-	-	-
Net movement in treasury shares	-	-	-	809	-	-	-	809	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2020</b>	<b>324,875</b>	<b>310,127</b>	<b>101,471</b>	<b>12,708</b>	<b>(58,404)</b>	<b>(269,748)</b>	<b>(18,902)</b>	<b>402,127</b>	<b>298,527</b>	<b>298,527</b>	<b>101,553</b>	<b>7,117</b>	<b>11,389</b>	<b>(249,216)</b>	<b>(20,392)</b>	<b>447,505</b>
	KD 000's								KD 000's							
Balance at 1 January 2019	298,527	298,527	64,927	6,947	(14,715)	(238,293)	(20,642)	395,278	298,527	298,527	51,595	6,947	-	-	-	51,595
Profit for the period	-	-	51,595	-	-	-	-	51,595	-	-	51,595	-	-	-	-	51,595
Other comprehensive income (loss)	-	-	-	-	25,883	(10,923)	-	14,960	-	-	-	-	25,883	(10,923)	-	14,960
Total comprehensive income (loss)	-	-	51,595	-	25,883	(10,923)	-	66,555	-	-	51,595	-	25,883	(10,923)	-	66,555
Zakat	-	-	(14,748)	-	-	-	-	(14,748)	-	-	(14,748)	-	-	-	-	(14,748)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net movement in treasury shares	-	-	-	170	-	-	-	170	-	-	-	-	-	-	-	-
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(221)	-	-	-	-	(221)	-	-	(221)	-	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>298,527</b>	<b>298,527</b>	<b>101,553</b>	<b>7,117</b>	<b>11,389</b>	<b>(249,216)</b>	<b>(20,392)</b>	<b>447,505</b>	<b>298,527</b>	<b>298,527</b>	<b>101,553</b>	<b>7,117</b>	<b>11,389</b>	<b>(249,216)</b>	<b>(20,392)</b>	<b>447,505</b>

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2020

**7 CASH AND CASH EQUIVALENTS**

	<i>KD 000's</i>		
	<i>31 March 2020</i>	<i>(Audited) 31 December 2019</i>	<i>31 March 2019</i>
Cash	214,184	222,319	178,058
Balances with Central Banks	1,049,832	1,043,565	754,340
Balances with banks and financial institutions – current accounts	447,879	644,204	455,206
Cash and balances with banks and financial institutions	1,711,895	1,910,088	1,387,604
Due from banks maturing within 3 months of contract date	1,270,969	1,366,498	1,011,638
Less: Statutory deposits with Central Banks	(683,814)	(756,584)	(477,283)
Cash and cash equivalents	<u>2,299,050</u>	<u>2,520,002</u>	<u>1,921,959</u>

**8 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS**

The Extra-ordinary general assembly of the Bank's shareholders held on 20 January 2020 approved to increase the authorised share capital to be comprise of 11,176,489,202 shares (31 December 2019: 6,976,489,202 and 31 March 2019: 6,976,489,202) shares of 100 fils each.

The issued, and fully paid share capital as at 31 March 2020 comprise of 6,976,489,202 shares (31 December 2019: 6,976,489,202 and 31 March 2019: 6,976,489,202) shares of 100 fils each.

Subsequent to the reporting date, the ordinary general assembly of the Bank's shareholders held on 13 April 2020 approved to distribute bonus shares of 10% (2018: 10%) of the issued, and fully paid share capital, and cash dividends of 20 fils per share (2018: 20 fils per share) to the Bank's shareholders, for the year ended 31 December 2019. The Extra-ordinary general assembly of the Bank's shareholders held on 13 April 2020 also approved to increase the issued, and fully paid share capital to be comprised of 7,674,138,122 shares through issuing bonus shares, and to increase the authorised share capital to be comprise of 11,874,138,122 shares.

**9 DIRECTORS' FEES**

Subsequent to the financial position date, the ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2019 held on 13 April 2020 approved the directors' fees proposed for the year ended 31 December 2019 of KD 942 thousand.

**10 CONTINGENCIES AND COMMITMENTS**

At the financial position date there were outstanding contingencies and commitments entered into in the ordinary course of business in respect of the followings:

	<i>KD 000's</i>		
	<i>31 March 2020</i>	<i>(Audited) 31 December 2019</i>	<i>31 March 2019</i>
Acceptances and letters of credit	187,990	140,041	159,129
Letters of guarantee	1,566,534	1,556,923	1,653,560
Contingencies	1,754,524	1,696,964	1,812,689
Capital and other commitments	<u>410,511</u>	<u>356,144</u>	<u>384,148</u>

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

At 31 March 2020

**11 RELATED PARTY TRANSACTIONS**

Certain related parties (Major shareholders, directors and executive employees, officers of the Group, their immediate relatives, associated companies joint ventures and companies of which they are the principal owners) are depositors and financing facilities, 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.

The balances included in the interim condensed consolidated statement of financial position are as follows:

	<i>KD 000's</i>						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Total</i>		
					<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2019</i>
<b>Related parties</b>							
Financing receivables	-	214,144	3,614	4,312	222,070	250,997	282,213
Due to banks and financial institutions	526,795	37,091	-	-	563,886	900,105	1,213,075
Depositors' accounts	-	64,933	14,314	18,571	97,818	118,726	70,394
Contingencies and commitments	486	9,608	-	5,014	15,108	14,181	16,440

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>KD 000's</i>						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Total</i>		
					<i>31 March 2020</i>	<i>31 March 2019</i>	
Financing income	-	2,509	37	394	2,940	2,478	
Fee and commission income	-	7	47	23	77	88	
Finance cost and estimated distribution to depositors	4,120	924	71	220	5,335	10,407	

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2020

11 RELATED PARTY TRANSACTIONS (continued)

Details of the interests of the Groups, Board Members, Executive Officers and their immediate relatives are as follows:

	<i>KD 000's</i>					
	The number of Board Members or Executive Officers		The number of related parties (Relatives of Board Members or Executive Officers)		Values	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
<b>Board Members</b>						
Finance facilities and credit cards	24	24	11	10	2,274	2,296
Depositors' accounts	50	47	77	75	11,921	12,387
Collateral against finance facilities	5	4	1	1	2,392	2,624
<b>Executive Officers</b>						
Finance facilities and credit cards	63	70	21	21	1,971	1,927
Depositors' accounts	82	79	107	108	14,013	11,138
Collateral against finance facilities	7	8	4	4	3,052	2,815

# Kuwait Finance House K.S.C.P. and Subsidiaries

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

At 31 March 2020

### 11 RELATED PARTY TRANSACTIONS (continued)

Salaries, allowances and bonuses of key management personnel, termination benefits of key management personnel and remuneration of board members of the Bank and all consolidated subsidiaries are as follows:

	<i>KD 000's</i>	
	<i>Total</i>	
	<i>Three months ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
Salaries, allowances and bonuses of key management personnel	5,740	5,680
Termination and long term benefits of key management personnel	280	273
Board of directors' remuneration	57	65
	<u>6,077</u>	<u>6,018</u>

### 12 SEGMENTAL ANALYSIS

#### *Segment information*

	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Retail and private Banking</i>	<i>Corporate Banking</i>	<i>Investment</i>	<i>Total</i>
<i>31 March 2020</i>					
Total assets	6,917,146	5,922,900	5,459,625	1,710,907	20,010,578
Total liabilities	3,168,843	11,238,775	2,875,229	554,822	17,837,669
Operating income	35,206	83,251	68,155	33,508	220,120
Provisions and impairment	(6,412)	(5,641)	(33,043)	(29,835)	(74,931)
Profit (loss) for the period	24,961	33,088	16,385	(21,834)	52,600
					<i>KD 000's</i>
<i>31 March 2019</i>					
Total assets	5,442,250	5,905,509	4,984,175	2,050,829	18,382,763
Total liabilities	3,339,115	9,822,004	2,445,479	761,712	16,368,310
Operating income	8,426	71,925	60,620	55,869	196,840
Provisions and impairment	(3,545)	(4,631)	(15,633)	(16,216)	(40,025)
(Loss) profit for the period	(10,175)	20,210	27,174	24,130	61,339

**Kuwait Finance House K.S.C.P. and Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

At 31 March 2020

**13 FAIR VALUES**

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 March 2020:

	<i>KD 000's</i>			
<b>Financial assets measured at fair value:</b>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	18,057	-	18,057
Equities at FVTPL	23,687	55,365	30,672	109,724
Equities at FVOCI	20,144	-	59,403	79,547
Investment in Sukuk	2,441,292	-	113,962	2,555,254
<i>Derivative financial assets:</i>				
Forward contracts	-	2,918	-	2,918
Currency swaps	-	39,948	-	39,948
	<u>2,485,123</u>	<u>116,288</u>	<u>204,037</u>	<u>2,805,448</u>

	<i>KD 000's</i>			
<b>Financial liabilities measured at fair value:</b>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	4,828	-	4,828
Profit rate swaps	-	29,760	-	29,760
Currency swaps	-	23,446	-	23,446
Embedded precious metals	-	582	-	582
	<u>-</u>	<u>58,616</u>	<u>-</u>	<u>58,616</u>

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 December 2019:

	<i>KD 000's</i>			
<b>Financial assets measured at fair value:</b>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	21,057	-	21,057
Equities at FVTPL	22,496	50,858	27,420	100,774
Equities at FVOCI	29,330	-	59,363	88,693
Investment in Sukuk	2,161,416	-	115,016	2,276,432
<i>Derivative financial assets:</i>				
Forward contracts	-	1,165	-	1,165
Profit rate swaps	-	-	-	-
Currency swaps	-	12,083	-	12,083
<i>Non-financial assets:</i>				
Investment properties	-	535,375	-	535,375
	<u>2,213,242</u>	<u>620,538</u>	<u>201,799</u>	<u>3,035,579</u>



Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2020

13 FAIR VALUES (continued)

				KD 000's
Financial liabilities measured at fair value:	(Level 1)	(Level 2)	(Level 3)	Total
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,966	-	1,966
Profit rate swaps	-	14,402	-	14,402
Currency swaps	-	15,157	-	15,157
Embedded precious metals	-	444	-	444
	-	31,969	-	31,969

The following table provides the fair value measurement hierarchy of the Group financial assets and financial liabilities as at 31 March 2019:

				KD 000's
Financial assets measured at fair value:	(Level 1)	(Level 2)	(Level 3)	Total
<i>Venture capital at fair value through statement of income</i>				
Equities at FVTPL	53,734	51,667	43,382	148,783
Equities at FVOCI	31,963	-	58,778	90,741
Investment in Sukuk	1,777,430	-	277,087	2,054,517
<i>Derivative financial assets:</i>				
Forward contracts	-	1,135	-	1,135
Currency swaps	-	4,060	-	4,060
	1,863,127	86,794	379,247	2,329,168

				KD 000's
Financial liabilities measured at fair value:	(Level 1)	(Level 2)	(Level 3)	Total
<i>Derivative financial liabilities:</i>				
Forward contracts	-	2,957	-	2,957
Profit rate swaps	-	7,790	-	7,790
Currency swaps	-	9,912	-	9,912
Embedded precious metals	-	447	-	447
	-	21,106	-	21,106

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 113,962 thousand (31 December 2019: KD 115,016 thousand) and unquoted equity investments of KD 90,075 thousand (31 December 2019: KD 86,783 thousand). Sukuk included in this category represent Sukuk issued by sovereign entities, financial institutions and corporates. The fair values of unquoted Sukuk are estimated using discounted cash flow method using discount rate ranging from 0.7 % to 5.7 % (31 December 2019: 2.1% to 7.8%). Unquoted equity investments are fair valued using valuation techniques that are appropriate in the circumstances. Valuation techniques include discounted cash flow models adjusted, observable market information of comparable companies, recent transaction information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue and profit estimates. The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of income or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used for fair value estimates to fair value the unquoted equity investments and unquoted sukuk were altered by 5%.

Kuwait Finance House K.S.C.P. and Subsidiaries

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)**

At 31 March 2020

**13 FAIR VALUES (continued)**

The following table below shows a reconciliation of the opening and the closing balance of level 3 financial assets measured at fair value:

	<i>KD 000's</i>	
	<i>2020</i>	<i>2019</i>
<b>As at 1 January</b>	<b>201,799</b>	393,189
Fair value re-measurement	<b>2,162</b>	(770)
Disposal, net	<b>76</b>	(13,172)
<b>As at 31 March</b>	<b>204,037</b>	379,247