

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

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

30 June 2022



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th 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 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 30 June 2022 and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income, for the three-months and six-months periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-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 six months period ended 30 June 2022 that might have had a material effect on the business of the Bank or on its financial position.

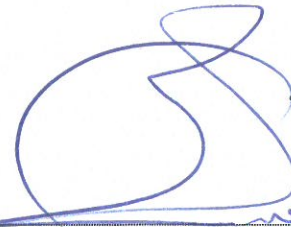
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

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 violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2022 that might have had a material effect on the business of the Bank or on its financial position.



SHEIKHA AL FULAIJ
LICENCE NO. 289 A
EY
AL AIBAN, AL OSAIMI & PARTNERS



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

24 July 2022
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 June 2022

	Notes	<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>
INCOME					
Financing income		251,889	212,012	482,202	436,772
Finance cost and estimated distribution to depositors	3	(90,729)	(73,860)	(162,000)	(145,011)
Net financing income		161,160	138,152	320,202	291,761
Investment income		(1,557)	(1,776)	10,307	1,713
Fees and commission income		22,471	18,269	40,625	36,019
Net gain from foreign currencies		28,336	29,794	62,668	49,035
Other operating income		19,144	12,231	23,929	21,527
TOTAL OPERATING INCOME		229,554	196,670	457,731	400,055
OPERATING EXPENSES					
Staff costs		(42,002)	(45,992)	(92,856)	(93,266)
General and administrative expenses		(18,272)	(19,927)	(38,171)	(37,829)
Depreciation and amortisation		(9,179)	(10,372)	(18,371)	(20,975)
TOTAL OPERATING EXPENSES		(69,453)	(76,291)	(149,398)	(152,070)
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT		160,101	120,379	308,333	247,985
Provisions and impairment		(4,810)	(33,858)	(45,240)	(89,975)
Net monetary loss (Note 16)		(46,125)	-	(46,125)	-
OPERATING PROFIT BEFORE TAXATION		109,166	86,521	216,968	158,010
Taxation	5	(18,549)	(11,816)	(39,211)	(21,908)
PROFIT FOR THE PERIOD		90,617	74,705	177,757	136,102
Attributable to:					
Shareholders of the Bank		68,583	52,189	138,083	102,193
Non-controlling interests		22,034	22,516	39,674	33,909
		90,617	74,705	177,757	136,102
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	4	7.00 fils	5.67 fils	14.55 fils	11.10 fils

The attached notes 1 to 16 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 30 June 2022

	<i>KD 000's</i>			
	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>30 June 2022</u>	<u>30 June 2021</u>	<u>30 June 2022</u>	<u>30 June 2021</u>
Profit for the period	90,617	74,705	177,757	136,102
<i>Items that will not be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
Revaluation (loss) gain on equity instruments at fair value through other comprehensive income	(6,184)	8,748	743	15,259
<i>Items that are or may be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Sukuk investments at fair value through other comprehensive income:				
Net change in fair value during the period	19,086	12,628	33,106	2,887
Net transfer to interim condensed consolidated statement of income	(56,346)	(16,720)	(58,497)	(29,434)
Net loss on sukuk investments at fair value through other comprehensive income	(37,260)	(4,092)	(25,391)	(26,547)
Share of other comprehensive income from associates and joint ventures	(1,050)	(290)	(1,032)	(60)
Exchange differences on translation of foreign operations	(50,396)	(49,569)	(130,327)	(91,775)
Other comprehensive loss for the period	(94,890)	(45,203)	(156,007)	(103,123)
Total comprehensive (loss) income for the period	(4,273)	29,502	21,750	32,979
Attributable to:				
Shareholders of the Bank	(5,726)	26,627	17,947	33,485
Non-controlling interests	1,453	2,875	3,803	(506)
	(4,273)	29,502	21,750	32,979

The attached notes 1 to 16 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 30 June 2022

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 June 2022</i>	<i>31 December 2021</i>	<i>30 June 2021</i>
ASSETS				
Cash and balances with banks and financial institutions	7	2,292,843	2,325,092	2,958,131
Due from banks		3,366,026	3,349,685	2,832,247
Financing receivables	8	12,213,000	11,355,363	11,086,356
Investment in Sukuk		2,939,000	2,734,922	2,746,637
Trading properties		96,516	96,304	100,089
Investments		219,567	218,754	226,249
Investment in associates and joint ventures		477,449	491,703	495,517
Investment properties		300,422	325,128	345,574
Other assets		622,540	654,468	507,112
Intangible assets		34,867	32,351	32,898
Property and equipment		227,623	204,442	215,978
TOTAL ASSETS		22,789,853	21,788,212	21,546,788
LIABILITIES				
Due to banks and financial institutions		3,318,850	2,594,754	2,434,873
Sukuk payables		160,140	216,717	267,871
Depositors' accounts		16,000,574	15,866,901	15,776,400
Other liabilities		952,684	802,658	805,587
TOTAL LIABILITIES		20,432,248	19,481,030	19,284,731
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	9	928,571	844,155	844,155
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	9	-	84,416	-
Treasury shares		(27,828)	(27,739)	(27,739)
Reserves	6	299,212	209,996	334,644
		1,920,288	1,831,161	1,871,393
Proposed cash dividends	9	-	100,442	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,920,288	1,931,603	1,871,393
Perpetual Tier 1 Sukuk	10	230,025	226,875	225,788
Non-controlling interests		207,292	148,704	164,876
TOTAL EQUITY		2,357,605	2,307,182	2,262,057
TOTAL LIABILITIES AND EQUITY		22,789,853	21,788,212	21,546,788



HAMAD ABDOUL MOHSEN AL-MARZOUQ
(CHAIRMAN)



SHADI AHMED ZAHRAN
(ACTING GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 16 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 30 June 2022

KD 000's

	Attributable to shareholders of the Bank						Perpetual Tier 1 Sukuk	Non- controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 6)	Subtotal				Proposed cash dividends
Balance at 1 January 2022	844,155	720,333	84,416	(27,739)	209,996	1,831,161	100,442	1,931,603	148,704	2,307,182
Profit for the period	-	-	-	-	138,083	138,083	-	138,083	39,674	177,757
Other comprehensive loss	-	-	-	-	(120,136)	(120,136)	-	(120,136)	(35,871)	(156,007)
Total comprehensive income	-	-	-	-	17,947	17,947	-	17,947	3,803	21,750
Zakat	-	-	-	-	(20,202)	(20,202)	-	(20,202)	-	(20,202)
Issue of bonus shares (Note 9)	84,416	-	(84,416)	-	-	-	-	-	-	-
Cash dividends (Note 9)	-	-	-	-	-	-	(100,442)	(100,442)	-	(100,442)
Net movement in treasury shares	-	-	-	(89)	-	(89)	-	(89)	-	(89)
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	-	-	(3,150)	(3,150)	-	(3,150)	-	-
Profit payment on Perpetual Tier 1 Sukuk	-	-	-	-	(4,140)	(4,140)	-	(4,140)	-	(4,140)
Group's share of associate adjustments	-	-	-	-	(1,756)	(1,756)	-	(1,756)	-	(1,756)
Impact of first application of IAS 29 (Note 16)	-	-	-	-	90,907	90,907	-	90,907	55,152	146,059
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,940)	(1,940)
Disposal of a subsidiary	-	-	-	-	9,610	9,610	-	9,610	(149)	9,461
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	1,722	1,722
Balance at 30 June 2022	928,571	720,333	-	(27,828)	299,212	1,920,288	-	1,920,288	207,292	2,357,605

The attached notes 1 to 16 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 30 June 2022

KD 000's

	Attributable to shareholders of the Bank						Perpetual Tier 1 Sukuk	Non- controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 6)	Subtotal				Proposed cash dividends
Balance at 1 January 2021	767,414	720,333	76,741	(27,739)	323,199	1,859,948	76,093	1,936,041	165,357	2,101,398
Profit for the period	-	-	-	-	102,193	102,193	-	102,193	33,909	136,102
Other comprehensive loss	-	-	-	-	(68,708)	(68,708)	-	(68,708)	(34,415)	(103,123)
Total comprehensive income (loss)	-	-	-	-	33,485	33,485	-	33,485	(506)	32,979
Zakat	-	-	-	-	(20,508)	(20,508)	-	(20,508)	-	(20,508)
Issue of bonus shares (Note 9)	76,741	-	(76,741)	-	-	-	-	-	-	-
Cash dividends (Note 9)	-	-	-	-	-	-	(76,093)	(76,093)	-	(76,093)
Issue of Perpetual Tier 1 Sukuk (Note 10)	-	-	-	-	-	-	-	-	225,788	225,788
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(535)	-	(535)
Group's share of associate adjustments	-	-	-	-	(997)	(997)	-	(997)	-	(997)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	25	25
Balance at 30 June 2021	844,155	720,333	-	(27,739)	334,644	1,871,393	-	1,871,393	164,876	2,262,057

The attached notes 1 to 16 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 30 June 2022

		<i>KD 000's</i>	
		<i>Six months ended</i>	
	<i>Notes</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
OPERATING ACTIVITIES			
Profit for the period		177,757	136,102
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		18,371	20,975
Provisions and impairment		45,240	89,975
Gain on sale of investments		(11,404)	(8,471)
Dividend income		(1,723)	(1,471)
Share of results of associates and joint ventures		(4,951)	(2,899)
Gain on sale of investment properties		(385)	(6,743)
Monetary loss from hyperinflation	16	46,125	-
		269,030	227,468
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables and due from banks		(751,595)	(301,975)
Investment in Sukuks		(237,823)	(201)
Trading properties		(212)	2,306
Other assets		31,928	220,947
Statutory deposit with Central Banks		59,736	(445,928)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		724,096	(519,242)
Depositors' accounts		133,673	459,065
Other liabilities		67,465	(142,751)
Net cash flows from (used in) operating activities		296,298	(500,311)
INVESTING ACTIVITIES			
Investments, net		(1,800)	(3,983)
Additions/ purchase of investment properties		(44)	(1,874)
Proceeds from sale of investment properties		17,638	16,457
Purchase of property and equipment		(8,332)	(9,902)
Proceeds from sale of property and equipment		760	3,380
Intangible assets, net		(2,516)	(508)
Proceeds from sale/redemption of investment in associates and joint ventures		16,994	2,917
Dividend received and capital redemption		7,122	5,285
Proceeds from disposal of a subsidiary		3,142	-
Net cash flows from investing activities		32,964	11,772
FINANCING ACTIVITIES			
Net proceeds from issue of Perpetual Tier 1 Sukuk		-	225,788
Profit payment on perpetual Tier-1 Sukuk		(4,140)	-
Movement in Sukuk payable		(56,577)	(47,234)
Net movement in treasury shares		(89)	-
Cash dividends paid		(98,067)	(71,604)
Dividends paid to non-controlling interest		(1,940)	-
Zakat paid		(988)	-
Net cash flows (used in) from financing activities		(161,801)	106,950
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		167,461	(381,589)
Cash and cash equivalents at 1 January	7	2,888,168	3,351,559
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	3,055,629	2,969,970

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2022

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 six months period ended 30 June 2022 were authorised for issue by the Bank’s Board of Directors on 6 July 2022.

The shareholders’ annual ordinary general assembly held on 21 March 2022 approved the audited consolidated financial statements of the Group for the year ended 31 December 2021.

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 has 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 2021 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 banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) with the following amendments:

- ▶ Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 – Financial Instruments (“IFRS 9”) in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
- ▶ Recognition of modification losses on financial assets arising from payment holidays to customers as a result of COVID during the financial year ended 31 December 2020, as required by CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020. Modification losses referred to in the circular, should be recognised 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 recognised in profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognised in the interim condensed consolidated statement of income. The application of the policy resulted in application of different accounting presentation for modification loss in 2020.

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

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 2021.

Further, results for the six months period ended 30 June 2022, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments and accounting policies 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 and first application of IAS 29 "Financial Reporting in Hyperinflationary Economies". 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.

IAS 29 Financial Reporting in Hyperinflationary Economies

The financial information of subsidiary companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation prior to their translation to Kuwaiti Dinars. Once restated, all items of the financial statements are converted to Kuwaiti Dinars using the closing exchange rate. Amounts shown for prior years for comparative purposes are not restated at consolidation level as the presentation currency of the Group is not of a hyperinflationary economy. On consolidation, the effect of price changes in the prior periods on the financial information of the subsidiary has been recognised directly in the interim condensed consolidated statement of changes in equity.

The financial information of subsidiaries whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the interim condensed consolidated statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the reporting date and all income and expenses are restated by applying appropriate conversion factors.

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 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 six months period ended 30 June 2022. 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 2022.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2022

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 after profit payment on Perpetual Tier 1 Sukuk, 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>Six months ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	68,583	52,189	138,083	102,193
Less: Profit payment on Perpetual Tier 1 Sukuk	(4,140)	-	(4,140)	-
Profit for the period attributable to shareholders of the Bank after profit payment on Perpetual Tier 1 Sukuk (thousand KD)	64,443	52,189	133,943	102,193
Weighted average number of shares outstanding during the period, net of treasury shares (thousand shares)	9,207,101	9,207,191	9,207,134	9,207,191
Basic and diluted earnings per share attributable to the shareholders of the Bank	7.00 fils	5.67 fils	14.55 fils	11.10 fils

The comparative basic and diluted earnings per share have been restated for bonus shares issued (Note 9). The employees' shares-based payments plan has no impact on earnings per share.

5 TAXATION

	<i>Three months ended</i>		<i>KD 000's Six months ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(665)	(469)	(1,240)	(778)
National Labour Support Tax (NLST)	(3,504)	(682)	(4,636)	(1,748)
Zakat (based on Zakat Law No. 46/2006)	(1,763)	(561)	(2,507)	(932)
Taxation related to subsidiaries	(12,617)	(10,104)	(30,828)	(18,450)
	(18,549)	(11,816)	(39,211)	(21,908)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2022

6 RESERVES

The movement of reserves is analysed as follows:

	30 June 2022						KD 000's	
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance at 1 January 2022	365,663	233,723	1,346	15,028	57,001	(439,587)	(23,178)	209,996
Profit for the period	-	-	138,083	-	-	-	-	138,083
Other comprehensive loss	-	-	-	-	(42,236)	(77,900)	-	(120,136)
Total comprehensive income (loss)	-	-	138,083	-	(42,236)	(77,900)	-	17,947
zakat	-	(20,202)	-	-	-	-	-	(20,202)
Transfer of fair value reserve of equity investment at FVOCI	-	-	-	-	-	-	-	-
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	90	-	(90)	-	-	-
Profit payment on Perpetual Tier 1 Sukuk	-	-	(3,150)	-	-	-	-	(3,150)
Group's share of associate adjustments	-	-	(4,140)	-	-	-	-	(4,140)
Impact of first application of IAS 29 (Note 16)	-	-	(1,756)	-	-	-	-	(1,756)
Disposal of a subsidiary	-	-	90,907	-	-	-	-	90,907
	-	-	-	-	-	9,610	-	9,610
Balance at 30 June 2022	365,663	213,521	221,380	15,028	14,675	(507,877)	(23,178)	299,212

30 June 2021

	30 June 2021						KD 000's	
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance at 1 January 2021	340,325	228,893	1,306	15,028	66,933	(305,515)	(23,771)	323,199
Profit for the period	-	-	102,193	-	-	-	-	102,193
Other comprehensive loss	-	-	-	-	(5,282)	(63,426)	-	(68,708)
Total comprehensive income (loss)	-	-	102,193	-	(5,282)	(63,426)	-	33,485
Zakat	-	(20,508)	-	-	-	-	-	(20,508)
Transaction costs on issue of perpetual Tier 1 Sukuk	-	-	(535)	-	-	-	-	(535)
Group's share of associate adjustments	-	-	(997)	-	-	-	-	(997)
Balance at 30 June 2021	340,325	208,385	101,967	15,028	61,651	(368,941)	(23,771)	334,644

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7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 June 2022</i>	<i>(Audited) 31 December 2021</i>	<i>30 June 2021</i>
Cash	215,306	204,187	209,002
Balances with Central Banks	1,515,720	1,566,773	2,264,270
Balances with banks and financial institutions – current accounts	561,817	554,132	484,859
Cash and balances with banks and financial institutions	2,292,843	2,325,092	2,958,131
Due from banks maturing within 3 months of contract date	1,945,540	1,805,566	1,278,883
Less: Statutory deposits with Central Banks	(1,182,754)	(1,242,490)	(1,267,044)
Cash and cash equivalents	<u>3,055,629</u>	<u>2,888,168</u>	<u>2,969,970</u>

8 FINANCING RECEIVABLES

Financing receivables principally comprises of murabaha, wakala, leased assets, istisna'a balances and other receivables, and is stated net of impairment as follows:

	<i>KD 000's</i>		
	<i>30 June 2022</i>	<i>(Audited) 31 December 2021</i>	<i>30 June 2021</i>
Financing receivables, net of deferred and suspended profit	12,855,279	12,006,745	11,721,478
Less: impairment	(642,279)	(651,382)	(635,122)
	<u>12,213,000</u>	<u>11,355,363</u>	<u>11,086,356</u>

The available provision balance on non-cash facilities of KD 12,887 thousand (31 December 2021: KD 14,684 thousand and 30 June 2021: KD 15,751 thousand) is included under other liabilities.

Total provision for ECL is accounted as per CBK regulation which require ECL to be measured at the higher of the ECL computed under IFRS 9 in accordance with CBK or the provision required by CBK instructions. Total provision for credit losses recorded as per CBK instructions for utilized and unutilized cash and non-cash financing facilities as at 30 June 2022 is KD 655,166 thousand (31 December 2021: KD 666,066 thousand and 30 June 2021: KD 650,873 thousand) which exceeds the ECL for financing receivables under IFRS 9 in accordance with CBK, by KD 388,281 thousand (31 December 2021: KD 367,231 thousand and 30 June 2021: KD 291,008 thousand).

An analysis of the gross amounts of credit facilities, and the corresponding ECL provision based on the staging criteria under IFRS 9 in accordance with CBK regulations is as below:

<i>30 June 2022</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
Financing receivables	10,734,606	1,800,314	320,359	12,855,279
Financing commitments and contingent liabilities (Note 12)	1,103,159	261,800	17,128	1,382,087
ECL provision for credit facilities	<u>26,673</u>	<u>105,987</u>	<u>134,225</u>	<u>266,885</u>

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8 FINANCING RECEIVABLES (continued)

<i>31 December 2021</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
Financing receivables	9,880,080	1,744,464	382,201	12,006,745
Financing commitments and contingent liabilities (Note 12)	1,075,925	265,574	21,156	1,362,655
ECL provision for credit facilities	31,495	120,110	147,230	298,835
 <i>30 June 2021</i>	 <i>Stage 1 KD 000's</i>	 <i>Stage 2 KD 000's</i>	 <i>Stage 3 KD 000's</i>	 <i>Total KD 000's</i>
Financing receivables	9,396,075	1,805,657	519,746	11,721,478
Financing commitments and contingent liabilities (Note 12)	1,175,169	297,510	23,051	1,495,730
ECL provision for credit facilities	34,601	112,350	212,914	359,865

An analysis of the changes in the expected credit losses in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines is detailed below:

<i>30 June 2022</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
ECL allowance as at 1 January 2022	31,495	120,110	147,230	298,835
Impact due to transfer between stages	6,955	(5,128)	(1,827)	-
Net (decrease) increase in ECL for the period	(7,842)	16,994	20,991	30,143
Amounts written off	-	-	(12,676)	(12,676)
Foreign exchange adjustments	(3,935)	(25,989)	(19,493)	(49,417)
At 30 June 2022	<u>26,673</u>	<u>105,987</u>	<u>134,225</u>	<u>266,885</u>
 <i>31 June 2021</i>	 <i>Stage 1 KD 000's</i>	 <i>Stage 2 KD 000's</i>	 <i>Stage 3 KD 000's</i>	 <i>Total KD 000's</i>
ECL allowance as at 1 January 2021	35,381	162,964	161,189	359,534
Impact due to transfer between stages	1,501	(9,634)	8,133	-
Net (decrease) increase in ECL for the period	(646)	(30,447)	67,311	36,218
Amounts written off	-	-	(10,805)	(10,805)
Foreign exchange adjustments	(1,635)	(10,533)	(12,914)	(25,082)
At 30 June 2021	<u>34,601</u>	<u>112,350</u>	<u>212,914</u>	<u>359,865</u>

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9 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

The ordinary general assembly of the Bank's shareholders held on 21 March 2022 approved to distribute bonus shares of 10% (2020: 10%) of the issued and fully paid share capital, and cash dividends of 12 fils per share (2020: 10 fils per share) to the Bank's shareholders, for the year ended 31 December 2021.

The Extra-ordinary general assembly of the Bank's shareholders held on 21 March 2022 also approved to increase the authorised share capital to be comprised of 13,485,707,127 shares (31 December 2021: 12,641,551,934 and 30 June 2021: 12,641,551,934) shares of 100 fils each.

The issued, and fully paid share capital as at 30 June 2022 comprise of 9,285,707,127 shares (31 December 2021: 8,441,551,934 and 30 June 2021: 8,441,551,934) shares of 100 fils each.

10 PERPETUAL TIER 1 SUKUK

On 30 June 2021, the Bank through a Sharia's compliant Sukuk arrangement issued Perpetual Tier 1 Sukuk amounting to USD 750 million. The Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Perpetual Tier 1 Sukuk is listed on the London Stock Exchange and callable by the Bank after five-year period ending June 2026 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of the Perpetual Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Perpetual Tier 1 Sukuk bears an expected profit rate of 3.6% per annum to be paid semi-annually in accordance with the terms of the issue. Transaction costs incurred on the issue of the Perpetual Tier 1 Sukuk is accounted as a deduction from equity.

11 DIRECTORS' FEES

The ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2021 held on 21 March 2022 approved the directors' fees proposed for the year ended 31 December 2021 of KD 1,096 thousand (2020: KD 608 thousand).

12 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 following:

	<i>KD 000's</i>		
	<i>30 June 2022</i>	<i>(Audited) 31 December 2021</i>	<i>30 June 2021</i>
Acceptances and letters of credit	222,908	195,008	195,588
Letters of guarantee	1,159,179	1,167,647	1,300,142
Contingencies	1,382,087	1,362,655	1,495,730
Capital commitments and others	272,888	281,289	309,968

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At 30 June 2022

13 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>30 June 2022</i>	<i>31 December 2021</i>	<i>30 June 2021</i>
Related parties							
Financing receivables	-	212,287	2,455	1,683	216,425	226,714	213,128
Due to banks and financial institutions	786,248	46,179	-	-	832,427	744,591	601,742
Depositors' accounts	-	29,053	12,871	8,737	50,661	54,652	70,889
Contingencies and commitments	486	5,481	-	408	6,375	6,848	6,876

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>30 June 2022</i>	<i>30 June 2021</i>	
Financing income	-	2,916	43	28	2,987	3,852	
Fee and commission income	-	11	82	1	94	210	
Finance cost and estimated distribution to depositors	4,154	234	47	223	4,658	4,960	

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>Six months ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>
Salaries, allowances and bonuses of key management personnel	6,861	6,998
Termination and long term benefits of key management personnel	733	500
Board of directors' remuneration	145	84
	<u>7,739</u>	<u>7,582</u>

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13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>							
	<i>The number of Board Members or Executive Officers</i>			<i>The number of related parties (Relatives of Board Members or Executive Officers)</i>			<i>Values</i>	
	<i>30 June 2022</i>	<i>31 December 2021</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>31 December 2021</i>	<i>30 June 2021</i>	<i>31 December 2021</i>	<i>30 June 2021</i>
Board Members								
Finance facilities and credit cards	24	23	28	20	17	21	1,122	1,262
Depositors' accounts	48	49	55	117	122	109	13,321	16,264
Collateral against finance facilities	2	1	1	2	1	2	1,771	2,273
Executive Officers								
Finance facilities and credit cards	60	70	67	20	18	16	2,532	2,402
Depositors' accounts	80	79	82	126	114	115	8,465	9,707
Collateral against finance facilities	5	7	6	3	1	3	1,755	2,940

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14 SEGMENTAL ANALYSIS

Primary segment information

For management purposes, the Group is organized into four major business segments. The principal activities and services under these segments are as follows:

Treasury:	Liquidity management, murabaha investments, investment in Sukuk, exchange of deposits with banks and financial institutions and international banking relationships.
Retail and Private Banking:	Consumer banking provides a diversified range of products and services to individual. Private banking provides comprehensive range of customised and innovative banking services to high net worth individuals
Corporates Banking:	Providing a range of banking services and investment products to corporates, providing commodity and real estate murabaha finance, local leasing, wakala and istisna'a facilities.
Investment:	Managing direct equity and real estate investments, non-banking Group entities, associates and joint ventures.

	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Retail and private banking</i>	<i>Corporate banking</i>	<i>Investment</i>	<i>Total</i>
30 June 2022					
Total assets	<u>7,640,764</u>	<u>7,315,108</u>	<u>6,151,021</u>	<u>1,682,960</u>	<u>22,789,853</u>
Total liabilities	<u>3,686,176</u>	<u>13,158,919</u>	<u>3,035,899</u>	<u>551,254</u>	<u>20,432,248</u>
Operating income	<u>81,440</u>	<u>154,284</u>	<u>147,547</u>	<u>74,460</u>	<u>457,731</u>
Provisions and impairment	<u>563</u>	<u>(4,544)</u>	<u>(8,463)</u>	<u>(32,796)</u>	<u>(45,240)</u>
Profit (loss) for the period	<u>74,555</u>	<u>54,687</u>	<u>109,295</u>	<u>(60,780)</u>	<u>177,757</u>

	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Retail and private Banking</i>	<i>Corporate Banking</i>	<i>Investment</i>	<i>Total</i>
30 June 2021					
Total assets	<u>7,529,443</u>	<u>6,554,541</u>	<u>5,809,100</u>	<u>1,653,704</u>	<u>21,546,788</u>
Total liabilities	<u>3,085,402</u>	<u>12,992,148</u>	<u>2,742,878</u>	<u>464,303</u>	<u>19,284,731</u>
Operating income	<u>37,792</u>	<u>163,272</u>	<u>128,620</u>	<u>70,371</u>	<u>400,055</u>
Provisions and impairment	<u>22,514</u>	<u>(6,747)</u>	<u>(83,872)</u>	<u>(21,870)</u>	<u>(89,975)</u>
Profit for the period	<u>53,236</u>	<u>64,203</u>	<u>7,973</u>	<u>10,690</u>	<u>136,102</u>

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15 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 30 June 2022:

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value profit and loss	-	16,169	-	16,169
Equities at FVTPL	50,346	25,578	19,038	94,962
Equities at FVOCI	47,200	-	61,236	108,436
Investment in Sukuk FVTPL	390,756	-	-	390,756
Investment in Sukuk FVOCI	2,312,943	-	47,999	2,360,942
<i>Derivative financial assets:</i>				
Forward contracts	-	3,190	-	3,190
Profit rate swaps	-	1,387	-	1,387
Currency swaps	-	14,145	-	14,145
	<u>2,801,245</u>	<u>60,469</u>	<u>128,273</u>	<u>2,989,987</u>
	<u><u>2,801,245</u></u>	<u><u>60,469</u></u>	<u><u>128,273</u></u>	<u><u>2,989,987</u></u>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	5,956	-	5,956
Currency swaps	-	12,522	-	12,522
Embedded precious metals	-	538	-	538
	<u>-</u>	<u>19,016</u>	<u>-</u>	<u>19,016</u>
	<u><u>-</u></u>	<u><u>19,016</u></u>	<u><u>-</u></u>	<u><u>19,016</u></u>

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 December 2021:

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value profit and loss	-	16,169	-	16,169
Equities at FVTPL	55,473	29,237	12,003	96,713
Equities at FVOCI	45,441	-	60,431	105,872
Investment in Sukuk FVTPL	299,309	-	-	299,309
Investment in Sukuk FVOCI	2,247,873	-	60,090	2,307,963
<i>Derivative financial assets:</i>				
Forward contracts	-	12,379	-	12,379
Currency swaps	-	11,254	-	11,254
Embedded precious metals	-	12,594	-	12,594
	<u>2,648,096</u>	<u>81,633</u>	<u>132,524</u>	<u>2,862,253</u>
	<u><u>2,648,096</u></u>	<u><u>81,633</u></u>	<u><u>132,524</u></u>	<u><u>2,862,253</u></u>

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15 FAIR VALUES (continued)

				<i>KD 000's</i>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	3,095	-	3,095
Profit rate swaps	-	13,620	-	13,620
Currency swaps	-	4,662	-	4,662
Embedded precious metals	-	227	-	227
	<u>-</u>	<u>21,604</u>	<u>-</u>	<u>21,604</u>

The following table provides the fair value measurement hierarchy of the Group financial assets and financial liabilities as at 30 June 2021:

				<i>KD 000's</i>
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Venture capital at fair value through statement of income</i>				
Equities at FVTPL	13,008	45,694	41,306	100,008
Equities at FVOCI	45,168	-	65,005	110,173
Investment in Sukuk FVPL	287,850	-	-	287,850
Investment in Sukuk FVOCI	2,292,093	-	60,274	2,352,367
<i>Derivative financial assets:</i>				
Forward contracts	-	5,516	-	5,516
Currency swaps	-	17,508	-	17,508
	<u>2,638,119</u>	<u>84,786</u>	<u>166,585</u>	<u>2,889,490</u>

				<i>KD 000's</i>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	958	-	958
Profit rate swaps	-	18,331	-	18,331
Currency swaps	-	11,115	-	11,115
Embedded precious metals	-	97	-	97
	<u>-</u>	<u>30,501</u>	<u>-</u>	<u>30,501</u>

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 47,999 thousand (31 December 2021: KD 60,090 thousand and 30 June 2021: KD 60,274) and unquoted equity investments of KD 80,274 thousand (31 December 2021: KD 72,434 thousand and 30 June 2021: KD 106,311). Investment in Sukuk included in this category represent investment in Sukuk issued by sovereign entities, financial institutions and corporates. The fair values of unquoted investment in Sukuk are estimated using discounted cash flow method using discount rate ranging from 4.0% to 9.1% (31 December 2021: 1.2% to 6.4% and 30 June 2021: 1.1% to 5.9%). Unquoted equity investments are fair valued using valuation technique that is appropriate in the circumstances. Valuation techniques include discounted cash flow models, 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 were altered by 5%.

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15 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>2022</i>	<i>2021</i>
As at 1 January	132,524	185,369
Fair value re-measurement	5,554	3,166
Disposal, net	(9,805)	(21,950)
As at 30 June	128,273	166,585

16 HYPERINFLATION ACCOUNTING

The subsidiary Kuwait Turkish Participation Bank (KTPB) has banking operations in Turkey. The Turkish economy has been assessed as a hyperinflationary economy based on cumulative inflation rates over the previous three years, in April 2022. The Group determined the Consumer Price Index ("CPI") provided by the Turkish State Institute of Statistics to be the appropriate general price index to be considered in the application of IAS 29, *Financial Reporting in Hyperinflationary Economies* on the subsidiary's financial statements. The level and movement of the price index during the current and previous reporting period is as below:

<i>Reporting period</i>	<i>Index</i>	<i>Conversion factor</i>
30 June 2022	931.76	1.356
31 December 2021	686.95	1.361