

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

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

30 SEPTEMBER 2019



Building a better
working world

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 September 2019 and the related interim condensed consolidated statements of income and the interim condensed consolidated statement of comprehensive income for the three-months and nine-months periods then ended and the related interim condensed consolidated statements of changes in equity and interim condensed consolidated statement of cash flows for the nine-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 nine-months period ended 30 September 2019 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 nine-month period ended 30 September 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.

7 October 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 September 2019

		<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Nine months ended</i>	
Notes		<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 2018</i>
	INCOME				
	Financing income	240,714	212,318	701,237	636,457
4	Finance cost and estimated distribution to depositors	(95,742)	(85,338)	(305,650)	(231,637)
	Net financing income	144,972	126,980	395,587	404,820
	Investment income	35,545	23,182	95,985	52,933
	Fees and commission income	19,087	19,036	61,695	67,699
	Net gain from foreign currencies	11,990	21,137	30,308	33,260
	Other operating income	11,203	9,396	31,601	30,893
	TOTAL OPERATING INCOME	222,797	199,731	615,176	589,605
	OPERATING EXPENSES				
	Staff costs	(42,660)	(41,348)	(135,664)	(137,308)
	General and administrative expenses	(17,546)	(19,280)	(56,382)	(61,403)
	Depreciation and amortization	(10,275)	(7,435)	(30,094)	(23,423)
	TOTAL OPERATING EXPENSES	(70,481)	(68,063)	(222,140)	(222,134)
	NET OPERATING INCOME	152,316	131,668	393,036	367,471
5	Provisions and impairment	(45,036)	(33,135)	(145,007)	(131,160)
	Gain (loss) for the period from discontinuing operations	-	230	-	(3,508)
	PROFIT FOR THE PERIOD BEFORE TAXATION	107,280	98,763	248,029	232,803
7	Taxation	(15,846)	(11,803)	(45,256)	(31,328)
	PROFIT FOR THE PERIOD	91,434	86,960	202,773	201,475
	Attributable to:				
	Shareholders of the Bank	82,831	73,885	190,496	169,102
	Non-controlling interests	8,603	13,075	12,277	32,373
		91,434	86,960	202,773	201,475
	BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	12.02 fils	10.74 fils	27.67 fils	24.58 fils

The attached notes 1 to 15 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 September 2019

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 2018</i>
Profit for the period	91,434	86,960	202,773	201,475
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Revaluation loss on equity instruments at fair value through other comprehensive income	(1,011)	(2,059)	(1,899)	(5,893)
<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	23,651	9,700	53,692	(20,788)
Recycled to interim condensed consolidated statement of income	(2,660)	3,813	8,295	5,320
Net gain (loss) on sukuk investments at fair value through other comprehensive income	20,991	13,513	61,987	(15,468)
Share of other comprehensive income (loss) from associates and joint ventures	358	676	880	(680)
Exchange differences on translation of foreign operations	8,393	(91,509)	(21,321)	(157,919)
	29,742	(77,322)	41,546	(174,067)
Other comprehensive income (loss) for the period	28,731	(79,379)	39,647	(179,960)
Total comprehensive income for the period	120,165	7,581	242,420	21,515
Attributable to:				
Shareholders of the Bank	104,853	28,901	230,683	49,710
Non-controlling interests	15,312	(21,320)	11,737	(28,195)
	120,165	7,581	242,420	21,515

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 September 2019</i>	<i>31 December 2018</i>	<i>30 September 2018</i>
ASSETS				
Cash and balances with banks and financial institutions	9	1,678,356	1,381,170	1,265,606
Due from banks		3,718,114	3,445,207	3,193,011
Financing receivables		9,356,418	9,188,717	9,113,373
Investment in Sukuk		2,131,927	1,563,361	1,475,888
Trading properties		146,755	147,639	155,022
Investments		244,986	284,883	302,581
Investment in associates and joint ventures		503,402	499,179	498,302
Investment properties		465,246	489,609	511,616
Other assets		509,435	544,416	551,833
Intangible assets and goodwill		32,280	31,180	30,972
Property and equipment		211,761	194,917	190,960
Assets classified as held for sale		-	-	17,346
TOTAL ASSETS		18,998,680	17,770,278	17,306,510
LIABILITIES				
Due to banks and financial institutions		2,403,659	2,689,079	2,640,142
Sukuk payables		368,876	498,588	468,747
Depositors' accounts		13,247,509	11,780,310	11,502,963
Other liabilities		793,982	728,131	717,188
Liabilities directly associated with the assets classified as held for sale		-	-	2,262
TOTAL LIABILITIES		16,814,026	15,696,108	15,331,302
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	10	697,649	634,226	634,226
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	10	-	63,423	-
Treasury shares		(39,050)	(44,452)	(44,714)
Reserves	8	615,311	395,278	499,785
		1,994,243	1,768,808	1,809,630
Proposed cash dividends	10	-	125,097	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,994,243	1,893,905	1,809,630
Non-controlling interests		190,411	180,265	165,578
TOTAL EQUITY		2,184,654	2,074,170	1,975,208
TOTAL LIABILITIES AND EQUITY		18,998,680	17,770,278	17,306,510

ABDUL AZIZ YACOUB ALNAFISI
(VICE CHAIRMAN)

SHADI AHMED ZAHIRAN
(ACTING GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 15 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 September 2019

	KD 000's									
	Attributable to shareholders of the Bank						Total equity			
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 8)	Subtotal	Proposed cash dividends	Subtotal	Non-controlling interests	Total equity
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	-	-	-	-	190,496	190,496	-	190,496	12,277	202,773
Other comprehensive income (loss)	-	-	-	-	40,187	40,187	-	40,187	(540)	39,647
Total comprehensive income	-	-	-	-	230,683	230,683	-	230,683	11,737	242,420
Zakat	-	-	-	-	(14,748)	(14,748)	-	(14,748)	-	(14,748)
Share based payments	-	-	-	-	750	750	-	750	-	750
Issue of bonus shares (Note 10)	63,423	-	(63,423)	-	-	-	-	-	-	-
Cash dividends (Note 10)	-	-	-	-	-	-	(125,097)	(125,097)	-	(125,097)
Net movement in treasury shares	-	-	-	5,402	3,348	8,750	-	8,750	-	8,750
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,047)	(1,047)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	(544)	(544)
Balance at 30 September 2019	697,649	720,333	-	(39,050)	615,311	1,994,243	-	1,994,243	190,411	2,184,654

The attached notes 1 to 15 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 September 2019

KD 000's

	Attributable to shareholders of the Bank						Non-controlling interests	Total equity		
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 8)	Subtotal			Proposed cash dividends	Subtotal
Balance at 1 January 2018	576,569	720,333	57,657	(45,063)	466,101	1,775,597	96,645	1,872,242	243,880	2,116,122
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	(3,282)	(3,282)	-	(3,282)	(961)	(4,243)
Restated balance at 1 January 2018	576,569	720,333	57,657	(45,063)	462,819	1,772,315	96,645	1,868,960	242,919	2,111,879
Profit for the period	-	-	-	-	169,102	169,102	-	169,102	32,373	201,475
Other comprehensive loss	-	-	-	-	(119,392)	(119,392)	-	(119,392)	(60,568)	(179,960)
Total comprehensive income (loss)	-	-	-	-	49,710	49,710	-	49,710	(28,195)	21,515
Zakat	-	-	-	-	(12,578)	(12,578)	-	(12,578)	-	(12,578)
Share based payments	-	-	-	-	368	368	-	368	-	368
Issue of bonus shares	57,657	-	(57,657)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(96,645)	(96,645)	-	(96,645)
Net movement in treasury shares	-	-	-	349	-	446	-	446	-	446
Deconsolidation of a subsidiary	-	-	-	-	(341)	(341)	-	(341)	(43,972)	(44,313)
Disposal of a subsidiary	-	-	-	-	(290)	(290)	-	(290)	(955)	(1,245)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,554)	(1,554)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,665)	(2,665)
Balance at 30 September 2018	634,226	720,333	-	(44,714)	499,785	1,809,630	-	1,809,630	165,578	1,975,208

The attached notes 1 to 15 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 September 2019

	<i>KD 000's</i>	
	<i>Nine months ended</i>	
Note	<i>30 September 2019</i>	<i>30 September 2018</i>
OPERATING ACTIVITIES		
Profit for the period before taxation	248,029	232,803
Adjustments to reconcile profit to net cash flows:		
Depreciation and amortization	30,094	23,423
Provisions and impairment	145,007	131,160
(Gain) loss on sale of investments	(19,556)	660
Dividends income	(4,026)	(4,022)
Share of results of associates and joint ventures	(19,092)	(26,752)
Gain on sale of trading and investment properties	(12,369)	(3,954)
Other investment income	(31,821)	(9,894)
	<u>336,266</u>	<u>343,424</u>
Changes in operating assets and liabilities		
<i>Decrease (increase) in operating assets:</i>		
Financing receivables	(56,158)	(105,575)
Trading properties	3,364	6,115
Other assets	21,730	(92,128)
Statutory deposit with Central Banks	(202,032)	314,431
<i>Increase (decrease) in operating liabilities:</i>		
Due to banks and financial institutions	(415,132)	350,888
Depositors' accounts	1,467,199	(93,770)
Other liabilities	42,850	(149,309)
Net cash flows from operating activities	<u>1,198,087</u>	<u>574,076</u>
INVESTING ACTIVITIES		
Investments and investment in Sukuk, net	(476,894)	(58,696)
Purchase of investment properties	(624)	(1,640)
Proceeds from sale of investment properties	26,614	1,013
Purchase of property and equipment	(19,178)	(27,892)
Proceeds from sale of property and equipment	1,580	5,886
Intangible assets, net	(4,865)	(4,365)
Proceeds from sale of subsidiaries	307	14,000
Purchase of investment in associates and joint ventures	-	(162)
Proceeds from sale of investment in associates and joint ventures	2,865	1,993
Dividend received	13,612	12,990
Net cash used in investing activities	<u>(456,583)</u>	<u>(56,873)</u>
FINANCING ACTIVITIES		
Cash dividends paid	(125,097)	(96,645)
Cash dividends paid to non-controlling interest	(1,047)	(1,554)
Net movement in treasury shares	8,750	446
Zakat paid	(7,743)	(12,578)
Net cash used in financing activities	<u>(125,137)</u>	<u>(110,331)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	616,367	406,872
Cash and cash equivalents at 1 January	9 1,770,279	1,366,890
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	9 <u><u>2,386,646</u></u>	<u><u>1,773,762</u></u>

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2019

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 nine months period ended 30 September 2019 were authorised for issue by the Bank’s Board of Directors on 7 October 2019.

The shareholders’ annual ordinary general assembly held on 18 March 2019 approved the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 2018 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, except for the adoption of IFRS 16: Leases from 1 January 2019 as disclosed in Note 3. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 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 2018.

Further, results for the nine months period ended 30 September 2019, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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, equity and profit for the period.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The key changes to the Group’s accounting policies resulting from its adoption of IFRS 16 is summarised below:

IFRS 16: Leases (“IFRS 16”)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 16: Leases (continued)

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has recorded right-of-use assets representing the right to use the underlying assets under property and equipment and the corresponding lease liabilities to make lease payments under other liabilities.

Summary of new accounting policies

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

a. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)**IFRS 16: Leases (continued)***Summary of new accounting policies (continued)*

c. Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

4 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 nine months period ended 30 September 2019. 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 2019.

5 PROVISIONS AND IMPAIRMENT

During the current period, the Bank has recorded additional provision of KD 60,000 thousand against financing receivables in its subsidiary in Turkey, in the view of the management for negative economic outlook.

6 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>Nine months ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 2018</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	82,831	73,885	190,496	169,102
Weighted average number of shares outstanding during the period (thousand shares)	6,888,566	6,879,569	6,884,125	6,879,346
Basic and diluted earnings per share attributable to the shareholders of the Bank	12.02 fils	10.74 fils	27.67 fils	24.58 fils

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**6 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS
OF THE BANK (continued)**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 2018</i>
Basic and diluted earnings per share from continuing operations:				
Profit for the period from continuing operations attributable to shareholders of the Bank (thousand KD)	82,831	73,673	190,496	168,392
Weighted average number of shares outstanding during the period (thousand shares)	6,888,566	6,879,569	6,884,125	6,879,346
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	12.02 fils	10.71 fils	27.67 fils	24.48 fils

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

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus shares (Note 10).

7 TAXATION

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 2018</i>
				<i>KD 000's</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(695)	(773)	(1,849)	(1,571)
National Labour Support Tax (NLST)	(1,931)	(1,312)	(4,730)	(2,829)
Zakat (based on Zakat Law No. 46/2006)	(793)	(767)	(1,794)	(1,600)
Taxation related to subsidiaries	(12,427)	(8,951)	(36,883)	(25,328)
	(15,846)	(11,803)	(45,256)	(31,328)

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8 RESERVES

The movement of reserves is analysed as follows:

	30 September 2019						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 2019	298,527	298,527	64,927	6,947	(14,715)	(238,293)	(20,642)	395,278
Profit for the period	-	-	190,496	-	-	-	-	190,496
Other comprehensive income (loss)	-	-	-	-	54,035	(13,848)	-	40,187
Total comprehensive income (loss)	-	-	190,496	-	54,035	(13,848)	-	230,683
Zakat	-	-	(14,748)	-	-	-	-	(14,748)
Share based payments	-	-	-	-	-	-	750	750
Net movement in treasury shares	-	-	-	3,348	-	-	-	3,348
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(221)	-	221	-	-	-
Balance at 30 September 2019	298,527	298,527	240,454	10,295	39,541	(252,141)	(19,892)	615,311

30 September 2018

	30 September 2018						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 2018	274,841	274,841	88,716	6,736	19,151	(163,822)	(34,362)	466,101
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	8,208	-	(11,490)	-	-	(3,282)
Restated balance at 1 January 2018	274,841	274,841	96,924	6,736	7,661	(163,822)	(34,362)	462,819
Profit for the period	-	-	169,102	-	(20,630)	(98,762)	-	169,102
Other comprehensive loss	-	-	-	-	(20,630)	(98,762)	-	(119,392)
Total comprehensive income (loss)	-	-	169,102	-	(20,630)	(98,762)	-	49,710
Zakat	-	-	(12,578)	-	-	-	-	(12,578)
Share based payments	-	-	-	-	-	-	368	368
Net movement in treasury shares	-	-	-	97	-	-	-	97
Deconsolidation of a subsidiary	-	-	(10,938)	-	(2,292)	(341)	13,230	(341)
Disposal of a subsidiary	-	-	-	-	-	(290)	-	(290)
Balance at 30 September 2018	274,841	274,841	242,510	6,833	(15,261)	(263,215)	(20,764)	499,785

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9 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
Cash	230,578	218,746	210,724
Balances with Central Banks	868,448	701,407	637,136
Balances with banks and financial institutions – current accounts	579,330	461,017	417,746
Cash and balances with banks and financial institutions	<u>1,678,356</u>	<u>1,381,170</u>	<u>1,265,606</u>
Due from banks maturing within 3 months of contract date	1,386,837	865,624	909,827
Less: Statutory deposits with Central Banks	(678,547)	(476,515)	(401,671)
Cash and cash equivalents	<u><u>2,386,646</u></u>	<u><u>1,770,279</u></u>	<u><u>1,773,762</u></u>

10 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

The ordinary general assembly of the Bank's shareholders held on 18 March 2019, approved to distribute bonus shares of 10% (2017: 10%) on outstanding shares amounting to KD 63,423 thousand (2017: KD 57,657 thousand) and cash dividends of 20 fils per share (2017: 17 fils per share) amounting to KD 125,097 thousand (2017: KD 96,645 thousand) to the Bank's shareholders, for the year ended 31 December 2018.

Extraordinary general assembly of Bank's Shareholders held on 18 March 2019 has approved the increase of authorized and issued share capital through issuing bonus shares.

The authorised, issued, and fully paid share capital as at 30 September 2019 comprise of 6,976,489,202 shares (31 December 2018: 6,342,262,911 and 30 September 2018: 6,342,262,911) shares of 100 fils each.

11 DIRECTORS' FEES

The ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2018 held on 18 March 2019 approved the directors' fees proposed for the year ended 31 December 2018.

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 followings:

	<i>KD 000's</i>		
	<i>30 September 2019</i>	<i>(Audited) 31 December 2018</i>	<i>30 September 2018</i>
Acceptances and letters of credit	141,630	151,421	167,631
Letters of guarantee	1,591,190	1,712,382	1,724,053
Contingencies	<u>1,732,820</u>	<u>1,863,803</u>	<u>1,891,684</u>
Capital and other commitments	<u><u>405,183</u></u>	<u><u>364,280</u></u>	<u><u>349,715</u></u>

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

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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 (Audited)</i>		
					<i>30 September 2019</i>	<i>31 December 2018</i>	<i>30 September 2018</i>
Related parties							
Financing receivables	-	220,087	4,531	991	225,609	263,176	228,007
Other assets	-	6,464	-	-	6,464	863	-
Due to banks and financial institutions	696,630	25,902	-	-	722,532	1,416,143	1,374,830
Depositors' accounts	-	80,647	11,311	20,300	112,258	85,182	121,052
Contingencies and commitments	486	13,939	-	4,199	18,624	16,321	23,311
Investments managed by related party	-	-	-	33,534	33,534	33,452	33,430

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 September 2019</i>	<i>30 September 2018</i>
Financing income	-	6,068	154	56	6,278	5,444
Fee and commission income	-	22	143	65	230	500
Finance cost and estimated distribution to depositors	22,650	1,670	96	1,060	25,476	24,534

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

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At 30 September 2019

13 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>					
	<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>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	30 September 2019	31 December 2018	30 September 2018	30 September 2019	31 December 2018	30 September 2018
Board Members						
Finance facilities & Credit cards	27	29	33	15	16	16
Depositors' accounts	58	57	57	79	87	88
Collateral against finance facilities	5	4	6	2	3	3
Executive Officers						
Finance facilities & Credit cards	68	69	62	13	16	16
Depositors' accounts	79	76	73	81	78	74
Collateral against finance facilities	7	8	9	2	4	4
	2,735	2,119	2,456	2,453	2,456	2,409
	17,132	16,889	7,627	8,403	7,627	7,874
	3,257	1,950	4,920	2,438	4,920	4,807

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13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>	
	<i>Total</i>	
	<i>Nine months ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>
Salaries, allowances and bonuses of key management personnel	12,755	13,175
Termination & long term benefits of key management personnel	804	802
Remuneration of chairman and board members	290	352
	<u>13,849</u>	<u>14,329</u>

14 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>30 September 2019</i>					
Total assets	6,096,238	5,983,933	5,142,059	1,776,450	18,998,680
Total liabilities	2,982,537	10,619,476	2,611,392	600,621	16,814,026
Operating income	64,955	229,465	169,069	151,687	615,176
Provisions and impairment	(1,532)	(13,098)	(37,695)	(92,682)	(145,007)
Profit (loss) for the period	52,423	86,768	79,121	(15,539)	202,773
					<i>KD 000's</i>
<i>30 September 2018</i>					
Total assets	4,353,654	5,765,275	4,993,243	2,194,338	17,306,510
Total liabilities	3,419,713	9,235,428	2,098,771	577,390	15,331,302
Operating (loss) income	(7,700)	245,679	189,570	162,056	589,605
Provisions and impairment	(981)	(16,379)	(20,215)	(93,585)	(131,160)
(Loss) profit for the period	(17,169)	100,042	122,457	(3,855)	201,475

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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 September 2019:

				<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 through statement of income	-	22,594	-	22,594
Equities at FVTPL	55,258	51,737	27,390	134,385
Equities at FVOCI	29,444	-	58,563	88,007
Investment in Sukuk	1,947,053	-	184,874	2,131,927
<i>Derivative financial assets:</i>				
Forward contracts	-	2,127	-	2,127
Currency swaps	-	19,869	-	19,869
Embedded precious metals	-	431	-	431
	<u>2,031,755</u>	<u>96,758</u>	<u>270,827</u>	<u>2,399,340</u>
<i>Financial liabilities measured at fair value:</i>				
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	2,362	-	2,362
Profit rate swaps	-	17,868	-	17,868
Currency swaps	-	9,539	-	9,539
	<u>-</u>	<u>29,769</u>	<u>-</u>	<u>29,769</u>

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 December 2018:

				<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 through statement of income	-	29,932	-	29,932
Equities at FVTPL	52,258	52,252	57,396	161,906
Equities at FVOCI	29,022	-	64,023	93,045
Investment in Sukuk	1,291,591	-	271,770	1,563,361
<i>Derivative financial assets:</i>				
Forward contracts	-	2,568	-	2,568
Profit rate swaps	-	73	-	73
Currency swaps	-	895	-	895
	<u>1,372,871</u>	<u>85,720</u>	<u>393,189</u>	<u>1,851,780</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	-	3,733	-	3,733
Profit rate swaps	-	3,289	-	3,289
Currency swaps	-	8,372	-	8,372
Embedded precious metals	-	459	-	459
	<u>-</u>	<u>15,853</u>	<u>-</u>	<u>15,853</u>

The following table provides the fair value measurement hierarchy of the Group financial assets and financial liabilities as at 30 September 2018:

	<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>				
Investment in Sukuk	1,204,492	-	271,396	1,475,888
Equity - FVOCI	27,707	-	79,785	107,492
Equity - FVPL	61,857	54,536	43,351	159,744
<i>Derivative financial assets:</i>				
Forward contracts	-	6,530	-	6,530
Profit rate swaps	-	2,465	-	2,465
Currency swaps	-	11,602	-	11,602
	<u>1,294,056</u>	<u>110,478</u>	<u>394,532</u>	<u>1,799,066</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	-	5,771	-	5,771
Profit rate swaps	-	77	-	77
Currency swaps	-	6,263	-	6,263
Embedded precious metals	-	145	-	145
	<u>-</u>	<u>12,256</u>	<u>-</u>	<u>12,256</u>

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 184,874 thousand (31 December 2018: KD 271,770 thousand) and unquoted equity investments of KD 85,953 thousand (31 December 2018: KD 121,419 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 2.1% to 7.9% (31 December 2018: 2.9% to 8.2%). 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%.

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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>2019</i>	<i>2018</i>
As at 1 January	393,189	324,499
IFRS-9 impact	-	100,676
Fair value re-measurement	(18,118)	(4,559)
Disposal, net	(104,244)	(26,084)
As at 30 September	270,827	394,532