

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

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

30 SEPTEMBER 2020



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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 30 September 2020 and the related interim condensed consolidated statement 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 statement 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.

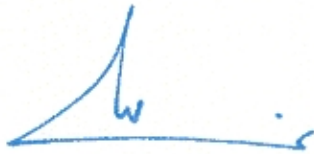
Report on Other Legal and Regulatory Requirements

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-month period ended 30 September 2020 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 nine-months period ended 30 September 2020 that might have had a material effect on the business of the Bank or on its financial position.



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



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AL-WAZZAN & CO.

8 October 2020
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 September 2020

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
<i>KD 000's</i>					
INCOME					
Financing income		220,400	240,714	665,290	701,237
Finance cost and estimated distribution to depositors	3	(65,698)	(95,742)	(214,839)	(305,650)
Net financing income		154,702	144,972	450,451	395,587
Investment income		2,219	35,545	38,425	95,985
Fees and commission income		18,725	19,087	51,880	61,695
Net gain from foreign currencies		17,223	11,990	53,885	30,308
Other operating income		10,115	11,203	28,080	31,601
TOTAL OPERATING INCOME		202,984	222,797	622,721	615,176
OPERATING EXPENSES					
Staff costs		(39,308)	(42,660)	(128,762)	(135,664)
General and administrative expenses		(19,661)	(17,546)	(60,667)	(56,382)
Depreciation and amortization		(9,880)	(10,275)	(31,536)	(30,094)
TOTAL OPERATING EXPENSES		(68,849)	(70,481)	(220,965)	(222,140)
NET OPERATING INCOME		134,135	152,316	401,756	393,036
Provisions and impairment		(59,721)	(45,036)	(245,915)	(145,007)
PROFIT FOR THE PERIOD BEFORE TAXATION		74,414	107,280	155,841	248,029
Taxation	5	(9,571)	(15,846)	(24,668)	(45,256)
PROFIT FOR THE PERIOD		64,843	91,434	131,173	202,773
Attributable to:					
Shareholders of the Bank		44,290	82,831	101,207	190,496
Non-controlling interests		20,553	8,603	29,966	12,277
		64,843	91,434	131,173	202,773
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	4	5.82 fils	10.93 fils	13.31 fils	25.15 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 30 September 2020

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2020</i>	<i>30 September 2019</i>	<i>30 September 2020</i>	<i>30 September 2019</i>
Profit for the period	64,843	91,434	131,173	202,773
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Revaluation gain (loss) on equity instruments at fair value through other comprehensive income	5,122	(1,011)	(4,362)	(1,899)
<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	2,526	23,651	(11,451)	53,692
Net transfer to interim condensed consolidated statement of income	(28,529)	(2,660)	31,821	8,295
Net (loss) gain on sukuk investments at fair value through other comprehensive income	(26,003)	20,991	20,370	61,987
Share of other comprehensive income (loss) from associates and joint ventures	324	358	(1,135)	880
Exchange differences on translation of foreign operations	(43,552)	8,393	(82,443)	(21,321)
	(43,228)	8,751	(83,578)	(20,441)
Other comprehensive (loss) income for the period	(64,109)	28,731	(67,570)	39,647
Total comprehensive income for the period	734	120,165	63,603	242,420
Attributable to:				
Shareholders of the Bank	10,038	104,853	59,351	230,683
Non-controlling interests	(9,304)	15,312	4,252	11,737
	734	120,165	63,603	242,420


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

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

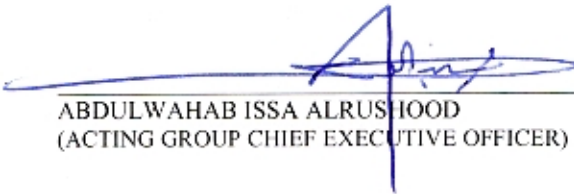
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>
ASSETS				
Cash and balances with banks and financial institutions	7	2,453,071	1,910,088	1,678,356
Due from banks		3,283,054	3,782,828	3,718,114
Financing receivables		10,130,244	9,336,555	9,356,418
Investment in Sukuk		3,219,754	2,291,953	2,169,552
Trading properties		103,246	107,613	146,755
Investments		180,013	195,003	207,361
Investment in associates and joint ventures		526,674	504,343	503,402
Investment properties		372,211	455,406	465,246
Other assets		437,170	546,782	509,435
Intangible assets and goodwill		30,985	31,329	32,280
Property and equipment		224,887	228,958	211,761
TOTAL ASSETS		20,961,309	19,390,858	18,998,680
LIABILITIES				
Due to banks and financial institutions		2,940,479	2,427,166	2,403,659
Sukuk payables		289,187	319,965	368,876
Depositors' accounts		14,914,013	13,552,645	13,247,509
Other liabilities		777,678	847,707	793,982
TOTAL LIABILITIES		18,921,357	17,147,483	16,814,026
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	8	767,414	697,649	697,649
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	8	-	69,765	-
Treasury shares		(27,803)	(36,243)	(39,050)
Reserves	6	412,677	470,908	615,311
		1,872,621	1,922,412	1,994,243
Proposed cash dividends	8	-	137,980	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,872,621	2,060,392	1,994,243
Non-controlling interests		167,331	182,983	190,411
TOTAL EQUITY		2,039,952	2,243,375	2,184,654
TOTAL LIABILITIES AND EQUITY		20,961,309	19,390,858	18,998,680



HAMAD ABDOUL MOHSEN AL-MARZOUQ
(CHAIRMAN)



ABDULWAHAB ISSA ALRUSH HOOD
(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 30 September 2020

	<i>Attributable to shareholders of the Bank</i>							<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 6)</i>	<i>Subtotal</i>	<i>Proposed cash dividends</i>	<i>Subtotal</i>		
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	-	-	-	-	101,207	101,207	-	101,207	29,966	131,173
Other comprehensive loss	-	-	-	-	(41,856)	(41,856)	-	(41,856)	(25,714)	(67,570)
Total comprehensive income	-	-	-	-	59,351	59,351	-	59,351	4,252	63,603
Zakat	-	-	-	-	(19,943)	(19,943)	-	(19,943)	-	(19,943)
Share based payments	-	-	-	-	4	4	-	4	-	4
Issue of bonus shares (Note 8)	69,765	-	(69,765)	-	-	-	-	-	-	-
Cash dividends (Note 8)	-	-	-	-	-	-	(137,980)	(137,980)	-	(137,980)
Net movement in treasury shares	-	-	-	8,440	3,091	11,531	-	11,531	-	11,531
Group's share of distribution on Tier 1 Sukuks of an associate	-	-	-	-	(704)	(704)	-	(704)	-	(704)
Acquisition of non-controlling interest	-	-	-	-	(4,633)	(4,633)	-	(4,633)	(11,663)	(16,296)
Modification loss on financing receivables	-	-	-	-	(95,631)	(95,631)	-	(95,631)	-	(95,631)
Gain on partial sale of a subsidiary	-	-	-	-	234	234	-	234	795	1,029
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,975)	(1,975)
Amounts paid to non-controlling interests on capital redemption of a subsidiary	-	-	-	-	-	-	-	-	(6,203)	(6,203)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	(858)	(858)
Balance at 30 September 2020	767,414	720,333	-	(27,803)	412,677	1,872,621	-	1,872,621	167,331	2,039,952

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 30 September 2020

	<i>Attributable to shareholders of the Bank</i>							<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 6)</i>	<i>Subtotal</i>	<i>Proposed cash dividends</i>	<i>Subtotal</i>		
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 8)	63,423	-	(63,423)	-	-	-	-	-	-	-
Cash dividends (Note 8)	-	-	-	-	-	-	(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	<u>697,649</u>	<u>720,333</u>	<u>-</u>	<u>(39,050)</u>	<u>615,311</u>	<u>1,994,243</u>	<u>-</u>	<u>1,994,243</u>	<u>190,411</u>	<u>2,184,654</u>

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 30 September 2020

		<i>KD 000's</i>	
		<i>Nine months ended</i>	
	<i>Note</i>	<i>30 September 2020</i>	<i>30 September 2019</i>
OPERATING ACTIVITIES			
Profit for the period		131,173	202,773
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization		31,536	30,094
Provisions and impairment		245,915	145,007
Gain on sale of investments		(12,403)	(26,872)
Dividends income		(2,278)	(4,026)
Share of results of associates and joint ventures		1,348	(19,092)
Gain on sale of investment properties		(11,384)	(12,369)
Other investment income		(13,298)	(31,821)
		<u>370,609</u>	<u>283,694</u>
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables and due from banks		(987,747)	(56,158)
Investment in Sukuks		(932,765)	(507,558)
Trading properties		2,597	3,364
Other assets		85,053	21,730
Statutory deposit with Central Banks		31,890	(202,032)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		482,535	(415,132)
Depositors' accounts		1,361,368	1,467,199
Other liabilities		(46,239)	84,048
		<u>367,301</u>	<u>679,155</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Investments, net		7,118	42,038
Purchase of investment properties		(2,701)	(624)
Proceeds from sale of investment properties		9,778	26,614
Purchase of property and equipment		(20,726)	(19,178)
Proceeds from sale of property and equipment		8,980	1,580
Intangible assets, net		(4,055)	(4,865)
Proceeds from sale of subsidiaries		2,733	307
Proceeds from sale/redemption of investment in associates and joint ventures		-	2,865
Dividend received & capital redemption		16,929	13,612
		<u>18,056</u>	<u>62,349</u>
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Cash dividends paid		(137,980)	(125,097)
Net movement in treasury shares		11,531	8,750
Zakat paid		(1,092)	(7,743)
Acquisition of non-controlling interests		(16,296)	(1,047)
		<u>(143,837)</u>	<u>(125,137)</u>
Net cash flows (used in) financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS		241,520	616,367
Cash and cash equivalents at 1 January	7	<u>2,520,002</u>	<u>1,770,279</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	<u>2,761,522</u>	<u>2,386,646</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 30 September 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 nine months period ended 30 September 2020 were authorised for issue by the Bank's Board of Directors on 8 October 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"). Further, during the period ended 30 September 2020, CBK has extended their regulations to require that modification losses of financial assets arising from payment holidays provided to customers in response to the economic impact of Covid -19 are to be recognized in retained earnings instead of profit or loss.

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 nine months period ended 30 September 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.

Use of judgements and estimates

The outbreak of coronavirus ("COVID-19") pandemic across the globe has caused disruption to business and economic activities and uncertainties in the global economic environment. The fiscal and monetary authorities in the geographies in which the Group operate have announced several stimulus packages to the Group's customers, which are in the process of implementation. The Bank has considered potential impacts of the current market volatility in the determination of the reported amounts of the Bank's financial and non-financial assets and are considered to represent management's best assessment based on current observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2020

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 nine months period ended 30 September 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.

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>Nine months ended</i>	
	<i>30 September 2020</i>	<i>30 September 2019</i>	<i>30 September 2020</i>	<i>30 September 2019</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	44,290	82,831	101,207	190,496
Weighted average number of shares outstanding during the period (thousand shares)	7,609,106	7,580,275	7,602,401	7,575,833
Basic and diluted earnings per share attributable to the shareholders of the Bank	5.82 fils	10.93 fils	13.31 fils	25.15 fils

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

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

5 TAXATION

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2020</i>	<i>30 September 2019</i>	<i>30 September 2020</i>	<i>30 September 2019</i>
			<i>KD 000's</i>	
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(473)	(695)	(1,044)	(1,849)
National Labour Support Tax (NLST)	(304)	(1,931)	(1,715)	(4,730)
Zakat (based on Zakat Law No. 46/2006)	(461)	(793)	(1,047)	(1,794)
Taxation related to subsidiaries	(8,333)	(12,427)	(20,862)	(36,883)
	(9,571)	(15,846)	(24,668)	(45,256)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2020

6 RESERVES

The movement of reserves is analysed as follows:

	<i>30 September 2020</i>							<i>KD 000's</i>
	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Retained earnings</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Other reserves</i>	<i>Total</i>
Balance at 1 January 2020	324,875	310,127	55,137	11,899	51,815	(263,569)	(19,376)	470,908
Profit for the period	-	-	101,207	-	-	-	-	101,207
Other comprehensive income (loss)	-	-	-	-	7,510	(49,366)	-	(41,856)
Total comprehensive income (loss)	-	-	101,207	-	7,510	(49,366)	-	59,351
Zakat	-	(19,943)	-	-	-	-	-	(19,943)
Share based payments	-	-	-	-	-	-	4	4
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	2,061	-	(2,061)	-	-	-
Group's share of distribution on Tier 1 Sukuks of an associate	-	-	(704)	-	-	-	-	(704)
Gain of partial sale of a subsidiary	-	-	-	-	-	-	234	234
Acquisition of non-controlling interest	-	-	-	-	-	-	(4,633)	(4,633)
Modification loss on financing receivables *	-	-	(95,631)	-	-	-	-	(95,631)
Net movement in treasury shares	-	-	-	3,091	-	-	-	3,091
Balance at 30 September 2020	324,875	290,184	62,070	14,990	57,264	(312,935)	(23,771)	412,677
<i>30 September 2019</i>								
	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Retained earnings</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Other reserves</i>	<i>Total</i>
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

* Represents the modification loss on financial assets arising from payment holidays provided to specified customers, including waiver of any resultant additional profits and fees during this period, which is recorded as a reduction from retained earnings, in accordance with instructions issued by the central banks of respective jurisdictions in which the Group operates.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2020

7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 September 2020</i>	<i>(Audited) 31 December 2019</i>	<i>30 September 2019</i>
Cash	230,825	222,319	230,578
Balances with Central Banks	1,831,028	1,043,565	868,448
Balances with banks and financial institutions – current accounts	391,218	644,204	579,330
Cash and balances with banks and financial institutions	2,453,071	1,910,088	1,678,356
Due from banks maturing within 3 months of contract date	1,033,145	1,366,498	1,386,837
Less: Statutory deposits with Central Banks	(724,694)	(756,584)	(678,547)
Cash and cash equivalents	<u>2,761,522</u>	<u>2,520,002</u>	<u>2,386,646</u>

8 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

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 authorised share capital to be comprised of 11,874,138,122 shares (31 December 2019: 6,976,489,202 and 30 September 2019: 6,976,489,202) shares of 100 fils each.

The issued, and fully paid share capital as at 30 September 2020 comprise of 7,674,138,122 shares (31 December 2019: 6,976,489,202 and 30 September 2019: 6,976,489,202) shares of 100 fils each.

9 DIRECTORS' FEES

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>30 September 2020</i>	<i>(Audited) 31 December 2019</i>	<i>30 September 2019</i>
Acceptances and letters of credit	145,449	140,041	141,630
Letters of guarantee	1,407,325	1,556,923	1,591,190
Contingencies	1,552,774	1,696,964	1,732,820
Capital and other commitments	<u>337,662</u>	<u>356,144</u>	<u>405,183</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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>(Audited)</i>		
				<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>	
Related parties							
Financing receivables	-	207,359	4,555	942	212,856	250,997	225,609
Due to banks and financial institutions	947,204	36,775	-	-	983,979	900,105	722,532
Depositors' accounts	-	47,736	15,971	13,153	76,860	118,726	112,258
Contingencies and commitments	486	11,180	-	416	12,082	14,181	18,624

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>Nine months ended</i>		
					<i>30 September 2020</i>	<i>30 September 2019</i>	
Financing income	-	5,917	67	157	6,141	6,278	
Fee and commission income	-	19	137	2	158	230	
Finance cost and estimated distribution to depositors	11,978	509	97	677	13,261	25,476	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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>								
	<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>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
30 September 2020	31 December 2019	30 September 2019	30 September 2020	31 December 2019	30 September 2019	30 September 2020	31 December 2019	30 September 2019	
Board Members									
Finance facilities and credit cards	27	24	27	14	10	15	2,183	2,296	2,735
Depositors' accounts	55	47	58	92	75	79	13,693	12,387	17,132
Collateral against finance facilities	3	4	5	1	1	2	2,017	2,624	3,257
Executive Officers									
Finance facilities and credit cards	71	70	68	17	21	13	2,981	1,927	2,453
Depositors' accounts	89	79	79	117	108	81	12,169	11,138	8,403
Collateral against finance facilities	9	8	7	4	4	2	3,831	2,815	2,438

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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>Nine months ended</i>	
	<i>30 September 2020</i>	<i>30 September 2019</i>
Salaries, allowances and bonuses of key management personnel	11,521	12,755
Termination and long term benefits of key management personnel	710	804
Board of directors' remuneration	259	290
	<u>12,490</u>	<u>13,849</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>30 September 2020</i>					
Total assets	7,344,860	6,402,817	5,643,096	1,570,536	20,961,309
Total liabilities	3,642,865	11,908,766	2,946,023	423,703	18,921,357
Operating income	90,031	256,578	209,854	66,258	622,721
Provisions and impairment	(35,615)	(15,830)	(116,552)	(77,918)	(245,915)
Profit (loss) for the period	43,274	111,297	42,352	(65,750)	131,173
					<i>KD 000's</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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 30 September 2020:

	<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	-	18,057	-	18,057
Equities at FVTPL	6,397	41,660	31,185	79,242
Equities at FVOCI	26,232	-	56,482	82,714
Investment in Sukuk FVPL	320,001	-	-	320,001
Investment in Sukuk FVOCI	2,567,686	-	79,760	2,647,446
<i>Derivative financial assets:</i>				
Forward contracts	-	2,770	-	2,770
Currency swaps	-	52,871	-	52,871
	<u>2,920,316</u>	<u>115,358</u>	<u>167,427</u>	<u>3,203,101</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	-	2,179	-	2,179
Profit rate swaps	-	28,988	-	28,988
Currency swaps	-	20,843	-	20,843
Embedded precious metals	-	186	-	186
	<u>-</u>	<u>52,196</u>	<u>-</u>	<u>52,196</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2020

13 FAIR VALUES (continued)

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

Financial assets measured at fair value:	<i>KD 000's</i>			
	<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	6,975	50,858	27,420	85,253
Equities at FVOCI	29,330	-	59,363	88,693
Investment in Sukuk FVPL	215,040	-	-	215,040
Investment in Sukuk FVOCI	1,828,161	-	115,016	1,943,177
<i>Derivative financial assets:</i>				
Forward contracts	-	1,165	-	1,165
Currency swaps	-	12,083	-	12,083
	<u>2,079,506</u>	<u>85,163</u>	<u>201,799</u>	<u>2,366,468</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	-	1,966	-	1,966
Profit rate swaps	-	14,402	-	14,402
Currency swaps	-	15,157	-	15,157
Embedded precious metals	-	444	-	444
	<u>-</u>	<u>31,969</u>	<u>-</u>	<u>31,969</u>

The following table provides the fair value measurement hierarchy of the Group financial assets and financial liabilities as at 30 September 2019:

Financial assets measured at fair value:	<i>KD 000's</i>			
	<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	17,633	51,737	27,390	96,760
Equities at FVOCI	29,444	-	58,563	88,007
Investment in Sukuk FVTPL	179,144	-	-	179,144
Investment in Sukuk FVOCI	1,674,374	-	184,874	1,859,248
<i>Derivative financial assets:</i>				
Forward contracts	-	2,127	-	2,127
Currency swaps	-	19,869	-	19,869
Embedded precious metals	-	431	-	431
	<u>1,900,595</u>	<u>96,758</u>	<u>270,827</u>	<u>2,268,180</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	-	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>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2020

13 FAIR VALUES (continued)

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 79,760 thousand (31 December 2019: KD 115,016 thousand) and unquoted equity investments of KD 87,667 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 1.3 % to 6.4 % (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%.

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>
As at 1 January	201,799	393,189
Fair value re-measurement	42	(18,118)
Purchase (disposal), net	(34,414)	(104,244)
As at 30 September	167,427	270,827