

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

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

**30 JUNE 2023**



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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 June 2023 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 Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2023 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, during the six months period ended 30 June 2023 that might have had a material effect on the business of the Bank or on its financial position.



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



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

23 July 2023  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 June 2023

		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>KD 000's</i>			
<i>Notes</i>					
<b>INCOME</b>					
	Financing income	<b>495,151</b>	251,889	<b>990,696</b>	482,202
	Finance cost and estimated distribution to depositors	<b>(262,649)</b>	(90,729)	<b>(532,216)</b>	(162,000)
	Net financing income	<b>232,502</b>	161,160	<b>458,480</b>	320,202
	Investment income (loss)	<b>15,999</b>	(1,557)	<b>90,329</b>	10,307
	Fees and commission income	<b>30,403</b>	22,471	<b>58,745</b>	40,625
	Net gain from foreign currencies	<b>54,201</b>	28,336	<b>92,774</b>	62,668
	Other operating income	<b>22,132</b>	19,144	<b>34,033</b>	23,929
	<b>TOTAL OPERATING INCOME</b>	<b>355,237</b>	229,554	<b>734,361</b>	457,731
<b>OPERATING EXPENSES</b>					
	Staff costs	<b>(65,507)</b>	(42,002)	<b>(138,628)</b>	(92,856)
	General and administrative expenses	<b>(34,416)</b>	(18,272)	<b>(70,347)</b>	(38,171)
	Depreciation and amortisation	<b>(17,409)</b>	(9,179)	<b>(36,300)</b>	(18,371)
	<b>TOTAL OPERATING EXPENSES</b>	<b>(117,332)</b>	(69,453)	<b>(245,275)</b>	(149,398)
<b>NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT AND NET MONETARY LOSS</b>					
		<b>237,905</b>	160,101	<b>489,086</b>	308,333
	Provisions and impairment	<b>(2,191)</b>	(4,810)	<b>(25,864)</b>	(45,240)
	Net monetary loss	<b>(78)</b>	(46,125)	<b>(9,194)</b>	(46,125)
	<b>OPERATING PROFIT BEFORE TAXATION</b>	<b>235,636</b>	109,166	<b>454,028</b>	216,968
	Taxation	<b>(26,742)</b>	(18,549)	<b>(59,465)</b>	(39,211)
	<b>PROFIT FOR THE PERIOD</b>	<b>208,894</b>	90,617	<b>394,563</b>	177,757
<b>Attributable to:</b>					
	Shareholders of the Bank	<b>171,293</b>	68,583	<b>333,390</b>	138,083
	Non-controlling interests	<b>37,601</b>	22,034	<b>61,173</b>	39,674
		<b>208,894</b>	90,617	<b>394,563</b>	177,757
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>					
		<b>10.97 fils</b>	6.12 fils	<b>22.03 fils</b>	12.71 fils

The attached notes 1 to 17 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 2023

	<i>KD 000's</i>			
	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
<b>Profit for the period</b>	<b>208,894</b>	90,617	<b>394,563</b>	177,757
<i>Items that will not be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
Revaluation gain (loss) on equity instruments at fair value through other comprehensive income	<b>309</b>	(6,184)	<b>1,080</b>	743
Net change in pension fund reserve	<b>(8,262)</b>	-	<b>(6,931)</b>	-
<i>Items that are or may be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Investment in debt securities at fair value through other comprehensive income:				
Net change in fair value during the period	<b>(43,075)</b>	19,086	<b>(73,026)</b>	33,106
Net transfer to interim condensed consolidated statement of income	<b>5,279</b>	(56,346)	<b>7,764</b>	(58,497)
Net loss on investment in debt securities at fair value through other comprehensive income	<b>(37,796)</b>	(37,260)	<b>(65,262)</b>	(25,391)
Share of other comprehensive loss from associates and joint ventures	<b>(275)</b>	(1,050)	<b>(580)</b>	(1,032)
Net change in fair value of cash flow hedges	<b>(143)</b>	-	<b>(175)</b>	-
Exchange differences on translation of foreign operations	<b>(111,109)</b>	(50,396)	<b>(174,232)</b>	(130,327)
<b>Other comprehensive loss for the period</b>	<b>(157,276)</b>	(94,890)	<b>(246,100)</b>	(156,007)
<b>Total comprehensive income (loss) for the period</b>	<b>51,618</b>	(4,273)	<b>148,463</b>	21,750
<b>Attributable to:</b>				
Shareholders of the Bank	<b>69,446</b>	(5,726)	<b>153,964</b>	17,947
Non-controlling interests	<b>(17,828)</b>	1,453	<b>(5,501)</b>	3,803
	<b>51,618</b>	(4,273)	<b>148,463</b>	21,750

The attached notes 1 to 17 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 2023

		<i>KD 000's</i>		
			<i>(Audited)</i>	
	<i>Notes</i>	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>
<b>ASSETS</b>				
Cash and balances with banks and financial institutions	8	<b>2,567,525</b>	3,155,813	2,292,843
Due from banks		<b>3,966,398</b>	3,869,894	3,366,026
Financing receivables	9	<b>19,108,177</b>	18,839,684	12,213,000
Investment in debt securities		<b>6,157,050</b>	6,085,453	2,939,000
Trading properties		<b>95,157</b>	95,110	96,516
Investments		<b>268,303</b>	246,641	219,567
Investment in associates and joint ventures		<b>515,206</b>	519,656	477,449
Investment properties		<b>400,243</b>	384,142	300,422
Other assets		<b>1,186,339</b>	975,824	622,540
Goodwill and intangible assets		<b>2,420,018</b>	2,462,625	34,867
Property and equipment		<b>336,342</b>	334,603	227,623
<b>TOTAL ASSETS</b>		<b>37,020,758</b>	36,969,445	22,789,853
<b>LIABILITIES</b>				
Due to banks and financial institutions		<b>5,849,235</b>	6,180,795	3,318,850
Sukuk payables and term financing		<b>629,482</b>	784,191	160,140
Depositors' accounts		<b>22,942,314</b>	22,482,916	16,000,574
Other liabilities		<b>1,544,995</b>	1,235,442	952,684
<b>TOTAL LIABILITIES</b>		<b>30,966,026</b>	30,683,344	20,432,248
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>				
Share capital	10	<b>1,476,445</b>	1,342,223	928,571
Share premium		<b>3,611,765</b>	3,611,765	720,333
Proposed issue of bonus shares	10	-	134,222	-
Treasury shares		<b>(82,328)</b>	(41,763)	(27,828)
Reserves	7	<b>83,394</b>	111,451	299,212
		<b>5,089,276</b>	5,157,898	1,920,288
Proposed cash dividends	10	<b>146,063</b>	199,907	-
<b>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>		<b>5,235,339</b>	5,357,805	1,920,288
Perpetual Tier 1 Capital Securities and Sukuks	11	<b>502,858</b>	501,666	230,025
Non-controlling interests		<b>316,535</b>	426,630	207,292
<b>TOTAL EQUITY</b>		<b>6,054,732</b>	6,286,101	2,357,605
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>37,020,758</b>	36,969,445	22,789,853

  
 HAMAD ABDOUL MOHSEN AL-MARZOUQ  
 (CHAIRMAN)

  
 ABDULWAHAB ISSA ALRUSHOOD  
 (ACTING GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 17 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 2023

	<i>Attributable to shareholders of the Bank</i>							<i>Perpetual Tier 1 Capital Securities and Sukuks</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 7)</i>	<i>Subtotal</i>	<i>Proposed cash dividends</i>	<i>Subtotal</i>			
Balance at 1 January 2023	1,342,223	3,611,765	134,222	(41,763)	111,451	5,157,898	199,907	5,357,805	501,666	426,630	6,286,101
Profit for the period	-	-	-	-	333,390	333,390	-	333,390	-	61,173	394,563
Other comprehensive loss	-	-	-	-	(179,426)	(179,426)	-	(179,426)	-	(66,674)	(246,100)
Total comprehensive income (loss)	-	-	-	-	153,964	153,964	-	153,964	-	(5,501)	148,463
Zakat and donations	-	-	-	-	(51,340)	(51,340)	-	(51,340)	-	-	(51,340)
Issue of bonus shares (Note 10)	134,222	-	(134,222)	-	-	-	-	-	-	-	-
Cash dividends (Note 10)	-	-	-	-	-	-	(199,907)	(199,907)	-	-	(199,907)
Proposed interim cash dividend (Note 10)	-	-	-	-	(146,063)	(146,063)	146,063	-	-	-	-
Net movement in treasury shares	-	-	-	(40,565)	-	(40,565)	-	(40,565)	-	-	(40,565)
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	-	-	(563)	(563)	-	(563)	563	-	-
Net movement on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	-	-	-	-	629	-	629
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	(10,870)	(10,870)	-	(10,870)	-	(177)	(11,047)
Group's share of associate adjustments	-	-	-	-	(3,385)	(3,385)	-	(3,385)	-	-	(3,385)
Impact of application of IAS 29 (Note 17)	-	-	-	-	42,505	42,505	-	42,505	-	25,788	68,293
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(14,929)	(14,929)
Acquisition of non-controlling interest	-	-	-	-	(12,305)	(12,305)	-	(12,305)	-	(114,210)	(126,515)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(1,066)	(1,066)
<b>Balance at 30 June 2023</b>	<b>1,476,445</b>	<b>3,611,765</b>	<b>-</b>	<b>(82,328)</b>	<b>83,394</b>	<b>5,089,276</b>	<b>146,063</b>	<b>5,235,339</b>	<b>502,858</b>	<b>316,535</b>	<b>6,054,732</b>

The attached notes 1 to 17 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 2023

	<i>Attributable to shareholders of the Bank</i>							<i>Perpetual</i>	<i>Non-</i>	<i>Total</i>	
	<i>Share</i>	<i>Share</i>	<i>Proposed</i>	<i>Treasury</i>	<i>Reserves</i>	<i>Subtotal</i>	<i>Proposed</i>	<i>Tier 1</i>	<i>controlling</i>	<i>equity</i>	
	<i>capital</i>	<i>premium</i>	<i>issue of</i>	<i>shares</i>	<i>(Note 7)</i>		<i>cash</i>	<i>Capital</i>	<i>interests</i>		
			<i>bonus</i>				<i>dividends</i>	<i>Securities</i>			
			<i>shares</i>					<i>and Sukuks</i>			
Balance at 1 January 2022	844,155	720,333	84,416	(27,739)	209,996	1,831,161	100,442	1,931,603	226,875	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 10)	84,416	-	(84,416)	-	-	-	-	-	-	-	-
Cash dividends (Note 10)	-	-	-	-	-	-	(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)	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 application of IAS 29 (Note 17)	-	-	-	-	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	230,025	207,292	2,357,605

The attached notes 1 to 17 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 2023

	Notes	<i>KD 000's</i>	
		<i>Six months ended</i>	
		<i>30 June 2023</i>	<i>30 June 2022</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		394,563	177,757
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		36,300	18,371
Provisions and impairment		25,864	45,240
Gain on sale of investments		(45,812)	(11,404)
Dividend income		(3,943)	(1,723)
Share of results of associates and joint ventures		(13,157)	(4,951)
Gain on sale of investment properties		(1,361)	(385)
Net monetary loss	17	9,194	46,125
		<b>401,648</b>	269,030
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables and due from banks		(347,929)	(751,595)
Investment in debt securities		(83,847)	(237,823)
Trading properties		(47)	(212)
Other assets		(210,515)	31,928
Statutory deposit with Central Banks		188,713	59,736
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(331,560)	724,096
Depositors' accounts		459,398	133,673
Other liabilities		100,755	67,465
Net cash flows from operating activities		<b>176,616</b>	296,298
<b>INVESTING ACTIVITIES</b>			
Investments, net		(8,599)	(1,800)
Additions/ purchase of investment properties		(3,767)	(44)
Proceeds from sale of investment properties		884	17,638
Purchase of property and equipment		(19,757)	(8,332)
Proceeds from sale of property and equipment		1,984	760
Intangible assets, net		(1,075)	(2,516)
Capital injection/ proceeds from redemption of investment in associates and joint ventures		(223)	16,994
Dividend received		13,602	7,122
Acquisition of non-controlling interest		(126,515)	-
Proceeds from disposal of a subsidiary		-	3,142
Net cash flows (used in) from investing activities		<b>(143,466)</b>	32,964
<b>FINANCING ACTIVITIES</b>			
Profit payment on perpetual Tier-1 Capital Securities and Sukuks		(11,047)	(4,140)
Movement in Sukuk payables and term financing		(154,709)	(56,577)
Net movement in treasury shares		(40,565)	(89)
Cash dividends paid		(198,072)	(98,067)
Dividends paid to non-controlling interest		(14,929)	(1,940)
Zakat paid		(7,212)	(988)
Net cash flows used in financing activities		<b>(426,534)</b>	(161,801)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(393,384)</b>	167,461
Cash and cash equivalents at 1 January		<b>3,201,022</b>	2,888,168
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	8	<b>2,807,638</b>	3,055,629

The attached notes 1 to 17 form part of the interim condensed consolidated financial information.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2023

**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 2023 were authorised for issue by the Bank’s Board of Directors on 10 July 2023.

The shareholders’ annual ordinary general assembly held on 20 March 2023 approved the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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. The Bank is listed in Kuwait Boursa and Bahrain Bourse and 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 2022 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 amendment:

- ▶ 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.

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 2022.

Further, results for the six months period ended 30 June 2023, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2023

**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 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial information of the Group.

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no material impact on the Group's interim condensed consolidated financial information.

**Definitions of Accounting Estimates – Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no material impact on the Group's interim condensed consolidated financial information.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments had no material impact on the Group's interim condensed consolidated financial information.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no material impact on the Group's interim condensed consolidated financial information.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**3 BUSINESS COMBINATION**

On 2 October 2022, the Parent Company acquired control of AUB, by issuing 4,023,741,236 new shares of the Parent Company to the accepting AUB shareholders at purchase consideration of 799 fils per share, being the quoted price of the shares of the Parent Company at the date of acquisition. Subsequently, on 20 November 2022, the Parent Company exercised their squeeze-out right to acquire the remaining 2.727% shares of the dissenting shareholders and issued another 112,784,885 new shares of the parent company, thereby making AUB a fully owned subsidiary, with total purchase consideration of KD 3,305,084 thousand.

The purchase consideration (also referred to as “purchase price”) of the acquisition have been allocated to the acquired assets and liabilities using their preliminary fair values at the acquisition date. Non-controlling interest in the acquiree is measured at the proportionate share in the recognized amount of the acquiree’s identifiable net assets. Goodwill recognised based on the provisional purchase price allocation amounting to KD 2,142,182 thousand, represents the difference between purchase consideration and fair value of identifiable net assets. Intangible assets identified as part of the acquisition were banking license, brand and core deposits, aggregating to KD 326,803 thousand.

The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed.

The Central Bank of Kuwait and Bank’s Fatwa and Shria’s Supervisory Board have approved to convert all conventional investments and products on acquisition of AUB to be Sharia’a compliant on a specific time frame. All income and expenses from non-Sharia’a compliant activities are included in the interim condensed consolidated statement of income, and surplus of conventional income over conventional expenses from 2 October 2022 until the completion of the complete conversion of AUB Group, if any, is transferred to a charitable account payable included in ‘Other liabilities’. Benefiting from the charitable account, is supervised by the Bank’s Fatwa and Sharia Supervisory Board.

Financing receivables include conventional loans and advances related to AUB amounting to KD 2,295,260 thousand as of 30 June 2023 (31 December 2022: KD 2,311,576 thousand and 30 June 2022: KD Nil), which represent 12.0% (31 December 2022: 12.3% and 30 June 2022: Nil) of net financing receivables as of 30 June 2023. The Bank is in the process of converting these facilities to comply with Islamic Sharia’a.

On 18 May 2023, KFH has completed the mandatory acquisition of Ahli United Bank K.S.C.P. (“AUB Kuwait”), this resulted in an increase in KFH Group ownership in AUB Kuwait by 18.3% (effective 20.3%). Accordingly, the total Group ownership (direct and indirect) in AUB Kuwait has become 85.6% (effective 95.1%) (31 December 2022: 67.3% (effective 74.9%) and 30 June 2022: Nil).

**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 six months period ended 30 June 2023. 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 2023.

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**5 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 Capital Securities and Sukuks, 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 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
<b>Basic and diluted earnings per share:</b>				
Profit for the period attributable to shareholders of the Bank (thousand KD)	<b>171,293</b>	68,583	<b>333,390</b>	138,083
Less: Profit payment on Perpetual Tier 1 Capital Securities and Sukuks (thousand KD)	<b>(10,870)</b>	(4,140)	<b>(10,870)</b>	(4,140)
Profit for the period attributable to shareholders of the Bank after profit payment on Perpetual Tier 1 Capital Securities and Sukuks (thousand KD)	<b>160,423</b>	64,443	<b>322,520</b>	133,943
Weighted average number of shares outstanding during the period, net of treasury shares (thousand shares)	<b>14,630,461</b>	10,537,781	<b>14,640,917</b>	10,537,814
Basic and diluted earnings per share attributable to the shareholders of the Bank	<b>10.97 fils</b>	6.12 fils	<b>22.03 fils</b>	12.71 fils

The comparative basic and diluted earnings per share have been restated for bonus shares issued (Note 10). The employees' shares-based payments plan has no impact on earnings per share.

**6 TAXATION**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
				<i>KD 000's</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	<b>(1,636)</b>	(665)	<b>(2,877)</b>	(1,240)
National Labour Support Tax (NLST)	<b>(4,062)</b>	(3,504)	<b>(7,830)</b>	(4,636)
Zakat (based on Zakat Law No. 46/2006)	<b>(2,116)</b>	(1,763)	<b>(3,821)</b>	(2,507)
Taxation related to subsidiaries	<b>(18,928)</b>	(12,617)	<b>(44,937)</b>	(30,828)
	<b>(26,742)</b>	(18,549)	<b>(59,465)</b>	(39,211)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2023

7 RESERVES

The movement of reserves is analysed as follows:

	<i>30 June 2023</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 2023	<b>403,348</b>	<b>251,206</b>	<b>29,608</b>	<b>15,028</b>	<b>47,135</b>	<b>(603,493)</b>	<b>(31,381)</b>	<b>111,451</b>
Profit for the period	-	-	<b>333,390</b>	-	-	-	-	<b>333,390</b>
Other comprehensive loss	-	-	-	-	<b>(41,174)</b>	<b>(131,146)</b>	<b>(7,106)</b>	<b>(179,426)</b>
Total comprehensive income (loss)	-	-	<b>333,390</b>	-	<b>(41,174)</b>	<b>(131,146)</b>	<b>(7,106)</b>	<b>153,964</b>
Proposed interim cash dividend (Note 10)	-	-	<b>(146,063)</b>	-	-	-	-	<b>(146,063)</b>
Zakat and donations	-	<b>(50,727)</b>	<b>(613)</b>	-	-	-	-	<b>(51,340)</b>
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	<b>(563)</b>	-	-	-	-	<b>(563)</b>
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks	-	-	<b>(10,870)</b>	-	-	-	-	<b>(10,870)</b>
Group's share of associate adjustments	-	-	<b>(3,385)</b>	-	-	-	-	<b>(3,385)</b>
Impact of application of IAS 29 (Note 17)	-	-	<b>42,505</b>	-	-	-	-	<b>42,505</b>
Acquisition of non-controlling interest	-	-	-	-	-	-	<b>(12,305)</b>	<b>(12,305)</b>
<b>Balance at 30 June 2023</b>	<b>403,348</b>	<b>200,479</b>	<b>244,009</b>	<b>15,028</b>	<b>5,961</b>	<b>(734,639)</b>	<b>(50,792)</b>	<b>83,394</b>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2023

7 RESERVES (continued)

	30 June 2022							<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 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	-	-	90	-	(90)	-	-	-
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	(3,150)	-	-	-	-	(3,150)
Profit payment on Perpetual Tier 1 Sukuk	-	-	(4,140)	-	-	-	-	(4,140)
Group's share of associate adjustments	-	-	(1,756)	-	-	-	-	(1,756)
Impact of application of IAS 29 (Note 17)	-	-	90,907	-	-	-	-	90,907
Disposal of a subsidiary	-	-	-	-	-	9,610	-	9,610
Balance at 30 June 2022	<u>365,663</u>	<u>213,521</u>	<u>221,380</u>	<u>15,028</u>	<u>14,675</u>	<u>(507,877)</u>	<u>(23,178)</u>	<u>299,212</u>

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

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

At 30 June 2023

### 8 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<b>30 June 2023</b>	<i>(Audited)</i> <b>31 December 2022</b>	<b>30 June 2022</b>
Cash	<b>412,049</b>	250,511	215,306
Balances with Central Banks	<b>1,398,899</b>	1,920,026	1,515,720
Balances with banks and financial institutions – current accounts	<b>756,577</b>	985,276	561,817
Cash and balances with banks and financial institutions	<b>2,567,525</b>	3,155,813	2,292,843
Due from banks maturing within 3 months of contract date	<b>1,499,402</b>	1,493,211	1,945,540
Less: Statutory deposits with Central Banks	<b>(1,259,289)</b>	(1,448,002)	(1,182,754)
Cash and cash equivalents	<b>2,807,638</b>	3,201,022	3,055,629

### 9 FINANCING RECEIVABLES

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

	<i>KD 000's</i>		
	<b>30 June 2023</b>	<i>(Audited)</i> <b>31 December 2022</b>	<b>30 June 2022</b>
Financing receivables, net of deferred and suspended profit	<b>20,061,614</b>	19,726,445	12,855,279
Less: impairment	<b>(953,437)</b>	(886,761)	(642,279)
	<b>19,108,177</b>	18,839,684	12,213,000

The available provision balance on non-cash facilities of KD 44,671 thousand (31 December 2022: KD 38,190 thousand and 30 June 2022: KD 12,887 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 2023 is KD 998,108 thousand (31 December 2022: KD 924,951 thousand and 30 June 2022: KD 655,166 thousand) which exceeds the ECL for financing receivables under IFRS 9 in accordance with CBK, by KD 561,796 thousand (31 December 2022: KD 517,209 thousand and 30 June 2022: KD 388,281 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:

<b>30 June 2023</b>	<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	<b>17,663,961</b>	<b>1,953,342</b>	<b>444,311</b>	<b>20,061,614</b>
Financing commitments and contingent liabilities (Note 13)	<b>2,322,311</b>	<b>266,755</b>	<b>39,024</b>	<b>2,628,090</b>
ECL provision for credit facilities	<b>88,261</b>	<b>113,567</b>	<b>234,484</b>	<b>436,312</b>



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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At 30 June 2023

**9 FINANCING RECEIVABLES (continued)**

<i>31 December 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	17,517,022	1,792,459	416,964	19,726,445
Financing commitments and contingent liabilities (Note 13)	2,259,563	254,154	32,202	2,545,919
ECL provision for credit facilities	83,848	115,187	208,707	407,742
 <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 13)	1,103,159	261,800	17,128	1,382,087
ECL provision for credit facilities	26,673	105,987	134,225	266,885

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 2023</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 2023	83,848	115,187	208,707	407,742
Impact due to transfer between stages	(1,410)	2,089	(679)	-
Net increase in ECL for the period	14,153	10,779	45,970	70,902
Amounts written off	-	-	(9,643)	(9,643)
Foreign exchange adjustments	(8,330)	(14,488)	(9,871)	(32,689)
At 30 June 2023	<u>88,261</u>	<u>113,567</u>	<u>234,484</u>	<u>436,312</u>
 <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>

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

The ordinary general assembly of the Bank's shareholders held on 20 March 2023 approved to distribute bonus shares of 10% (2021: 10%) of the issued and fully paid share capital, and cash dividends of 15 fils per share (2021: 12 fils per share) to the Bank's shareholders, for the year ended 31 December 2022.

The Extra-ordinary general assembly of the Bank's shareholders held on 20 March 2023 also approved to increase the authorised share capital to be comprised of 14,764,456,572 shares (31 December 2022: 13,485,707,127 and 30 June 2022: 13,485,707,127) shares of 100 fils each.

The issued, and fully paid share capital as at 30 June 2023 comprise of 14,764,456,572 shares (31 December 2022: 13,422,233,248 and 30 June 2022: 9,285,707,127) shares of 100 fils each.

The Board of Directors approved distribution of an interim cash dividend of 10 fils per share on the outstanding shares as of 30 June 2023.

**11 PERPETUAL TIER 1 CAPITAL SECURITIES AND SUKUKS**

	<i>KD 000's</i>		
	<i>30 June 2023</i>	<i>(Audited) 31 December 2022</i>	<i>30 June 2022</i>
Perpetual Tier-1 Sukuk issued by the Bank (a)	<b>225,945</b>	225,408	230,025
Perpetual Tier I Capital securities issued by AUB (b)	<b>118,215</b>	117,926	-
Perpetual Tier I Sukuk-2021 issued by AUBK (c)	<b>158,698</b>	158,332	-
	<b>502,858</b>	501,666	230,025

(a) 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.

(b) Basel III compliant Additional Tier I Perpetual Capital Securities issued by AUB during 2015 carried an initial distribution rate of 6.875% per annum payable semi-annually with a reset after every 5 years. On completion of the initial 5 year period, during 2020, distribution rate was reset to 5.839%. These securities are perpetual, subordinated and unsecured. The securities are listed on the Irish Stock Exchange. AUB can elect to make a distribution at its own discretion. The holders of these securities do not have a right to claim the same and such an event will not be considered an event of default. The securities carry no maturity date and have been classified under equity.

(c) During the year ended 31 December 2021, AUBK completed a US\$ 600 million Basel III compliant Additional Tier 1 Perpetual Capital Sukuk issue that bears a profit rate of 3.875% per annum, which are eligible to be classified under equity. These are subordinated, unsecured and carry a periodic distribution amount, payable semi-annually in arrears, is callable after five year period of issuance until the first call date ending June 2026 or any profit distribution date thereafter subject to certain redemption conditions, including prior CBK approval. The securities are listed on the Irish Stock Exchange and NASDAQ Dubai.

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**12 DIRECTORS' FEES**

The ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2022 held on 20 March 2023 approved the directors' fees proposed for the year ended 31 December 2022 of KD 1,096 thousand (2021: KD 1,096 thousand).

**13 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</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2023</i>	<i>31 December</i>	<i>2022</i>
Acceptances and letters of credit	<b>533,322</b>	515,682	222,908
Letters of guarantee	<b>2,094,768</b>	2,030,237	1,159,179
Contingencies	<b>2,628,090</b>	2,545,919	1,382,087
Capital commitments and others	<b>452,203</b>	421,459	272,888

**14 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>Board</i>		<i>Total</i>		
			<i>members</i>	<i>Other</i>	<i>(Audited)</i>		
	<i>Major</i>		<i>and</i>	<i>related</i>	<i>30 June</i>	<i>31</i>	<i>30 June</i>
	<i>shareholders</i>	<i>Associates</i>	<i>executive</i>	<i>parties</i>	<i>2023</i>	<i>December</i>	<i>2022</i>
			<i>officers</i>		<i>2022</i>	<i>2022</i>	<i>2022</i>
<b>Related parties</b>							
Financing receivables and due from Banks	-	<b>165,502</b>	<b>2,692</b>	<b>12,823</b>	<b>181,017</b>	233,487	216,425
Due to banks and financial institutions	<b>500,975</b>	<b>11,372</b>	-	-	<b>512,347</b>	380,241	832,427
Depositors' accounts	<b>637,868</b>	<b>39,893</b>	<b>33,050</b>	<b>24,173</b>	<b>734,984</b>	971,073	50,661
Contingencies and commitments	<b>1,219</b>	<b>12,035</b>	-	<b>6</b>	<b>13,260</b>	16,215	6,375

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**14 RELATED PARTY TRANSACTIONS (continued)**

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

	<i>KD 000's</i>					
					<i>Total</i>	
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Six months ended</i>	
				<i>30 June 2023</i>	<i>30 June 2022</i>	
Financing income	-	4,762	51	330	5,143	2,987
Fee and commission income	77	199	88	-	364	94
Finance cost and estimated distribution to depositors	28,367	1,054	200	399	30,020	4,658

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 2023</i>	<i>30 June 2022</i>
Salaries, allowances and bonuses of key management personnel	10,139	6,861
Termination and long term benefits of key management personnel	971	733
Board of directors' remuneration	450	145
	<b>11,560</b>	<b>7,739</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**14 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>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>		
	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>
<b>Board Members</b>									
Finance facilities and credit cards	<b>31</b>	29	24	<b>24</b>	18	20	<b>12,550</b>	12,950	1,724
Depositors' accounts	<b>78</b>	67	48	<b>125</b>	116	117	<b>22,909</b>	21,437	11,586
Collateral against finance facilities	<b>4</b>	3	2	<b>4</b>	3	2	<b>20,030</b>	18,628	2,162
<b>Executive Officers</b>									
Finance facilities and credit cards	<b>87</b>	81	60	<b>21</b>	21	20	<b>2,508</b>	2,415	2,237
Depositors' accounts	<b>109</b>	84	80	<b>138</b>	130	126	<b>16,559</b>	11,657	8,141
Collateral against finance facilities	<b>6</b>	5	5	<b>3</b>	3	3	<b>3,132</b>	2,943	2,611

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

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## 15 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 debt securities, 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
Corporate 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>
<b>30 June 2023</b>					
Total assets	<u>12,017,402</u>	<u>9,218,954</u>	<u>11,218,661</u>	<u>4,565,741</u>	<u>37,020,758</u>
Total liabilities	<u>7,626,886</u>	<u>16,147,437</u>	<u>6,191,396</u>	<u>1,000,307</u>	<u>30,966,026</u>
Operating income	<u>159,369</u>	<u>243,749</u>	<u>244,812</u>	<u>86,431</u>	<u>734,361</u>
Provisions and impairment	<u>(1,121)</u>	<u>(5,151)</u>	<u>(10,170)</u>	<u>(9,422)</u>	<u>(25,864)</u>
Profit (loss) for the period	<u>119,527</u>	<u>106,884</u>	<u>173,969</u>	<u>(5,817)</u>	<u>394,563</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>
<b>30 June 2022</b>					
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>

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

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

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#### 16 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 2023:

	<i>KD 000's</i>			
<b>Financial assets measured at fair value:</b>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value profit and loss	-	16,847	-	16,847
Equities at FVTPL	52,475	30,137	32,480	115,092
Equities at FVOCI	38,750	19,511	78,103	136,364
Debt securities at FVTPL	329,911	-	-	329,911
Debt securities at FVOCI	2,923,520	18,164	42,108	2,983,792
<i>Derivative financial assets:</i>				
Forward contracts	-	8,138	-	8,138
Profit rate swaps	-	154,211	-	154,211
Currency swaps	-	72,884	-	72,884
Others	-	169	-	169
	<u>3,344,656</u>	<u>320,061</u>	<u>152,691</u>	<u>3,817,408</u>
	<u><u>3,344,656</u></u>	<u><u>320,061</u></u>	<u><u>152,691</u></u>	<u><u>3,817,408</u></u>
<b>Financial liabilities measured at fair value:</b>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	17,283	-	17,283
Profit rate swaps	-	51,200	-	51,200
Currency swaps	-	8,784	-	8,784
Embedded precious metals	-	799	-	799
Others	-	247	-	247
	<u>-</u>	<u>78,313</u>	<u>-</u>	<u>78,313</u>
	<u><u>-</u></u>	<u><u>78,313</u></u>	<u><u>-</u></u>	<u><u>78,313</u></u>

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

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

At 30 June 2023

#### 16 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 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	-	16,847	-	16,847
Equities at FVTPL	37,982	35,711	22,320	96,013
Equities at FVOCI	38,102	17,607	78,072	133,781
Debt securities at FVTPL	301,242	-	-	301,242
Debt securities at FVOCI	2,804,895	31,019	43,180	2,879,094
<i>Derivative financial assets:</i>				
Forward contracts	-	18,579	-	18,579
Profit rate swaps	-	171,346	-	171,346
Currency swaps	-	42,815	-	42,815
Embedded precious metals	-	3,126	-	3,126
Others	-	261	-	261
	<u>3,182,221</u>	<u>337,311</u>	<u>143,572</u>	<u>3,663,104</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	-	15,634	-	15,634
Profit rate swaps	-	51,381	-	51,381
Currency swaps	-	6,276	-	6,276
Embedded precious metals	-	1,422	-	1,422
Others	-	369	-	369
	<u>-</u>	<u>75,082</u>	<u>-</u>	<u>75,082</u>

The following table provides the fair value measurement hierarchy of the Group 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>



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

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

At 30 June 2023

#### 16 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	-	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>

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 42,108 thousand (31 December 2022: KD 43,180 thousand and 30 June 2022: KD 47,999 thousand) and unquoted equity investments of KD 110,583 thousand (31 December 2022: KD 100,392 thousand and 30 June 2022: KD 80,274 thousand). Investment in debt securities included in this category represent investment in debt securities issued by sovereign entities, financial institutions and corporates. The fair values of unquoted investment in debt securities are estimated using discounted cash flow method using discount rate ranging from 5.9% to 16.1% (31 December 2022: 5.9% to 15.1% and 30 June 2022: 4.0% to 9.1%). 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 consolidated statement of financial position or the consolidated statement of income or the 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%.

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>	
	<u>2023</u>	<u>2022</u>
<b>As at 1 January</b>	<b>143,572</b>	132,524
Fair value re-measurement	<b>729</b>	5,554
Purchase (disposal), net	<b>8,390</b>	(9,805)
<b>As at 30 June</b>	<b>152,691</b>	<u>128,273</u>

#### 17 HYPERINFLATION ACCOUNTING

The subsidiary Kuwait Turkish Participation Bank (KTPB) has banking operations in Turkey. The Turkish economy was 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 periods is as below:

<i>Reporting period</i>	<i>Index</i>	<i>Conversion factor</i>
<b>30 June 2023</b>	<b>1300.60</b>	<b>1.166</b>
31 December 2022	1115.26	1.623
30 June 2022	931.76	1.356
31 December 2021	686.95	1.361