

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

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

30 SEPTEMBER 2021



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C.P. (“the Bank”) and its subsidiaries (collectively “the Group”) as at 30 September 2021 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 interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

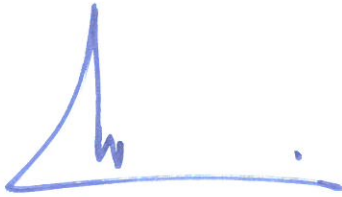
Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the nine-months period ended 30 September 2021 that might have had a material effect on the business of the Bank or on its financial position.

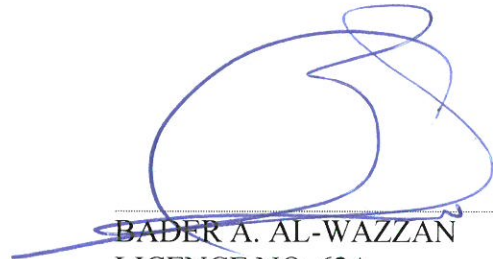
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

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 2021 that might have had a material effect on the business of the Bank or on its financial position.



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



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

20 October 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 September 2021

	Notes	<i>KD 000's</i>			
		<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>
		2021	2020	2021	2020
INCOME					
Financing income		227,490	220,400	664,262	665,290
Finance cost and estimated distribution to depositors	3	(76,285)	(65,698)	(221,296)	(214,839)
Net financing income		151,205	154,702	442,966	450,451
Investment income		2,551	2,219	4,264	38,425
Fees and commission income		17,946	18,725	53,965	51,880
Net gain from foreign currencies		8,503	17,223	57,538	53,885
Other operating income		10,533	10,115	32,060	28,080
TOTAL OPERATING INCOME		190,738	202,984	590,793	622,721
OPERATING EXPENSES					
Staff costs		(45,267)	(39,308)	(138,533)	(128,762)
General and administrative expenses		(18,848)	(19,661)	(56,677)	(60,667)
Depreciation and amortisation		(10,346)	(9,880)	(31,321)	(31,536)
TOTAL OPERATING EXPENSES		(74,461)	(68,849)	(226,531)	(220,965)
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT		116,277	134,135	364,262	401,756
Provisions and impairment		(28,268)	(59,721)	(118,243)	(245,915)
OPERATING PROFIT FOR THE PERIOD BEFORE TAXATION		88,009	74,414	246,019	155,841
Taxation	5	(12,314)	(9,571)	(34,222)	(24,668)
PROFIT FOR THE PERIOD		75,695	64,843	211,797	131,173
Attributable to:					
Shareholders of the Bank		65,895	44,290	168,088	101,207
Non-controlling interests		9,800	20,553	43,709	29,966
		75,695	64,843	211,797	131,173
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	4	7.87 fils	5.29 fils	20.08 fils	12.10 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2021

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2021</i>	<i>30 September 2020</i>	<i>30 September 2021</i>	<i>30 September 2020</i>
Profit for the period	75,695	64,843	211,797	131,173
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Revaluation (loss) gain on equity instruments at fair value through other comprehensive income	(305)	5,122	14,954	(4,362)
<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	(3,004)	2,526	(117)	(11,451)
Net transfer to interim condensed consolidated statement of income	5,332	(28,529)	(24,102)	31,821
Net gain (loss) on sukuk investments at fair value through other comprehensive income	2,328	(26,003)	(24,219)	20,370
Share of other comprehensive (loss) gain from associates and joint ventures	(36)	324	(96)	(1,135)
Exchange differences on translation of foreign operations	(9,468)	(43,552)	(101,243)	(82,443)
Other comprehensive loss for the period	(7,481)	(64,109)	(110,604)	(67,570)
Total comprehensive income for the period	68,214	734	101,193	63,603
Attributable to:				
Shareholders of the Bank	58,654	10,038	92,139	59,351
Non-controlling interests	9,560	(9,304)	9,054	4,252
	68,214	734	101,193	63,603

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2021

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 September 2021</i>	<i>31 December 2020</i>	<i>30 September 2020</i>
ASSETS				
Cash and balances with banks and financial institutions	7	2,901,270	2,490,801	2,453,071
Due from banks		3,071,798	3,364,577	2,899,278
Financing receivables	8	11,344,740	10,747,536	10,514,020
Investment in Sukuk		2,734,470	2,742,100	3,219,754
Trading properties		99,115	102,395	103,246
Investments		226,176	192,347	180,013
Investment in associates and joint ventures		490,607	520,784	526,674
Investment properties		339,759	350,838	372,211
Other assets		515,940	728,059	437,170
Intangible assets		33,390	32,390	30,985
Property and equipment		214,066	230,487	224,887
TOTAL ASSETS		21,971,331	21,502,314	20,961,309
LIABILITIES				
Due to banks and financial institutions		2,444,936	2,954,115	2,940,479
Sukuk payables		394,497	315,105	289,187
Depositors' accounts		16,009,407	15,317,335	14,914,013
Other liabilities		800,324	814,361	777,678
TOTAL LIABILITIES		19,649,164	19,400,916	18,921,357
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	9	844,155	767,414	767,414
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	9	-	76,741	-
Treasury shares		(27,739)	(27,739)	(27,803)
Reserves	6	392,164	323,199	412,677
		1,928,913	1,859,948	1,872,621
Proposed cash dividends	9	-	76,093	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,928,913	1,936,041	1,872,621
Perpetual Tier 1 Sukuk	10	226,238	-	-
Non-controlling interests		167,016	165,357	167,331
TOTAL EQUITY		2,322,167	2,101,398	2,039,952
TOTAL LIABILITIES AND EQUITY		21,971,331	21,502,314	20,961,309


 HAMAD ABDOUL MOHSEN AL-MARZOUQ
 (CHAIRMAN)


 ABDULWAHAB ISSA ALRUSHOOD
 (ACTING GROUP CHIEF EXECUTIVE OFFICER)

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

Kuwait Finance House K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2021

	<i>KD 000's</i>										
	<i>Attributable to shareholders of the Bank</i>						<i>Perpetual Tier 1 Sukuk</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 2021	767,414	720,333	76,741	(27,739)	323,199	1,859,948	76,093	1,936,041	-	165,357	2,101,398
Profit for the period	-	-	-	-	168,088	168,088	-	168,088	-	43,709	211,797
Other comprehensive loss	-	-	-	-	(75,949)	(75,949)	-	(75,949)	-	(34,655)	(110,604)
Total comprehensive income	-	-	-	-	92,139	92,139	-	92,139	-	9,054	101,193
Zakat	-	-	-	-	(20,508)	(20,508)	-	(20,508)	-	-	(20,508)
Issue of bonus shares (Note 9)	76,741	-	(76,741)	-	-	-	-	-	-	-	-
Cash dividends (Note 9)	-	-	-	-	-	-	(76,093)	(76,093)	-	-	(76,093)
Issue of Perpetual Tier 1 Sukuk (Note 10)	-	-	-	-	-	-	-	-	225,788	-	225,788
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	(535)	(535)	-	(535)	-	-	(535)
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	-	-	(450)	(450)	-	(450)	450	-	-
Group's share of associate adjustments	-	-	-	-	(1,681)	(1,681)	-	(1,681)	-	-	(1,681)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	(6,765)	(6,765)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(630)	(630)
Balance at 30 September 2021	844,155	720,333	-	(27,739)	392,164	1,928,913	-	1,928,913	226,238	167,016	2,322,167

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

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

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

For the period ended 30 September 2021

	KD 000's										
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 6)	Subtotal	Proposed cash dividends	Subtotal	Perpetual Tier 1 Sukuk	Non-controlling interests	Total equity
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 9)	69,765	-	(69,765)	-	-	-	-	-	-	-	-
Cash dividends (Note 9)	-	-	-	-	-	-	(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 associate adjustments	-	-	-	-	(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 15 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2021

		<i>KD 000's</i>	
		<i>Nine months ended</i>	
	<i>Notes</i>	<i>30 September 2021</i>	<i>30 September 2020</i>
OPERATING ACTIVITIES			
Profit for the period		211,797	131,173
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		31,321	31,536
Provisions and impairment		118,243	245,915
Gain on sale of investments		(10,296)	(12,403)
Dividend income		(2,247)	(2,278)
Share of results of associates and joint ventures		(5,631)	1,348
Gain on sale of investment properties		(8,272)	(11,384)
		<u>334,915</u>	<u>383,907</u>
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables and due from banks		(577,351)	(987,747)
Investment in Sukuks		12,605	(932,765)
Trading properties		3,280	2,597
Other assets		212,119	85,053
Statutory deposit with Central Banks		(580,781)	31,890
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(509,179)	482,535
Depositors' accounts		692,072	1,361,368
Other liabilities		(158,666)	(28,759)
Net cash flows (used in) from operating activities		<u>(570,986)</u>	<u>398,079</u>
INVESTING ACTIVITIES			
Investments, net		(5,184)	7,118
Purchase of investment properties		(1,893)	(2,701)
Proceeds from sale of investment properties		23,193	9,778
Purchase of property and equipment		(14,423)	(20,726)
Proceeds from sale of property and equipment		6,020	8,980
Intangible assets, net		(1,000)	(4,055)
Proceeds from sale of subsidiaries		-	2,733
Proceeds from sale/redemption of investment in associates and joint ventures		2,923	-
Dividend received		6,170	16,929
Net cash flows from investing activities		<u>15,806</u>	<u>18,056</u>
FINANCING ACTIVITIES			
Net proceeds from issue of Perpetual Tier 1 Sukuk	10	225,788	-
Movement in Sukuk payable		79,392	(30,778)
Net movement in treasury shares		-	11,531
Cash dividends paid		(72,204)	(137,980)
Zakat paid		(6,948)	(1,092)
Acquisition of non-controlling interests		-	(16,296)
Net cash flows from (used in) financing activities		<u>226,028</u>	<u>(174,615)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(329,152)</u>	<u>241,520</u>
Cash and cash equivalents at 1 January	7	<u>3,351,559</u>	<u>2,520,002</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	<u><u>3,022,407</u></u>	<u><u>2,761,522</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2021

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 2021 were authorised for issue by the Bank’s Board of Directors on 7 October 2021.

The shareholders’ annual ordinary general assembly held on 22 March 2021 approved the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The annual consolidated financial statements for the year ended 31 December 2020 were prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) with the following amendments:

- ▶ Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 – Financial Instruments (“IFRS 9”) in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
- ▶ Recognition of modification losses on financial assets arising from payment holidays to customers as a result of COVID during the financial year ended 31 December 2020, as required by CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020. Modification losses referred to in the circular, should be recognised in retained earnings instead of profit or loss as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognised in profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognised in the interim condensed consolidated statement of income. The application of the policy will result in application of different accounting presentation for modification loss in 2020 compared to 2021.

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 2020.

Further, results for the nine months period ended 30 September 2021, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments 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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

Profit Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free profit rate (RFR). The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating profit rate, equivalent to a movement in a market profit rate
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group is currently assessing the impact of the Group's transition to the new rate regimes and intends to use the practical expedients in future periods if they become applicable.

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 implemented or 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.

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 2021. 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 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2021

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 2021</i>	<i>30 September 2020</i>	<i>30 September 2021</i>	<i>30 September 2020</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	<u>65,895</u>	<u>44,290</u>	<u>168,088</u>	<u>101,207</u>
Weighted average number of shares outstanding during the period (thousand shares)	<u>8,370,182</u>	<u>8,370,032</u>	<u>8,370,182</u>	<u>8,363,326</u>
Basic and diluted earnings per share attributable to the shareholders of the Bank	<u>7.87 fils</u>	<u>5.29 fils</u>	<u>20.08 fils</u>	<u>12.10 fils</u>

The weighted average number of shares outstanding for the current and comparative period have been adjusted to reflect the bonus shares issuance, approved during the period (Note 9). 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 2021</i>	<i>30 September 2020</i>	<i>30 September 2021</i>	<i>30 September 2020</i>
				<i>KD 000's</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(578)	(473)	(1,356)	(1,044)
National Labour Support Tax (NLST)	(1,265)	(304)	(3,013)	(1,715)
Zakat (based on Zakat Law No. 46/2006)	(682)	(461)	(1,614)	(1,047)
Taxation related to subsidiaries	(9,789)	(8,333)	(28,239)	(20,862)
	<u>(12,314)</u>	<u>(9,571)</u>	<u>(34,222)</u>	<u>(24,668)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2021

6 RESERVES

The movement of reserves is analysed as follows:

	30 September 2021						KD 000's	
	<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 2021	340,325	228,893	1,306	15,028	66,933	(305,515)	(23,771)	323,199
Profit for the period	-	-	168,088	-	-	-	-	168,088
Other comprehensive loss	-	-	-	-	(5,905)	(70,044)	-	(75,949)
Total comprehensive income (loss)	-	-	168,088	-	(5,905)	(70,044)	-	92,139
Zakat	-	(20,508)	-	-	-	-	-	(20,508)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	232	-	(232)	-	-	-
Transaction costs on issue of perpetual Tier 1 Sukuk	-	-	(535)	-	-	-	-	(535)
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	(450)	-	-	-	-	(450)
Group's share of associate adjustments	-	-	(1,681)	-	-	-	-	(1,681)
Balance at 30 September 2021	340,325	208,385	166,960	15,028	60,796	(375,559)	(23,771)	392,164

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At 30 September 2021

6 RESERVES (continued)

30 September 2020

	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
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 associate adjustments	-	-	(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

* 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 the year ended 31 December 2020, which was 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

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At 30 September 2021

7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 September 2021</i>	<i>(Audited) 31 December 2020</i>	<i>30 September 2020</i>
Cash	191,107	222,389	230,825
Balances with Central Banks	2,157,914	1,761,063	1,831,028
Balances with banks and financial institutions – current accounts	552,249	507,349	391,218
Cash and balances with banks and financial institutions	2,901,270	2,490,801	2,453,071
Due from banks maturing within 3 months of contract date	1,523,034	1,681,874	1,033,145
Less: Statutory deposits with Central Banks	(1,401,897)	(821,116)	(724,694)
Cash and cash equivalents	<u>3,022,407</u>	<u>3,351,559</u>	<u>2,761,522</u>

8 FINANCING RECEIVABLES

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

	<i>KD 000's</i>		
	<i>30 September 2021</i>	<i>(Audited) 31 December 2020</i>	<i>30 September 2020</i>
Financing receivables, net of deferred and suspended profit	11,992,913	11,318,519	11,054,675
Less: impairment	(648,173)	(570,983)	(540,655)
	<u>11,344,740</u>	<u>10,747,536</u>	<u>10,514,020</u>

The available provision balance on non-cash facilities of KD 14,878 thousand (31 December 2020: KD 16,138 thousand and 30 September 2020: KD 16,486 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 September 2021 is KD 663,051 thousand (31 December 2020: KD 587,121 thousand and 30 September 2020: KD 557,141 thousand) which exceeds the ECL for financing receivables under IFRS 9 in accordance with CBK, by KD 313,979 thousand (31 December 2020: KD 227,587 thousand and 30 September 2020: KD 225,093 thousand).

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

<i>30 September 2021</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
Financing receivables	9,638,550	1,902,264	452,099	11,992,913
Non-cash credit facilities	3,215,236	543,910	22,629	3,781,775
ECL provision for credit facilities	<u>27,460</u>	<u>126,556</u>	<u>195,056</u>	<u>349,072</u>

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At 30 September 2021

8 FINANCING RECEIVABLES (continued)

<i>31 December 2020</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	8,946,836	1,942,969	428,714	11,318,519
Non-cash credit facilities	3,610,182	537,555	19,608	4,167,345
ECL provision for credit facilities	35,381	162,964	161,189	359,534
<i>30 September 2020</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	8,969,601	1,640,249	444,825	11,054,675
Non-cash credit facilities	3,811,554	384,251	18,984	4,214,789
ECL provision for credit facilities	40,718	112,741	178,589	332,048

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 September 2021</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
ECL allowance as at 1 January 2021	35,381	162,964	161,189	359,534
Impact due to transfer between stages	1,036	(11,256)	10,220	-
Additional ECL for the period	(7,058)	(12,800)	61,206	41,348
Amounts written off	-	-	(24,140)	(24,140)
Foreign currency translation	(1,899)	(12,352)	(13,419)	(27,670)
At 30 September 2021	27,460	126,556	195,056	349,072
<i>30 September 2020</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 2020	45,037	157,919	160,118	363,074
Impact due to transfer between stages	2,439	(19,955)	17,516	-
ECL allowance for the period	(2,565)	(3,505)	48,444	42,374
Amounts written off	-	-	(30,054)	(30,054)
Foreign currency translation	(4,193)	(21,718)	(17,435)	(43,346)
At 30 September 2020	40,718	112,741	178,589	332,048

Modification loss on deferral of consumer and housing financing by nine months and related government grant income

During the period, the Bank has recognised a modification loss of KD 65,293 thousand arising from the deferral of consumer and housing financing instalments for a period of six months, computed in accordance with IFRS 9, in accordance with CBK circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementation of the provisions of Article No. (2) of Law No. (3) of 2021 ('the Law'). According to the Law, the modification loss arising on the deferral of the financing instalments will be fully borne by the Kuwait government. Therefore, the Bank has recognised this income in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and set it off against the modification loss. The Government grant receivable is included in other assets in the interim condensed consolidated statement of financial position.

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9 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

The ordinary general assembly of the Bank's shareholders held on 22 March 2021 approved to distribute bonus shares of 10% (2019: 10%) of the issued and fully paid share capital, and cash dividends of 10 fils per share (2019: 20 fils per share) to the Bank's shareholders, for the year ended 31 December 2020.

The Extra-ordinary general assembly of the Bank's shareholders held on 22 March 2021 also approved to increase the authorised share capital to be comprised of 12,641,551,934 shares (31 December 2020: 11,874,138,122 and 30 September 2020: 11,874,138,122) shares of 100 fils each.

The issued, and fully paid share capital as at 30 September 2021 comprise of 8,441,551,934 shares (31 December 2020: 7,674,138,122 and 30 September 2020: 7,674,138,122) shares of 100 fils each.

10 PERPETUAL TIER 1 SUKUK

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

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

11 DIRECTORS' FEES

The ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2020 held on 22 March 2021 approved the directors' fees proposed for the year ended 31 December 2020 of KD 608 thousand (2019: KD 942 thousand).

12 CONTINGENCIES AND COMMITMENTS

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

	<i>KD 000's</i>		
	<i>30 September 2021</i>	<i>(Audited) 31 December 2020</i>	<i>30 September 2020</i>
Acceptances and letters of credit	160,049	159,067	145,449
Letters of guarantee	1,217,001	1,402,288	1,407,325
Contingencies	1,377,050	1,561,355	1,552,774
Capital and other commitments	320,486	306,005	337,662

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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13 RELATED PARTY TRANSACTIONS

Certain related parties (major shareholders, directors and executive employees, officers of the Group, their immediate relatives, associated companies joint ventures and companies of which they are the principal owners) are depositors and financing facilities customers of the Group, in the ordinary course of business. Such transactions were made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

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

<i>KD 000's</i>							
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Total</i>		
					<i>(Audited)</i>		
					<i>30 September 2021</i>	<i>31 December 2020</i>	<i>30 September 2020</i>
Related parties							
Financing receivables	-	231,852	2,609	1,720	236,181	208,306	212,856
Due to banks and financial institutions	750,716	9,059	-	-	759,775	1,135,722	983,979
Depositors' accounts	-	25,990	12,753	10,553	49,296	57,609	76,860
Contingencies and commitments	486	5,819	-	855	7,160	11,802	12,082

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 2021</i>	<i>30 September 2020</i>	
Financing income	-	5,482	76	50	5,608	6,141	
Fee and commission income	-	95	125	43	263	158	
Finance cost and estimated distribution to depositors	5,781	245	63	397	6,486	13,261	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>					
	<i>The number of Board Members or Executive Officers</i>		<i>The number of related parties (Relatives of Board Members or Executive Officers)</i>		<i>Values</i>	
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Board Members						
Finance facilities and credit cards	25	27	21	23	1,158	1,120
Depositors' accounts	55	55	126	123	12,513	19,364
Collateral against finance facilities	1	3	1	3	1,771	2,362
						2,017
Executive Officers						
Finance facilities and credit cards	68	71	17	14	2,953	2,422
Depositors' accounts	76	89	117	111	9,029	11,585
Collateral against finance facilities	6	9	3	3	3,039	2,708
						3,831

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At 30 September 2021

13 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 2021</i>	<i>30 September 2020</i>
Salaries, allowances and bonuses of key management personnel	9,332	11,521
Termination and long term benefits of key management personnel	777	710
Board of directors' remuneration	217	259
	<u>10,326</u>	<u>12,490</u>

14 SEGMENTAL ANALYSIS

Segment information

	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Retail and private banking</i>	<i>Corporate banking</i>	<i>Investment</i>	<i>Total</i>
<i>30 September 2021</i>					
Total assets	7,681,546	6,867,702	5,818,353	1,603,730	21,971,331
Total liabilities	3,185,324	13,064,386	2,947,206	452,248	19,649,164
Operating income	56,414	245,991	191,472	96,916	590,793
Provisions and impairment	16,195	(7,558)	(101,466)	(25,414)	(118,243)
Profit for the period	61,642	95,451	38,488	16,216	211,797
					<i>KD 000's</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

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

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15 FAIR VALUES

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

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

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

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

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

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value profit and loss	-	16,068	-	16,068
Equities at FVTPL	15,333	45,025	41,482	101,840
Equities at FVOCI	43,274	-	64,994	108,268
Investment in Sukuk FVTPL	290,469	-	-	290,469
Investment in Sukuk FVOCI	2,271,371	-	60,683	2,332,054
<i>Derivative financial assets:</i>				
Forward contracts	-	3,382	-	3,382
Currency swaps	-	13,104	-	13,104
	<u>2,620,447</u>	<u>77,579</u>	<u>167,159</u>	<u>2,865,185</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	-	1,119	-	1,119
Profit rate swaps	-	16,630	-	16,630
Currency swaps	-	14,936	-	14,936
Embedded precious metals	-	99	-	99
	<u>-</u>	<u>32,784</u>	<u>-</u>	<u>32,784</u>

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 December 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 profit and loss	-	16,068	-	16,068
Equities at FVTPL	6,737	37,420	32,859	77,016
Equities at FVOCI	31,434	-	67,829	99,263
Investment in Sukuk FVTPL	293,295	-	-	293,295
Investment in Sukuk FVOCI	2,106,827	-	84,681	2,191,508
<i>Derivative financial assets:</i>				
Forward contracts	-	4,834	-	4,834
Currency swaps	-	16,150	-	16,150
<i>Non-financial assets:</i>				
Investment properties	-	440,270	-	440,270
	<u>2,438,293</u>	<u>514,742</u>	<u>185,369</u>	<u>3,138,404</u>

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15 FAIR VALUES (continued)

	KD 000's			
	(Level 1)	(Level 2)	(Level 3)	Total
Financial liabilities measured at fair value:				
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,277	-	1,277
Profit rate swaps	-	26,008	-	26,008
Currency swaps	-	46,474	-	46,474
Embedded precious metals	-	216	-	216
	-	73,975	-	73,975

The following table provides the fair value measurement hierarchy of the Group financial assets and financial liabilities as at 30 September 2020:

	KD 000's			
	(Level 1)	(Level 2)	(Level 3)	Total
Financial assets measured at fair value:				
Venture capital at fair value profit and loss	-	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 FVTPL	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
	2,920,316	115,358	167,427	3,203,101

	KD 000's			
	(Level 1)	(Level 2)	(Level 3)	Total
Financial liabilities measured at fair value:				
<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
	-	52,196	-	52,196

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 60,683 thousand (31 December 2020: KD 84,681 thousand and 30 Sep 2020: KD 79,760 thousand) and unquoted equity investments of KD 106,476 thousand (31 December 2020: KD 100,688 thousand and 30 Sep 2020: KD 87,667 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 1.04% to 5.86% (31 December 2020: 1.9% to 9.3% and 30 Sep 2020: 1.3% to 6.4%). Unquoted equity investments are fair valued using valuation techniques that are appropriate in the circumstances. Valuation techniques include discounted cash flow models adjusted, observable market information of comparable companies, recent transaction information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue and profit estimates. The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of income or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used for fair value estimates to fair value the unquoted equity investments and unquoted sukuk were altered by 5%.

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15 FAIR VALUES (continued)

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

	<i>KD 000's</i>	
	<u>2021</u>	<u>2020</u>
As at 1 January	185,369	201,799
Fair value re-measurement	3,595	42
Disposal, net	(21,805)	(34,414)
As at 30 September	<u>167,159</u>	<u>167,427</u>