

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

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

31 March 2024



**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 31 March 2024 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three 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 three months period ended 31 March 2024 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 three months period ended 31 March 2024 that might have had a material effect on the business of the Bank or on its financial position.



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EY
AL AIBAN, AL OSAIMI & PARTNERS



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

23 April 2024
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 31 March 2024

	Notes	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March 2024</i>	<i>31 March 2023</i>
INCOME			
Financing income		677,828	495,545
Finance cost and estimated distribution to depositors	4	(414,445)	(269,567)
Net financing income		263,383	225,978
Investment (loss) income		(157)	74,330
Fees and commission income		43,763	28,342
Net gain from foreign currencies		71,096	38,573
Other operating income		14,278	11,901
TOTAL OPERATING INCOME		392,363	379,124
OPERATING EXPENSES			
Staff costs		(84,703)	(73,121)
General and administrative expenses		(39,693)	(35,931)
Depreciation and amortisation		(20,371)	(18,891)
TOTAL OPERATING EXPENSES		(144,767)	(127,943)
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT AND NET MONETARY LOSS		247,596	251,181
Provisions and impairment		4,571	(23,673)
Net monetary loss	19	(51,526)	(9,116)
OPERATING PROFIT BEFORE TAXATION		200,641	218,392
Taxation	8	(32,443)	(32,723)
PROFIT FOR THE PERIOD		168,198	185,669
Attributable to:			
Shareholders of the Bank		162,845	162,097
Non-controlling interests		5,353	23,572
		168,198	185,669
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	5	10.24 fils	10.15 fils

The attached notes 1 to 19 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 31 March 2024

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2024</i>	<i>31 March 2023</i>
Profit for the period	168,198	185,669
<i>Items that will not be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>		
Revaluation gain on equity instruments at fair value through other comprehensive income	1,287	771
Net change in pension fund reserve	3,008	1,331
<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	(35,622)	(29,951)
Net transfer to interim condensed consolidated statement of income	(6,787)	2,485
Net loss on investment in debt securities at fair value through other comprehensive income	(42,409)	(27,466)
Share of other comprehensive gain (loss) from associates and joint ventures	1,649	(305)
Net change in fair value of cash flow hedges	(21)	(32)
Exchange differences on translation of foreign operations	(152,699)	(63,123)
Other comprehensive loss for the period	(189,185)	(88,824)
Total comprehensive (loss) income for the period	(20,987)	96,845
Attributable to:		
Shareholders of the Bank	8,662	84,518
Non-controlling interests	(29,649)	12,327
	(20,987)	96,845

The attached notes 1 to 19 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 31 March 2024

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>31 March 2024</i>	<i>31 December 2023</i>	<i>31 March 2023</i>
ASSETS				
Cash and balances with banks and financial institutions	10	3,283,191	3,612,104	2,782,416
Due from banks		2,360,266	2,971,422	3,855,106
Financing receivables	11	18,889,279	19,425,221	19,158,449
Investment in debt securities		6,298,280	7,006,323	6,150,400
Trading properties		105,331	105,267	95,124
Investments		312,467	310,241	283,038
Investment in associates and joint ventures		532,970	542,948	513,188
Investment properties		382,897	376,616	398,799
Other assets		995,619	903,238	847,179
Goodwill and intangible assets		2,346,860	2,397,868	2,427,471
Property and equipment		354,579	358,692	343,636
Assets classified as held for sale	6	1,160,966	-	-
TOTAL ASSETS		37,022,705	38,009,940	36,854,806
LIABILITIES				
Due to banks		4,434,643	4,777,278	4,162,568
Due to financial institutions		3,206,891	3,206,512	2,443,861
Sukuk payables and term financing	7	924,388	635,532	656,696
Depositors' accounts		20,008,098	21,812,815	21,852,711
Other liabilities		1,408,769	1,414,464	1,530,787
Liabilities directly associated with the assets held for sale	6	947,291	-	-
TOTAL LIABILITIES		30,930,080	31,846,601	30,646,623
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	12	1,710,844	1,476,445	1,476,445
Share premium		4,267,447	3,611,765	3,611,765
Proposed issue of bonus shares	12	-	141,262	-
Treasury shares		(822,159)	(113,103)	(59,160)
Reserves	9	113,246	53,499	228,151
		5,269,378	5,169,868	5,257,201
Proposed cash dividends	12	-	146,042	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		5,269,378	5,315,910	5,257,201
Perpetual Tier 1 Capital Securities and Sukuks	13	503,002	502,381	502,054
Non-controlling interests		320,245	345,048	448,928
TOTAL EQUITY		6,092,625	6,163,339	6,208,183
TOTAL LIABILITIES AND EQUITY		37,022,705	38,009,940	36,854,806



HAMAD ABDOUL MOHSEN AL-MARZOUQ
(CHAIRMAN)



ABDULWAHAB ISSA ALRUSHOOD
(ACTING GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 19 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 31 March 2024

	<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 9)</i>	<i>Subtotal</i>	<i>Proposed cash dividends</i>	<i>Subtotal</i>			
Balance at 1 January 2024	1,476,445	3,611,765	141,262	(113,103)	53,499	5,169,868	146,042	5,315,910	502,381	345,048	6,163,339
Profit for the period	-	-	-	-	162,845	162,845	-	162,845	-	5,353	168,198
Other comprehensive loss	-	-	-	-	(154,183)	(154,183)	-	(154,183)	-	(35,002)	(189,185)
Total comprehensive income (loss)	-	-	-	-	8,662	8,662	-	8,662	-	(29,649)	(20,987)
Issuance of ordinary shares (Note 3)	93,137	655,682	-	-	-	748,819	-	748,819	-	-	748,819
Issue of bonus shares (Note 12)	141,262	-	(141,262)	-	-	-	-	-	-	-	-
Cash dividends (Note 12)	-	-	-	-	-	-	(146,042)	(146,042)	-	-	(146,042)
Net movement in treasury shares (Note 3)	-	-	-	(709,056)	2,687	(706,369)	-	(706,369)	-	-	(706,369)
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	-	-	(368)	(368)	-	(368)	368	-	-
Net movement on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	-	-	-	-	253	-	253
Group's share of associate adjustments	-	-	-	-	(1,767)	(1,767)	-	(1,767)	-	-	(1,767)
Impact of application of IAS 29 (Note 19)	-	-	-	-	55,061	55,061	-	55,061	-	33,405	88,466
Acquisition of non-controlling interest (Note 3)	-	-	-	-	(4,528)	(4,528)	-	(4,528)	-	(28,751)	(33,279)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	192	192
Balance at 31 March 2024	1,710,844	4,267,447	-	(822,159)	113,246	5,269,378	-	5,269,378	503,002	320,245	6,092,625

The attached notes 1 to 19 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 31 March 2024

KD 000's

	Attributable to shareholders of the Bank						Proposed cash dividends	Subtotal	Perpetual Tier 1 Capital Securities and Sukuks	Non-controlling interests	Total equity
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 9)	Subtotal					
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	-	-	-	-	162,097	162,097	-	162,097	-	23,572	185,669
Other comprehensive loss	-	-	-	-	(77,579)	(77,579)	-	(77,579)	-	(11,245)	(88,824)
Total comprehensive income	-	-	-	-	84,518	84,518	-	84,518	-	12,327	96,845
Zakat	-	-	-	-	(613)	(613)	-	(613)	-	-	(613)
Issue of bonus shares (Note 12)	134,222	-	(134,222)	-	-	-	-	-	-	-	-
Cash dividends (Note 12)	-	-	-	-	-	-	(199,907)	(199,907)	-	-	(199,907)
Net movement in treasury shares	-	-	-	(17,397)	-	(17,397)	-	(17,397)	-	-	(17,397)
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	-	-	(188)	(188)	-	(188)	188	-	-
Net Movement on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	-	-	-	-	200	-	200
Group's share of associate adjustments	-	-	-	-	(1,777)	(1,777)	-	(1,777)	-	-	(1,777)
Impact of application of IAS 29 (Note 19)	-	-	-	-	34,760	34,760	-	34,760	-	21,089	55,849
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(9,573)	(9,573)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(1,545)	(1,545)
Balance at 31 March 2023	1,476,445	3,611,765	-	(59,160)	228,151	5,257,201	-	5,257,201	502,054	448,928	6,208,183

The attached notes 1 to 19 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 31 March 2024

	Notes	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March</i> 2024	<i>31 March</i> 2023
OPERATING ACTIVITIES			
Profit for the period		168,198	185,669
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		20,371	18,891
Provisions and impairment		(4,571)	23,673
Gain on sale of investments		(18,268)	(40,015)
Dividend income		(886)	(774)
Share of results of associates and joint ventures		(3,601)	(5,421)
Gain on sale of investment properties		(6,379)	(1,361)
Net monetary loss	19	51,526	9,116
		206,390	189,778
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables and due from banks		(279,036)	(224,550)
Investment in debt securities		487,377	(89,928)
Trading properties		(64)	(14)
Other assets		(130,493)	128,645
Statutory deposit with Central Banks		390,139	111,933
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(242,281)	(1,166,892)
Depositors' accounts		(977,202)	962,321
Other liabilities		(166,826)	74,903
Net cash flows used in operating activities		(711,996)	(13,804)
INVESTING ACTIVITIES			
Investments, net		(4,697)	(13,983)
Additions/ purchase of investment properties		-	(317)
Proceeds from sale of investment properties		12,101	884
Purchase of property and equipment		(12,554)	(9,026)
Proceeds from sale of property and equipment		782	1,227
Intangible assets, net		(196)	833
Dividend received		5,840	5,458
Net cash flows from (used in) investing activities		1,276	(14,924)
FINANCING ACTIVITIES			
Movement in Sukuk payables and term financing		288,856	(127,495)
Proceeds from sale of treasury shares		9,171	(17,397)
Dividends paid to non-controlling interest		-	(9,573)
Net cash flows from (used in) financing activities		298,027	(154,465)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(412,693)	(183,193)
Cash and cash equivalents at 1 January		3,048,291	3,201,022
CASH AND CASH EQUIVALENTS AT 31 MARCH	10	2,635,598	3,017,829

The attached notes 1 to 19 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2024

1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C.P. (“the Parent Company” or “the Bank”) and subsidiaries (collectively “the Group”) for the three months period ended 31 March 2024 were authorised for issue by the Bank’s Board of Directors on 8 April 2024.

The shareholders’ annual ordinary general assembly held on 18 March 2024 approved the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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 MATERIAL 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 2023 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 2023.

Further, results for the three months period ended 31 March 2024, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

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 2023, except for the adoption of new standards effective as of 1 January 2024. 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 2024, but do not have an impact on the interim condensed consolidated financial information of the Group.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (continued)

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial information.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Group's interim condensed consolidated financial information.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

3 MERGER

On 21 January 2024, the CMA Kuwait approved the merger of the Parent Company and Ahli United Bank K.S.C.P. (AUB Kuwait) by way of amalgamation through share swap at the exchange ratio of 0.3723118279 shares of the Parent Company against every share of AUB Kuwait.

On 22 February 2024, the share swap deal of the Parent Company's share capital increase with the shareholders of AUB Kuwait was completed, as well as the execution of the merger by amalgamation was finalized. The increase of the Parent Company's authorized, issued and paid-up capital from 14,764,456,572 shares to 15,695,823,374 shares was affected through issuing 931,366,802 shares at the nominal value of 100 fils per share amounting to KD 93,137 thousand and share premium of KD 655,682 thousand representing the difference between the nominal value of the issued shares and their market value on the merger execution date. The additional shares issued includes 889,974,356 shares that have been allocated to KFH Group against its total ownership of the issued and paid-up capital of AUB Kuwait at a value of KD 715,539 thousand, which has been recognized as treasury shares in the Group's interim condensed consolidated statement of financial position, and included in the net movement in treasury shares in the interim condensed consolidated statement of changes in equity. Further, as part of the merger, the stake held by non-controlling shareholders of AUB – Kuwait was also acquired, having a carrying value of KD 28,751 thousand and the difference between the carrying value and the market value of the Parent Company's shares offered to them on the merger's execution date amounting to KD 4,528 thousand was recognised in 'Other reserve'.

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 three months period ended 31 March 2024. 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 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2024

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>31 March 2024</i>	<i>31 March 2023</i>
Basic and diluted earnings per share:		
Profit for the period attributable to shareholders of the Bank (thousand KD)	162,845	162,097
Weighted average number of shares outstanding during the period, net of treasury shares (thousand shares)	15,901,189	15,966,845
Basic and diluted earnings per share attributable to the shareholders of the Bank	10.24 fils	10.15 fils

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 12).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2024

6 ASSETS HELD FOR SALE

On 31 March 2024 the Parent Company and Al Salam Bank B.S.C. ('buyer') entered into an agreement for the sale and purchase of the entire issued share capital of Kuwait Finance House (Bahrain) B.S.C. (c) ('KFH Bahrain'). The completion of the transaction is subject to obtaining the required regulatory approvals.

The major classes of assets and liabilities of KFH Bahrain after inter-group eliminations and adjustments, classified as held for sale as at 31 March 2024 are as follows:

	<i>KD 000's</i>	
	<i>31 March</i>	
	<i>2024</i>	
ASSETS		
Cash and balances with banks and financial institutions	63,632	
Due from Banks	26,033	
Financing Receivables	843,420	
Investment in debt securities	184,869	
Investments	1,413	
Investment in associates and joint ventures	692	
Other Assets	38,112	
Property and equipment	2,795	
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ASSETS CLASSIFIED AS HELD FOR SALE	1,160,966	
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LIABILITIES		
Due to banks	53,006	
Due to financial institutions	46,969	
Depositors' accounts	827,515	
Other liabilities	19,801	
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LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE	947,291	
	<hr/> <hr/>	

The profit for the period from the KFH Bahrain operations amounted to KD 3,013 thousand (2023: KD 6,160 thousand).

7 SUKUK PAYABLES

On 17 January 2024, the Parent Company concluded the issuance of a 5-year senior unsecured Sukuk of USD 1,000,000 thousand which is listed on the London Stock Exchange. The Sukuk bears an expected profit rate of 5.011% per annum to be paid semi-annually in arrears, on each periodic distribution date, in accordance with the terms of the issue.

8 TAXATION

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2024</i>	<i>2023</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(1,527)	(1,241)
National Labour Support Tax (NLST)	(5,810)	(3,768)
Zakat (based on Zakat Law No. 46/2006)	(2,252)	(1,705)
Taxation related to subsidiaries	(22,854)	(26,009)
	<hr/>	<hr/>
	(32,443)	(32,723)
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2024

9 RESERVES

The movement of reserves is analysed as follows:

	<i>31 March 2024</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 2024	464,864	261,995	159,923	15,028	(11,698)	(790,198)	(46,415)	53,499
Profit for the period	-	-	162,845	-	-	-	-	162,845
Other comprehensive (loss) income	-	-	-	-	(27,858)	(127,591)	1,266	(154,183)
Total comprehensive income (loss)	-	-	162,845	-	(27,858)	(127,591)	1,266	8,662
Transfer of fair value reserve of equity investment at FVOCI	-	-	3,321	-	(3,321)	-	-	-
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	(368)	-	-	-	-	(368)
Group's share of associate adjustments	-	-	(1,767)	-	-	-	-	(1,767)
Impact of application of IAS 29 (Note 19)	-	-	55,061	-	-	-	-	55,061
Profit on sale of treasury shares	-	-	-	2,687	-	-	-	2,687
Acquisition of non-controlling interest	-	-	-	-	-	-	(4,528)	(4,528)
Balance at 31 March 2024	464,864	261,995	379,015	17,715	(42,877)	(917,789)	(49,677)	113,246

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2024

9 RESERVES (continued)

	<i>31 March 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	403,348	251,206	29,608	15,028	47,135	(603,493)	(31,381)	111,451
Profit for the period	-	-	162,097	-	-	-	-	162,097
Other comprehensive loss	-	-	-	-	(19,076)	(59,802)	1,299	(77,579)
Total comprehensive income (loss)	-	-	162,097	-	(19,076)	(59,802)	1,299	84,518
Zakat	-	-	(613)	-	-	-	-	(613)
Transfer of fair value reserve of equity investment at FVOCI	-	-	-	-	-	-	-	-
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	(188)	-	-	-	-	(188)
Group's share of associate adjustments	-	-	(1,777)	-	-	-	-	(1,777)
Impact of application of IAS 29 (Note 19)	-	-	34,760	-	-	-	-	34,760
Balance at 31 March 2023	403,348	251,206	223,887	15,028	28,059	(663,295)	(30,082)	228,151

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2024

10 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>31 March 2024</i>	<i>(Audited) 31 December 2023</i>	<i>31 March 2023</i>
Cash	266,110	269,499	274,790
Balances with Central Banks	1,947,437	2,277,019	1,637,842
Balances with banks and financial institutions – current accounts	1,069,644	1,065,586	869,784
Cash and balances with banks and financial institutions	3,283,191	3,612,104	2,782,416
Due from banks maturing within 3 months of contract date	754,363	1,291,914	1,571,482
Cash with banks attributable to assets held for sale (Note 6)	63,632	-	-
Less: Statutory deposits with Central Banks	(1,465,588)	(1,855,727)	(1,336,069)
Cash and cash equivalents	2,635,598	3,048,291	3,017,829

11 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>		
	<i>31 March 2024</i>	<i>(Audited) 31 December 2023</i>	<i>31 March 2023</i>
Financing receivables, net of deferred and suspended profit	19,826,788	20,372,923	20,130,008
Less: Provision for impairment	(937,509)	(947,702)	(971,559)
	18,889,279	19,425,221	19,158,449

During the current period due to classification of KFH Bahrain as assets held for sale, net financing receivable of KD 843,420 thousand as of 31 March 2024 has been reported as part of assets held for sale (Note 6). Additionally, depreciation of Egyptian Pound and Turkish Lira during the period has resulted in decline in net financing receivable balance by KD 407,186 thousand.

The available provision balance on non-cash facilities of KD 44,616 thousand (31 December 2023: KD 44,534 thousand and 31 March 2023: KD 43,723 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 31 March 2024 is KD 982,125 thousand (31 December 2023: KD 992,236 thousand and 31 March 2023: KD 1,015,282 thousand) which exceeds the ECL for financing receivables under IFRS 9 in accordance with CBK, by KD 556,156 thousand (31 December 2023: KD 548,595 thousand and 31 March 2023: KD 579,739 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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11 FINANCING RECEIVABLES (continued)

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>31 March 2024</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	<u>17,265,167</u>	<u>2,124,970</u>	<u>436,651</u>	<u>19,826,788</u>
Financing commitments and contingent liabilities (Note 15)	<u>2,266,416</u>	<u>316,310</u>	<u>37,007</u>	<u>2,619,733</u>
ECL provision for credit facilities	<u>77,001</u>	<u>104,129</u>	<u>244,839</u>	<u>425,969</u>
<i>31 December 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>
Financing receivables	<u>17,825,288</u>	<u>2,138,120</u>	<u>409,515</u>	<u>20,372,923</u>
Financing commitments and contingent liabilities (Note 15)	<u>2,222,443</u>	<u>296,108</u>	<u>38,152</u>	<u>2,556,703</u>
ECL provision for credit facilities	<u>83,433</u>	<u>119,909</u>	<u>240,299</u>	<u>443,641</u>
<i>31 March 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>
Financing receivables	<u>17,724,559</u>	<u>1,955,330</u>	<u>450,119</u>	<u>20,130,008</u>
Financing commitments and contingent liabilities (Note 15)	<u>2,270,563</u>	<u>267,729</u>	<u>38,460</u>	<u>2,576,752</u>
ECL provision for credit facilities	<u>81,339</u>	<u>112,708</u>	<u>241,496</u>	<u>435,543</u>

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>31 March 2024</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 2024	<u>83,433</u>	<u>119,909</u>	<u>240,299</u>	<u>443,641</u>
Transfer between stages:				
Transfer from / to Stage 1	<u>5,454</u>	<u>(2,362)</u>	<u>(3,092)</u>	-
Transfer from / to Stage 2	<u>(6,550)</u>	<u>9,028</u>	<u>(2,478)</u>	-
Transfer from / to Stage 3	<u>(197)</u>	<u>(3,861)</u>	<u>4,058</u>	-
Net (decrease) increase in ECL for the period	<u>(4,107)</u>	<u>(2,757)</u>	<u>24,396</u>	<u>17,532</u>
Amounts written off	-	-	<u>(6,027)</u>	<u>(6,027)</u>
Transfer to assets held for sale	<u>(994)</u>	<u>(2,733)</u>	<u>(4,359)</u>	<u>(8,086)</u>
Foreign exchange adjustments	<u>(38)</u>	<u>(13,095)</u>	<u>(7,958)</u>	<u>(21,091)</u>
At 31 March 2024	<u><u>77,001</u></u>	<u><u>104,129</u></u>	<u><u>244,839</u></u>	<u><u>425,969</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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11 FINANCING RECEIVABLES (continued)

<i>31 March 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
Transfer between stages:				
Transfer from / to Stage 1	3,222	(603)	(2,619)	-
Transfer from / to Stage 2	(1,480)	3,991	(2,511)	-
Transfer from / to Stage 3	(2,728)	(552)	3,280	-
Net (decrease) increase in ECL for the period	3,994	(4,037)	37,846	37,803
Amounts written off	-	-	(1,293)	(1,293)
Foreign exchange adjustments	(5,517)	(1,278)	(1,914)	(8,709)
At 31 March 2023	<u>81,339</u>	<u>112,708</u>	<u>241,496</u>	<u>435,543</u>

12 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

On 22 February 2024, the Parent Company's authorized, issued and paid-up capital was increased from 14,764,456,572 shares to 15,695,823,374 shares, through issuing 931,366,802 shares at the nominal value of 100 fils per share amounting to KD 93,137 thousand, pursuant to the merger (Note 3).

The ordinary general assembly of the Bank's shareholders held on 18 March 2024 approved to distribute bonus shares of 9% (2022: 10%) of the issued and fully paid share capital, and final cash dividends of 10 fils per share to the Bank's shareholders, other than interim cash dividend of 10 fils per share which was paid during the year ended 31 December 2023 (2022: 15 fils per share).

The Extra-ordinary general assembly of the Bank's shareholders held on 18 March 2024 also approved to increase the authorised share capital to be comprised of 17,108,447,477 shares (31 December 2023: 14,764,456,572 and 31 March 2023: 14,764,456,572) shares of 100 fils each.

The issued, and fully paid share capital as at 31 March 2024 comprise of 17,108,477,477 shares (31 December 2023: 14,764,456,572 and 31 March 2023: 14,764,456,572) shares of 100 fils each.

13 PERPETUAL TIER 1 CAPITAL SECURITIES AND SUKUKS

	<i>KD 000's</i>		
	<i>31 March 2024</i>	<i>(Audited) 31 December 2023</i>	<i>31 March 2023</i>
Perpetual Tier-1 Sukuk issued by the Bank (a)	384,653	225,734	225,585
Perpetual Tier I Capital securities issued by AUB (b)	118,349	118,099	118,022
Perpetual Tier-1 Sukuk issued by the AUB Kuwait (a)	-	158,548	158,447
	<u>503,002</u>	<u>502,381</u>	<u>502,054</u>

(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 September 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 comingling 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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13 PERPETUAL TIER 1 CAPITAL SECURITIES AND SUKUKS (continued)

During the year ended 31 December 2021, AUB Kuwait 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 years period of issuance until the first call date ending September 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.

On 22 September 2023, an Extraordinary General Meeting (EGM) of the Sukuk holders approved changing the obligor ('Mudareb') name from AUB Kuwait to the Parent Company which has been disclosed on NASDAQ, Dubai and Euronext stock exchanges. The Parent Company has taken over as obligor of the perpetual Tier 1 Sukuk, post obtaining relevant approvals and completion of the merger. (Note 3)

(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 years 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.

14 DIRECTORS' FEES

The ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2023 held on 18 March 2024 approved the directors' fees proposed for the year ended 31 December 2023 of KD 1,308 thousand (2022: KD 1,096 thousand).

15 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>31 March 2024</i>	<i>(Audited) 31 December 2023</i>	<i>31 March 2023</i>
Acceptances and letters of credit	357,673	390,868	478,961
Letters of guarantee	2,262,060	2,165,835	2,097,791
Contingencies	2,619,733	2,556,703	2,576,752
Capital commitments and others	679,770	535,691	491,589

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16 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>					
					<u>Total</u>		
					<i>(Audited)</i>		
					<u>31 March</u>		
					<u>2024</u>		
					<u>31 December</u>		
					<u>2023</u>		
					<u>31 March</u>		
					<u>2023</u>		
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>			
Related parties							
Financing receivables and due from Banks	-	147,868	2,725	12,657	163,250	148,875	200,768
Due to Banks and financial institutions	1,321,332	9,392	-	-	1,330,724	1,482,123	943,233
Depositors' accounts	-	21,944	32,595	12,209	66,748	90,100	99,683
Contingencies and commitments	2,484	2,610	5	7	5,106	15,678	10,834

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

		<i>KD 000's</i>				
					<u>Total</u>	
					<u>Three months ended</u>	
					<u>31 March</u>	
					<u>2024</u>	
					<u>31 March</u>	
					<u>2023</u>	
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>		
Financing income	-	460	34	167	661	2,519
Fee and commission income	1	85	57	-	143	217
Finance cost and estimated distribution to depositors	21,365	273	187	119	21,944	12,485

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>	
		<u>Three months ended</u>	
		<u>31 March</u>	
		<u>2024</u>	
		<u>31 March</u>	
		<u>2023</u>	
Salaries, allowances and bonuses of key management personnel		7,083	6,455
Termination and long term benefits of key management personnel		606	454
Board of directors' remuneration		235	138
		<u>7,924</u>	<u>7,047</u>

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16 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>31 March 2024</i>	<i>31 December 2023</i>	<i>31 March 2023</i>	<i>31 March 2024</i>	<i>31 December 2023</i>	<i>31 March 2023</i>	<i>31 March 2024</i>	<i>31 December 2023</i>	<i>31 March 2023</i>
Board Members									
Finance facilities and credit cards	27	31	32	29	31	23	12,628	12,351	12,572
Depositors' accounts	62	83	77	115	120	127	25,114	24,063	20,490
Collateral against finance facilities	4	4	2	6	4	6	22,824	18,870	16,207
Executive Officers									
Finance facilities and credit cards	81	96	80	19	21	20	2,491	2,277	2,393
Depositors' accounts	103	111	103	126	123	146	13,808	12,396	15,818
Collateral against finance facilities	7	6	5	5	5	3	3,843	2,621	3,100

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17 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>
31 March 2024					
Total assets	<u>13,492,288</u>	<u>7,582,471</u>	<u>11,709,817</u>	<u>4,238,129</u>	<u>37,022,705</u>
Total liabilities	<u>9,437,292</u>	<u>15,610,611</u>	<u>5,221,300</u>	<u>660,877</u>	<u>30,930,080</u>
Operating income	<u>9,295</u>	<u>124,263</u>	<u>190,617</u>	<u>68,188</u>	<u>392,363</u>
Provisions and impairment	<u>6,840</u>	<u>(2,671)</u>	<u>(8,077)</u>	<u>8,479</u>	<u>4,571</u>
Profit (loss) for the period	<u>10,685</u>	<u>43,622</u>	<u>132,110</u>	<u>(18,219)</u>	<u>168,198</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>
31 March 2023					
Total assets	<u>11,968,134</u>	<u>9,142,186</u>	<u>11,310,743</u>	<u>4,433,743</u>	<u>36,854,806</u>
Total liabilities	<u>6,706,315</u>	<u>16,460,228</u>	<u>6,438,350</u>	<u>1,041,730</u>	<u>30,646,623</u>
Operating income	<u>103,611</u>	<u>117,391</u>	<u>110,661</u>	<u>47,461</u>	<u>379,124</u>
Provisions and impairment	<u>6,225</u>	<u>(991)</u>	<u>(17,656)</u>	<u>(11,251)</u>	<u>(23,673)</u>
Profit (loss) for the period	<u>99,243</u>	<u>49,710</u>	<u>61,471</u>	<u>(24,755)</u>	<u>185,669</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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18 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 31 March 2024:

	<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	-	16,277	-	16,277
Equities at FVTPL	39,493	85,140	15,233	139,866
Equities at FVOCI	75,365	16,350	64,609	156,324
Debt securities at FVTPL	240,070	-	-	240,070
Debt securities at FVOCI	2,886,967	90,125	16,742	2,993,834
<i>Derivative financial assets:</i>				
Forward contracts	-	5,103	-	5,103
Profit rate swaps	-	153,868	-	153,868
Currency swaps	-	60,142	-	60,142
	<u>3,241,895</u>	<u>427,005</u>	<u>96,584</u>	<u>3,765,484</u>
				<i>KD 000's</i>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	5,299	-	5,299
Profit rate swaps	-	63,515	-	63,515
Currency swaps	-	13,776	-	13,776
Embedded precious metals	-	1,033	-	1,033
	<u>-</u>	<u>83,623</u>	<u>-</u>	<u>83,623</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2024

18 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 2023:

Financial assets measured at fair value:	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at FVTPL	-	16,277	-	16,277
Equities at FVTPL	43,713	77,767	9,114	130,594
Equities at FVOCI	77,709	18,998	66,663	163,370
Debt securities at FVTPL	448,615	-	-	448,615
Debt securities at FVOCI	3,120,122	18,985	40,710	3,179,817
<i>Derivative financial assets:</i>				
Forward contracts	-	8,084	-	8,084
Profit rate swaps	-	133,003	-	133,003
Currency swaps	-	32,873	-	32,873
Others	-	4,685	-	4,685
	3,690,159	310,672	116,487	4,117,318
	3,690,159	310,672	116,487	4,117,318

Financial liabilities measured at fair value:	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	8,484	-	8,484
Profit rate swaps	-	79,018	-	79,018
Currency swaps	-	3,712	-	3,712
Others	-	4,267	-	4,267
	-	95,481	-	95,481
	-	95,481	-	95,481

The following table provides the fair value measurement hierarchy of the Group financial assets and financial liabilities as at 31 March 2023:

Financial assets measured at fair value:	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value profit and loss	-	16,847	-	16,847
Equities at FVTPL	58,940	37,823	32,447	129,210
Equities at FVOCI	37,789	17,809	81,383	136,981
Investment in Sukuk FVTPL	325,507	-	-	325,507
Investment in Sukuk FVOCI	2,878,865	22,904	43,278	2,945,047
<i>Derivative financial assets:</i>				
Forward contracts	-	11,433	-	11,433
Profit rate swaps	-	136,809	-	136,809
Currency swaps	-	48,529	-	48,529
Others	-	107	-	107
	3,301,101	292,261	157,108	3,750,470
	3,301,101	292,261	157,108	3,750,470

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2024

18 FAIR VALUES (continued)

Financial liabilities measured at fair value:	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	10,676	-	10,676
Profit rate swaps	-	47,650	-	47,650
Currency swaps	-	5,029	-	5,029
Embedded precious metals	-	878	-	878
Others	-	293	-	293
	-	64,526	-	64,526

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 16,742 thousand (31 December 2023: KD 40,710 thousand and 31 March 2023: KD 43,278 thousand) and unquoted equity investments of KD 79,842 thousand (31 December 2023: KD 75,777 thousand and 31 March 2023: KD 113,830 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 6.1% to 7.6% (31 December 2023: 5.8% to 14.7% and 31 March 2023: 5.3% to 14.5%). 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>	
	<i>2024</i>	<i>2023</i>
As at 1 January	116,487	143,572
Fair value re-measurement	6,487	2,525
Transfer to assets held for sale	(24,879)	-
(Disposal) purchase, net	(1,511)	11,011
As at 31 March	96,584	157,108

19 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>
31 March 2024	2073.88	1.148
31 December 2023	1806.50	1.620
31 March 2023	1241.33	1.113
31 December 2022	1115.26	1.623