

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

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

30 JUNE 2020

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

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C.P. (“the Bank”) and its subsidiaries (collectively “the Group”) as at 30 June 2020 and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income, for the three-months and six-months periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the six-month period ended 30 June 2020 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the six-month period ended 30 June 2020 that might have had a material effect on the business of the Bank or on its financial position.

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29 July 2020
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 June 2020

		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
		<i>KD 000's</i>			
INCOME	<i>Notes</i>				
Financing income		219,267	232,121	444,890	460,523
Finance cost and estimated distribution to depositors	3	(69,358)	(109,743)	(149,141)	(209,908)
Net financing income		149,909	122,378	295,749	250,615
Investment income		10,245	34,940	36,206	60,440
Fees and commission income		14,284	19,035	33,155	42,608
Net gain from foreign currencies		18,496	9,057	36,662	18,318
Other operating income		6,683	10,129	17,965	20,398
TOTAL OPERATING INCOME		199,617	195,539	419,737	392,379
OPERATING EXPENSES					
Staff costs		(40,960)	(44,739)	(89,454)	(93,004)
General and administrative expenses		(18,626)	(18,476)	(41,006)	(38,836)
Depreciation and amortization		(11,474)	(9,747)	(21,656)	(19,819)
TOTAL OPERATING EXPENSES		(71,060)	(72,962)	(152,116)	(151,659)
NET OPERATING INCOME		128,557	122,577	267,621	240,720
Provisions and impairment		(111,263)	(59,946)	(186,194)	(99,971)
PROFIT FOR THE PERIOD BEFORE TAXATION		17,294	62,631	81,427	140,749
Taxation	5	(3,564)	(12,631)	(15,097)	(29,410)
PROFIT FOR THE PERIOD		13,730	50,000	66,330	111,339
Attributable to:					
Shareholders of the Bank		12,642	56,070	56,917	107,665
Non-controlling interests		1,088	(6,070)	9,413	3,674
		13,730	50,000	66,330	111,339
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	4	1.66 fils	7.40 fils	7.49 fils	14.22 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2020

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2020</i>	<i>30 June 2019</i>	<i>30 June 2020</i>	<i>30 June 2019</i>
Profit for the period	13,730	50,000	66,330	111,339
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Revaluation loss on equity instruments at fair value through other comprehensive income	(530)	(1,976)	(9,484)	(888)
<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	93,657	9,672	(13,977)	30,041
Net transfer to interim condensed consolidated statement of income	54,823	(597)	60,350	10,955
Net gain on sukuk investments at fair value through other comprehensive income	148,480	9,075	46,373	40,996
Share of other comprehensive loss from associates and joint ventures	(1,044)	595	(1,459)	522
Exchange differences on translation of foreign operations	(30,499)	(11,544)	(38,891)	(29,714)
	(31,543)	(10,949)	(40,350)	(29,192)
Other comprehensive income (loss) for the period	116,407	(3,850)	(3,461)	10,916
Total comprehensive income for the period	130,137	46,150	62,869	122,255
Attributable to:				
Shareholders of the Bank	119,375	59,275	49,313	125,830
Non-controlling interests	10,762	(13,125)	13,556	(3,575)
	130,137	46,150	62,869	122,255

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

		<i>KD 000's</i>		
		(Audited)		
	Notes	30 June 2020	31 December 2019	30 June 2019
ASSETS				
Cash and balances with banks and financial institutions	7	1,762,690	1,910,088	1,508,306
Due from banks		3,575,943	3,782,828	3,669,021
Financing receivables		9,864,147	9,336,555	9,237,275
Investment in Sukuk		3,422,020	2,291,953	2,164,794
Trading properties		105,694	107,613	144,562
Investments		171,318	195,003	232,052
Investment in associates and joint ventures		550,637	504,343	506,983
Investment properties		397,491	455,406	477,160
Other assets		472,087	546,782	551,499
Intangible assets and goodwill		31,485	31,329	30,838
Property and equipment		228,967	228,958	224,611
TOTAL ASSETS		20,582,479	19,390,858	18,747,101
LIABILITIES				
Due to banks and financial institutions		2,856,179	2,427,166	2,491,904
Sukuk payables		309,564	319,965	529,650
Depositors' accounts		14,586,791	13,552,645	12,837,144
Other liabilities		790,817	847,707	828,457
TOTAL LIABILITIES		18,543,351	17,147,483	16,687,155
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	8	767,414	697,649	697,649
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	8	-	69,765	-
Treasury shares		(27,803)	(36,243)	(42,325)
Reserves	6	403,155	470,908	507,982
		1,863,099	1,922,412	1,883,639
Proposed cash dividends	8	-	137,980	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,863,099	2,060,392	1,883,639
Non-controlling interests		176,029	182,983	176,307
TOTAL EQUITY		2,039,128	2,243,375	2,059,946
TOTAL LIABILITIES AND EQUITY		20,582,479	19,390,858	18,747,101

HAMAD ABDOUL MOHSEN AL-MARZOUQ
(CHAIRMAN)

AHMED SAUD ALKHARJI
(ACTING GROUP CHIEF EXECUTIVE OFFICER)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2020

	<i>Attributable to shareholders of the Bank</i>								<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 6)</i>	<i>Subtotal</i>	<i>Proposed cash dividends</i>	<i>Subtotal</i>		
Balance at 1 January 2020	697,649	720,333	69,765	(36,243)	470,908	1,922,412	137,980	2,060,392	182,983	2,243,375
Profit for the period	-	-	-	-	56,917	56,917	-	56,917	9,413	66,330
Other comprehensive (loss) income	-	-	-	-	(7,604)	(7,604)	-	(7,604)	4,143	(3,461)
Total comprehensive income	-	-	-	-	49,313	49,313	-	49,313	13,556	62,869
Zakat	-	-	-	-	(19,943)	(19,943)	-	(19,943)	-	(19,943)
Share based payments	-	-	-	-	754	754	-	754	-	754
Issue of bonus shares (Note 8)	69,765	-	(69,765)	-	-	-	-	-	-	-
Cash dividends (Note 8)	-	-	-	-	-	-	(137,980)	(137,980)	-	(137,980)
Net movement in treasury shares	-	-	-	8,440	3,091	11,531	-	11,531	-	11,531
Group's share of distribution on Tier 1 Sukuks of an associate	-	-	-	-	(704)	(704)	-	(704)	-	(704)
Acquisition of non-controlling interest	-	-	-	-	(4,633)	(4,633)	-	(4,633)	(11,663)	(16,296)
Modification loss on financing receivables	-	-	-	-	(95,631)	(95,631)	-	(95,631)	-	(95,631)
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	-	-	-	-	-	-	-	-	(669)	(669)
Balance at 30 June 2020	767,414	720,333	-	(27,803)	403,155	1,863,099	-	1,863,099	176,029	2,039,128

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

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

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

For the period ended 30 June 2020

	<i>Attributable to shareholders of the Bank</i>								<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 6)</i>	<i>Subtotal</i>	<i>Proposed cash dividends</i>	<i>Subtotal</i>		
Balance at 1 January 2019	634,226	720,333	63,423	(44,452)	395,278	1,768,808	125,097	1,893,905	180,265	2,074,170
Profit for the period	-	-	-	-	107,665	107,665	-	107,665	3,674	111,339
Other comprehensive income (loss)	-	-	-	-	18,165	18,165	-	18,165	(7,249)	10,916
Total comprehensive income (loss)	-	-	-	-	125,830	125,830	-	125,830	(3,575)	122,255
Zakat	-	-	-	-	(14,748)	(14,748)	-	(14,748)	-	(14,748)
Share based payments	-	-	-	-	500	500	-	500	-	500
Issue of bonus shares (Note 8)	63,423	-	(63,423)	-	-	-	-	-	-	-
Cash dividends (Note 8)	-	-	-	-	-	-	(125,097)	(125,097)	-	(125,097)
Net movement in treasury shares	-	-	-	2,127	1,122	3,249	-	3,249	-	3,249
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	(383)	(383)
Balance at 30 June 2019	697,649	720,333	-	(42,325)	507,982	1,883,639	-	1,883,639	176,307	2,059,946

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 June 2020

		<i>KD 000's</i>	
		<i>Six months ended</i>	
	<i>Note</i>	<i>30 June 2020</i>	<i>30 June 2019</i>
OPERATING ACTIVITIES			
Profit for the period		66,330	111,339
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization		21,656	19,819
Provisions and impairment		186,194	99,971
Gain on sale of investments		(4,450)	(10,356)
Dividends income		(1,807)	(3,028)
Share of results of associates and joint ventures		2,356	(15,965)
Gain on sale of trading and investment properties		(11,315)	(4,399)
Other investment income		(16,507)	(20,173)
		242,457	177,208
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables and due from banks		(960,667)	(63,240)
Investment in Sukuks		(1,144,044)	(560,019)
Trading properties		1,919	3,077
Other assets		59,310	(11,927)
Statutory deposit with Central Banks		296,029	(132,658)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		418,612	(166,113)
Depositors' accounts		1,034,146	1,056,834
Other liabilities		(204,551)	85,839
Net cash flows (used in) from operating activities		(256,789)	389,001
INVESTING ACTIVITIES			
Investments, net		(3,992)	39,395
Purchase of investment properties		(1,576)	(498)
Proceeds from sale of investment properties		6,565	4,308
Purchase of property and equipment		(16,940)	(12,755)
Proceeds from sale of property and equipment		1,759	244
Intangible assets, net		(3,347)	(2,525)
Proceeds from sale/redemption of investment in associates and joint ventures		-	1,048
Dividend received & capital redemption		16,191	11,494
Net cash flows (used in) from investing activities		(1,340)	40,711
FINANCING ACTIVITIES			
Cash dividends paid		(137,980)	(125,097)
Net movement in treasury shares		11,531	3,249
Zakat paid		(310)	(7,743)
Acquisition of non-controlling interests		(16,296)	-
Net cash flows (used in) financing activities		(143,055)	(129,591)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(401,184)	300,121
Cash and cash equivalents at 1 January	7	2,520,002	1,770,279
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	2,118,818	2,070,400

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2020

1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C.P. (“the Bank”) and subsidiaries (collectively “the Group”) for the six months period ended 30 June 2020 were authorised for issue by the Bank’s Board of Directors on 9 July 2020.

The shareholders’ annual ordinary general assembly held on 13 April 2020 approved the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The annual consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require expected credit loss (“ECL”) to be measured at the higher of the ECL on financing facilities computed under IFRS 9: Financial Instruments (“IFRS 9”) in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”). Further, during the period ended 30 June 2020, CBK has extended their regulations to require that modification losses of financial assets arising from payment holidays provided to customers in response to the economic impact of Covid -19 are to be recognized in retained earnings instead of profit or loss.

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Further, results for the six months period ended 30 June 2020, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications were made in order to more appropriately present certain items of interim condensed consolidated statement of financial position and do not affect previously reported assets, liabilities, and equity.

Use of judgements and estimates

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2020

3 FINANCE COST AND ESTIMATED DISTRIBUTION TO DEPOSITORS

The management of the Bank has estimated distribution to depositors and profit attributable to Bank's shareholders based on the results for the six months period ended 30 June 2020. The actual distribution to depositors and profit attributable to Bank's shareholders could be different from the amounts presented in the interim condensed consolidated statement of income.

The actual profit to be distributed to all parties concerned will be determined by the Board of Directors of the Bank in accordance with the Bank's articles of association, based on the annual audited results for the year ending 31 December 2020.

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares held by the Group.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2020</i>	<i>30 June 2019</i>	<i>30 June 2020</i>	<i>30 June 2019</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	<u>12,642</u>	<u>56,070</u>	<u>56,917</u>	<u>107,665</u>
Weighted average number of shares outstanding during the period (thousand shares)	<u>7,606,964</u>	<u>7,574,556</u>	<u>7,599,011</u>	<u>7,573,575</u>
Basic and diluted earnings per share attributable to the shareholders of the Bank	<u>1.66 fils</u>	<u>7.40 fils</u>	<u>7.49 fils</u>	<u>14.22 fils</u>

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

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

5 TAXATION

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2020</i>	<i>30 June 2019</i>	<i>30 June 2020</i>	<i>30 June 2019</i>
				<i>KD 000's</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(194)	(689)	(571)	(1,154)
National Labour Support Tax (NLST)	(560)	(1,958)	(1,411)	(2,799)
Zakat (based on Zakat Law No. 46/2006)	(158)	(549)	(586)	(1,001)
Taxation related to subsidiaries	(2,652)	(9,435)	(12,529)	(24,456)
	<u>(3,564)</u>	<u>(12,631)</u>	<u>(15,097)</u>	<u>(29,410)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

6 RESERVES

The movement of reserves is analysed as follows:

<i>30 June 2020</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>KD 000's</i>
								<i>Total</i>
Balance at 1 January 2020	324,875	310,127	55,137	11,899	51,815	(263,569)	(19,376)	470,908
Profit for the period	-	-	56,917	-	-	-	-	56,917
Other comprehensive income (loss)	-	-	-	-	12,076	(19,680)	-	(7,604)
Total comprehensive income (loss)	-	-	56,917	-	12,076	(19,680)	-	49,313
Zakat	-	(19,943)	-	-	-	-	-	(19,943)
Share based payments	-	-	-	-	-	-	754	754
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	2,061	-	(2,061)	-	-	-
Group's share of distribution on Tier 1 Sukuks of an associate	-	-	(704)	-	-	-	-	(704)
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 June 2020	324,875	290,184	17,780	14,990	61,830	(283,249)	(23,255)	403,155
<i>30 June 2019</i>								
	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Retained earnings</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Other reserves</i>	<i>KD 000's</i>
								<i>Total</i>
Balance at 1 January 2019	298,527	298,527	64,927	6,947	(14,715)	(238,293)	(20,642)	395,278
Profit for the period	-	-	107,665	-	-	-	-	107,665
Other comprehensive income (loss)	-	-	-	-	35,885	(17,720)	-	18,165
Total comprehensive income (loss)	-	-	107,665	-	35,885	(17,720)	-	125,830
Zakat	-	-	(14,748)	-	-	-	-	(14,748)
Share based payments	-	-	-	-	-	-	500	500
Net movement in treasury shares	-	-	-	1,122	-	-	-	1,122
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(221)	-	221	-	-	-
Balance at 30 June 2019	298,527	298,527	157,623	8,069	21,391	(256,013)	(20,142)	507,982

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 June 2020</i>	<i>(Audited) 31 December 2019</i>	<i>30 June 2019</i>
Cash	249,367	222,319	216,510
Balances with Central Banks	1,152,173	1,043,565	839,866
Balances with banks and financial institutions – current accounts	361,150	644,204	451,930
Cash and balances with banks and financial institutions	1,762,690	1,910,088	1,508,306
Due from banks maturing within 3 months of contract date	816,683	1,366,498	1,171,267
Less: Statutory deposits with Central Banks	(460,555)	(756,584)	(609,173)
Cash and cash equivalents	2,118,818	2,520,002	2,070,400

8 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

The ordinary general assembly of the Bank's shareholders held on 13 April 2020 approved to distribute bonus shares of 10% (2018: 10%) of the issued, and fully paid share capital, and cash dividends of 20 fils per share (2018: 20 fils per share) to the Bank's shareholders, for the year ended 31 December 2019.

The Extra-ordinary general assembly of the Bank's shareholders held on 13 April 2020 also approved to increase the authorised share capital to be comprised of 11,874,138,122 shares (31 December 2019: 6,976,489,202 and 30 June 2019: 6,976,489,202) shares of 100 fils each.

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

9 DIRECTORS' FEES

The ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2019 held on 13 April 2020 approved the directors' fees proposed for the year ended 31 December 2019 of KD 942 thousand.

10 CONTINGENCIES AND COMMITMENTS

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

	<i>KD 000's</i>		
	<i>30 June 2020</i>	<i>(Audited) 31 December 2019</i>	<i>30 June 2019</i>
Acceptances and letters of credit	140,367	140,041	147,344
Letters of guarantee	1,509,768	1,556,923	1,629,565
Contingencies	1,650,135	1,696,964	1,776,909
Capital and other commitments	451,091	356,144	419,878

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

11 RELATED PARTY TRANSACTIONS

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

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

<i>KD 000's</i>							
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Total</i>		
					<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2019</i>
Related parties							
Financing receivables	-	234,633	4,054	3,941	242,628	250,997	238,061
Due to banks and financial institutions	884,010	36,943	-	-	920,953	900,105	1,031,485
Depositors' accounts	-	19,152	15,049	13,046	47,247	118,726	131,711
Contingencies and commitments	486	9,368	-	148	10,002	14,181	17,521

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

<i>KD 000's</i>						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Total</i>	
					<i>30 June 2020</i>	<i>30 June 2019</i>
Financing income	-	4,046	72	140	4,258	4,332
Fee and commission income	-	13	90	2	105	163
Finance cost and estimated distribution to depositors	7,259	1,075	82	290	8,706	18,690

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

11 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>								
	<i>The number of Board Members or Executive Officers</i>			<i>The number of related parties (Relatives of Board Members or Executive Officers)</i>			<i>Values</i>		
	<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>		
	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2019</i>
Board Members									
Finance facilities and credit cards	22	24	30	12	10	17	2,085	2,296	2,838
Depositors' accounts	51	47	60	82	75	80	13,340	12,387	17,582
Collateral against finance facilities	5	4	5	1	1	3	2,358	2,624	2,727
Executive Officers									
Finance facilities and credit cards	69	70	78	19	21	13	2,590	1,927	2,500
Depositors' accounts	88	79	76	111	108	80	12,721	11,138	8,273
Collateral against finance facilities	8	8	7	4	4	2	3,543	2,815	2,441

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

11 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>	
	<i>Total</i>	
	<i>Six months ended</i>	
	<i>30 June 2020</i>	<i>30 June 2019</i>
Salaries, allowances and bonuses of key management personnel	9,039	9,236
Termination and long term benefits of key management personnel	492	605
Board of directors' remuneration	121	229
	9,652	10,070

12 SEGMENTAL ANALYSIS

Segment information

	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Retail and private Banking</i>	<i>Corporate Banking</i>	<i>Investment</i>	<i>Total</i>
<i>30 June 2020</i>					
Total assets	7,871,470	5,529,551	5,585,770	1,595,688	20,582,479
Total liabilities	3,600,387	11,582,575	2,884,122	476,267	18,543,351
Operating income	57,515	163,079	145,840	53,303	419,737
Provisions and impairment	(63,356)	(14,644)	(80,022)	(28,172)	(186,194)
(Loss) profit for the period	(13,686)	59,095	29,754	(8,833)	66,330

	<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 June 2019</i>					
Total assets	5,766,654	5,956,170	5,056,186	1,968,091	18,747,101
Total liabilities	3,197,972	10,284,809	2,543,843	660,531	16,687,155
Operating income	38,402	147,880	113,384	92,713	392,379
Provisions and impairment	(1,703)	(6,771)	(20,101)	(71,396)	(99,971)
Profit (loss) for the period	29,120	51,894	56,399	(26,074)	111,339

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

13 FAIR VALUES

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

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

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

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

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

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	18,057	-	18,057
Equities at FVTPL	7,081	37,941	30,253	75,275
Equities at FVOCI	20,448	-	57,538	77,986
Investment in Sukuk FVPL	326,495	-	-	326,495
Investment in Sukuk FVOCI	2,730,810	-	118,230	2,849,040
<i>Derivative financial assets:</i>				
Forward contracts	-	1,985	-	1,985
Currency swaps	-	21,273	-	21,273
	<u>3,084,834</u>	<u>79,256</u>	<u>206,021</u>	<u>3,370,111</u>
	<u><u>3,084,834</u></u>	<u><u>79,256</u></u>	<u><u>206,021</u></u>	<u><u>3,370,111</u></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	-	1,971	-	1,971
Profit rate swaps	-	30,587	-	30,587
Currency swaps	-	14,461	-	14,461
Embedded precious metals	-	68	-	68
	<u>-</u>	<u>47,087</u>	<u>-</u>	<u>47,087</u>
	<u><u>-</u></u>	<u><u>47,087</u></u>	<u><u>-</u></u>	<u><u>47,087</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

13 FAIR VALUES (continued)

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

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	21,057	-	21,057
Equities at FVTPL	6,975	50,858	27,420	85,253
Equities at FVOCI	29,330	-	59,363	88,693
Investment in Sukuk FVPL	215,040	-	-	215,040
Investment in Sukuk FVOCI	1,828,161	-	115,016	1,943,177
<i>Derivative financial assets:</i>				
Forward contracts	-	1,165	-	1,165
Profit rate swaps	-	-	-	-
Currency swaps	-	12,083	-	12,083
	<u>2,079,506</u>	<u>85,163</u>	<u>201,799</u>	<u>2,366,468</u>

	<i>KD 000's</i>			
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,966	-	1,966
Profit rate swaps	-	14,402	-	14,402
Currency swaps	-	15,157	-	15,157
Embedded precious metals	-	444	-	444
	<u>-</u>	<u>31,969</u>	<u>-</u>	<u>31,969</u>

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

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	29,932	-	29,932
Equities at FVTPL	29,061	49,964	34,119	113,144
Equities at FVOCI	29,894	-	59,082	88,976
Investment in Sukuk FVPL	150,751	-	-	150,751
Investment in Sukuk FVOCI	1,680,858	-	185,323	1,866,181
<i>Derivative financial assets:</i>				
Forward contracts	-	1,317	-	1,317
Currency swaps	-	3,436	-	3,436
	<u>1,890,564</u>	<u>84,649</u>	<u>278,524</u>	<u>2,253,737</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2020

13 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	-	1,512	-	1,512
Profit rate swaps	-	14,145	-	14,145
Currency swaps	-	12,394	-	12,394
Embedded precious metals	-	464	-	464
	<u>-</u>	<u>28,515</u>	<u>-</u>	<u>28,515</u>

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 118,230 thousand (31 December 2019: KD 115,016 thousand) and unquoted equity investments of KD 87,791 thousand (31 December 2019: KD 86,783 thousand). Sukuk included in this category represent Sukuk issued by sovereign entities, financial institutions and corporates. The fair values of unquoted Sukuk are estimated using discounted cash flow method using discount rate ranging from 0.7 % to 5.7 % (31 December 2019: 2.1% to 7.8%). Unquoted equity investments are fair valued using valuation techniques that are appropriate in the circumstances. Valuation techniques include discounted cash flow models adjusted, observable market information of comparable companies, recent transaction information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue and profit estimates. The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of income or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used for fair value estimates to fair value the unquoted equity investments and unquoted sukuk were altered by 5%.

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

	<i>KD 000's</i>	
	<i>2020</i>	<i>2019</i>
As at 1 January	201,799	393,189
Fair value re-measurement	50	(10,770)
Purchase (disposal), net	4,172	(103,895)
As at 30 June	206,021	278,524