

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

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

31 March 2021



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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 2021 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.

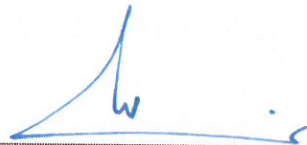
Report on Other Legal and Regulatory Requirements

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 Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 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 three months period ended 31 March 2021 that might have had a material effect on the business of the Bank or on its financial position.



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AL-WAZZAN & CO.

5 May 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2021

		<i>KD 000's</i>	
		<i>Three months ended</i>	
	<i>Notes</i>	31 March 2021	31 March 2020
INCOME			
Financing income		224,760	225,623
Finance cost and estimated distribution to depositors	3	(71,151)	(79,783)
Net financing income		153,609	145,840
Investment income		3,489	25,961
Fees and commission income		17,750	18,871
Net gain from foreign currencies		19,241	18,166
Other operating income		9,296	11,282
TOTAL OPERATING INCOME		203,385	220,120
OPERATING EXPENSES			
Staff costs		(47,274)	(48,494)
General and administrative expenses		(17,902)	(22,380)
Depreciation and amortization		(10,603)	(10,182)
TOTAL OPERATING EXPENSES		(75,779)	(81,056)
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT		127,606	139,064
Provisions and impairment		(56,117)	(74,931)
OPERATING PROFIT FOR THE PERIOD BEFORE TAXATION		71,489	64,133
Taxation	5	(10,092)	(11,533)
PROFIT FOR THE PERIOD		61,397	52,600
Attributable to:			
Shareholders of the Bank		50,004	44,275
Non-controlling interests		11,393	8,325
		61,397	52,600
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	4	5.97 fils	5.30 fils

The attached notes 1 to 14 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 2021

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2021</i>	<i>31 March 2020</i>
Profit for the period	61,397	52,600
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
Revaluation gain (loss) on equity instruments at fair value through other comprehensive income	6,511	(8,954)
<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	(9,741)	(107,634)
Net transfer to interim condensed consolidated statement of income	(12,714)	5,527
Net loss on sukuk investments at fair value through other comprehensive income	(22,455)	(102,107)
Share of other comprehensive income (loss) from associates and joint ventures	230	(415)
Exchange differences on translation of foreign operations	(42,206)	(8,392)
Other comprehensive loss for the period	(57,920)	(119,868)
Total comprehensive income (loss) for the period	3,477	(67,268)
Attributable to:		
Shareholders of the Bank	6,858	(70,062)
Non-controlling interests	(3,381)	2,794
	3,477	(67,268)

The attached notes 1 to 14 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 2021

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>31 March 2021</i>	<i>31 December 2020</i>	<i>31 March 2020</i>
ASSETS				
Cash and balances with banks and financial institutions	7	3,014,176	2,490,801	1,711,895
Due from banks		2,693,824	3,364,577	3,528,832
Financing receivables	8	10,869,633	10,747,536	10,011,183
Investment in Sukuk		2,716,959	2,742,100	2,555,254
Trading properties		102,087	102,395	106,820
Investments		207,023	192,347	207,328
Investment in associates and joint ventures		497,860	520,784	490,610
Investment properties		352,324	350,838	457,383
Other assets		510,361	728,059	674,994
Intangible assets and goodwill		32,954	32,390	31,915
Property and equipment		221,202	230,487	234,364
TOTAL ASSETS		21,218,403	21,502,314	20,010,578
LIABILITIES				
Due to banks and financial institutions		2,771,471	2,954,115	2,387,897
Sukuk payables		241,139	315,105	326,104
Depositors' accounts		15,309,217	15,317,335	14,277,351
Other liabilities		871,217	814,361	846,317
TOTAL LIABILITIES		19,193,044	19,400,916	17,837,669
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	9	844,155	767,414	697,649
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	9	-	76,741	69,765
Treasury shares		(27,739)	(27,739)	(34,784)
Reserves	6	329,060	323,199	402,127
		1,865,809	1,859,948	1,855,090
Proposed cash dividends	9	-	76,093	137,980
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,865,809	1,936,041	1,993,070
Non-controlling interests		159,550	165,357	179,839
TOTAL EQUITY		2,025,359	2,101,398	2,172,909
TOTAL LIABILITIES AND EQUITY		21,218,403	21,502,314	20,010,578


 HAMAD ABDOUL MOHSEN AL-MARZOUQ
 (CHAIRMAN)


 ABDULWAHAB ISSA ALRUSHOOD
 (ACTING GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 14 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 2021

	<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 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	-	-	-	-	50,004	50,004	-	50,004	11,393	61,397
Other comprehensive loss	-	-	-	-	(43,146)	(43,146)	-	(43,146)	(14,774)	(57,920)
Total comprehensive income (loss)	-	-	-	-	6,858	6,858	-	6,858	(3,381)	3,477
Issue of bonus shares (Note 9)	76,741	-	(76,741)	-	-	-	-	-	-	-
Cash dividends (Note 9)	-	-	-	-	-	-	(76,093)	(76,093)	-	(76,093)
Group's share of retained earnings adjustment relating to zakat in an associate	-	-	-	-	(997)	(997)	-	(997)	-	(997)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,426)	(2,426)
Balance at 31 March 2021	844,155	720,333	-	(27,739)	329,060	1,865,809	-	1,865,809	159,550	2,025,359

The attached notes 1 to 14 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 2021

	<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	-	-	-	-	44,275	44,275	-	44,275	8,325	52,600
Other comprehensive loss	-	-	-	-	(114,337)	(114,337)	-	(114,337)	(5,531)	(119,868)
Total comprehensive (loss) income	-	-	-	-	(70,062)	(70,062)	-	(70,062)	2,794	(67,268)
Share based payments	-	-	-	-	474	474	-	474	-	474
Net movement in treasury shares	-	-	-	1,459	809	2,268	-	2,268	-	2,268
Group share of distribution to Tier 1 Sukuk of an associate	-	-	-	-	(2)	(2)	-	(2)	-	(2)
Capital redemption of a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(6,203)	(6,203)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	265	265
Balance at 31 March 2020	697,649	720,333	69,765	(34,784)	402,127	1,855,090	137,980	1,993,070	179,839	2,172,909

The attached notes 1 to 14 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 2021

		<i>KD 000's</i>	
		<i>Three months ended</i>	
	<i>Note</i>	<i>31 March 2021</i>	<i>31 March 2020</i>
OPERATING ACTIVITIES			
Profit for the period		61,397	52,600
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization		10,603	10,182
Provisions and impairment		56,117	74,931
Gain on sale of investments		(5,620)	(2,537)
Dividend income		(264)	(1,315)
Share of results of associates and joint ventures		(1,919)	(1,527)
Gain on sale of investment properties		(914)	(1,620)
		119,400	130,714
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables and due from banks		(111,358)	(567,161)
Investment in Sukuks		18,609	(386,456)
Trading properties		308	793
Other assets		217,698	(138,376)
Statutory deposit with Central Banks		(174,538)	72,770
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(182,644)	(33,130)
Depositors' accounts		(8,118)	724,706
Other liabilities		(80,872)	(32,369)
Net cash flows used in operating activities		(201,515)	(228,509)
INVESTING ACTIVITIES			
Investments, net		7,310	(3,838)
Purchase of investment properties		(1,811)	(96)
Proceeds from sale of investment properties		1,942	3,501
Purchase of property and equipment		(6,753)	(12,211)
Proceeds from sale of property and equipment		5,080	3,382
Intangible assets, net		(564)	(1,105)
Proceeds from sale/redemption of investment in associates and joint ventures		2,815	8,732
Dividend received		4,078	6,988
Net cash flows from investing activities		12,097	5,353
FINANCING ACTIVITIES			
Movement in Sukuk payable		(73,966)	6,139
Net movement in treasury shares		-	2,268
Acquisition of non-controlling interests		-	(6,203)
Net cash flows (used in) from financing activities		(73,966)	2,204
NET DECREASE IN CASH AND CASH EQUIVALENTS		(263,384)	(220,952)
Cash and cash equivalents at 1 January	7	3,351,559	2,520,002
CASH AND CASH EQUIVALENTS AT 31 MARCH	7	3,088,175	2,299,050

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 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 three months period ended 31 March 2021 were authorised for issue by the Bank’s Board of Directors on 12 April 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 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 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, including the recently issued CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, 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 on credit facilities computed under 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 in response to COVID-19 to be recognized in retained earnings instead of consolidated statement of income as required by IFRS 9.

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 three months period ended 31 March 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 31 March 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 statements 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 statements 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 three months period ended 31 March 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 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>31 March 2021</i>	<i>31 March 2020</i>
Basic and diluted earnings per share:		
Profit for the period attributable to shareholders of the Bank (thousand KD)	50,004	44,275
Weighted average number of shares outstanding during the period (thousand shares)	8,370,182	8,351,456
Basic and diluted earnings per share attributable to the shareholders of the Bank	5.97 fils	5.30 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 9). The employees' shares-based payments plan has no impact on earnings per share.

5 TAXATION

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2021</i>	<i>31 March 2020</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(309)	(377)
National Labour Support Tax (NLST)	(1,066)	(851)
Zakat (based on Zakat Law No. 46/2006)	(371)	(428)
Taxation related to subsidiaries	(8,346)	(9,877)
	(10,092)	(11,533)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2021

6 RESERVES

The movement of reserves is analysed as follows:

	<i>31 March 2021</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 2021	340,325	228,893	1,306	15,028	66,933	(305,515)	(23,771)	323,199
Profit for the period	-	-	50,004	-	-	-	-	50,004
Other comprehensive loss	-	-	-	-	(11,229)	(31,917)	-	(43,146)
Total comprehensive income (loss)	-	-	50,004	-	(11,229)	(31,917)	-	6,858
Group's share of retained earnings adjustment relating to Zakat in an associate	-	-	(997)	-	-	-	-	(997)
Balance at 31 March 2021	340,325	228,893	50,313	15,028	55,704	(337,432)	(23,771)	329,060

	<i>31 March 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>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	-	-	44,275	-	-	-	-	44,275
Other comprehensive loss	-	-	-	-	(108,158)	(6,179)	-	(114,337)
Total comprehensive income (loss)	-	-	44,275	-	(108,158)	(6,179)	-	(70,062)
Share based payments	-	-	-	-	-	-	474	474
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	2,061	-	(2,061)	-	-	-
Net movement in treasury shares	-	-	-	809	-	-	-	809
Group share of distribution to Tier 1 Sukuk of an associate	-	-	(2)	-	-	-	-	(2)
Balance at 31 March 2020	324,875	310,127	101,471	12,708	(58,404)	(269,748)	(18,902)	402,127

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2021

7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>31 March 2021</i>	<i>(Audited) 31 December 2020</i>	<i>31 March 2020</i>
Cash	297,295	222,389	214,184
Balances with Central Banks	2,367,049	1,761,063	1,049,832
Balances with banks and financial institutions – current accounts	349,832	507,349	447,879
Cash and balances with banks and financial institutions Due from banks maturing within 3 months of contract date	3,014,176	2,490,801	1,711,895
Less: Statutory deposits with Central Banks	(995,654)	(821,116)	(683,814)
Cash and cash equivalents	3,088,175	3,351,559	2,299,050

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>31 March 2021</i>	<i>(Audited) 31 December 2020</i>	<i>31 March 2020</i>
Financing receivables, net of deferred and suspended profit	11,472,107	11,318,519	10,501,583
Less: impairment	(602,474)	(570,983)	(490,400)
	10,869,633	10,747,536	10,011,183

The available provision balance on non-cash facilities of KD 16,106 thousand (31 December 2020: KD 16,138 thousand and 31 March 2020: KD 17,156 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 2021 is KD 618,580 thousand (31 December 2020: KD 587,121 thousand and 31 March 2020: KD 507,556 thousand) which exceeds the ECL for financing receivables under IFRS 9 by KD 245,836 thousand (31 December 2020: KD 227,587 thousand and 31 March 2020: KD 155,122 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>31 March 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	9,082,960	1,854,151	534,996	11,472,107
Non-cash credit facilities	2,998,748	455,088	23,383	3,477,219
ECL provision for credit facilities	27,390	120,486	224,868	372,744

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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>31 March 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	8,761,580	1,352,953	387,050	10,501,583
Non-cash credit facilities	4,175,570	277,473	18,962	4,472,005
ECL provision for credit facilities	48,647	138,218	165,569	352,434

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 31 March 2020: 11,176,489,202) shares of 100 fils each.

The issued, and fully paid share capital as at 31 March 2021 comprise of 8,441,551,934 shares (31 December 2020: 7,674,138,122 and 31 March 2020: 6,976,489,202) shares of 100 fils each.

10 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).

11 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 2021</i>	<i>(Audited) 31 December 2020</i>	<i>31 March 2020</i>
Acceptances and letters of credit	195,732	159,067	187,990
Letters of guarantee	1,365,335	1,402,288	1,566,534
Contingencies	<u>1,561,067</u>	<u>1,561,355</u>	<u>1,754,524</u>
Capital and other commitments	<u>326,898</u>	<u>306,005</u>	<u>410,511</u>

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

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12 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>Total</i>			
				<i>(Audited)</i>			
<i>Major</i>	<i>Associates</i>	<i>Board</i>	<i>Other</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	
<i>shareholders</i>		<i>members</i>	<i>related</i>	<i>2021</i>	<i>2020</i>	<i>2020</i>	
		<i>and</i>	<i>parties</i>				
		<i>executive</i>					
		<i>officers</i>					
Related parties							
Financing receivables	-	257,577	2,614	1,015	261,206	208,306	222,070
Due to banks and financial institutions	831,281	45,453	-	-	876,734	1,135,722	563,886
Depositors' accounts	-	20,125	16,228	16,611	52,964	57,609	97,818
Contingencies and commitments	486	9,824	-	418	10,728	11,802	15,108

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

<i>KD 000's</i>						
				<i>Total</i>		
				<i>Three months ended</i>		
<i>Major</i>	<i>Associates</i>	<i>Board</i>	<i>Other</i>	<i>31 March</i>	<i>31 March</i>	
<i>shareholders</i>		<i>members and</i>	<i>related</i>	<i>2021</i>	<i>2020</i>	
		<i>executive</i>	<i>parties</i>			
		<i>officers</i>				
Financing income	-	1,986	38	15	2,039	2,940
Fee and commission income	-	79	44	23	146	77
Finance cost and estimated distribution to depositors	2,450	88	34	135	2,707	5,335

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12 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>31 March 2021</i>	<i>31 December 2020</i>	<i>31 March 2020</i>	<i>31 March 2021</i>	<i>31 December 2020</i>	<i>31 March 2020</i>	<i>31 March 2021</i>	<i>31 December 2020</i>	<i>31 March 2020</i>
Board Members									
Finance facilities and credit cards	28	25	24	21	23	11	1,191	1,120	2,274
Depositors' accounts	51	53	50	123	123	77	18,612	19,364	11,921
Collateral against finance facilities	1	1	5	2	3	1	2,322	2,362	2,392
Executive Officers									
Finance facilities and credit cards	67	68	63	15	14	21	2,202	2,422	1,971
Depositors' accounts	79	81	82	117	111	107	12,604	11,585	14,013
Collateral against finance facilities	6	7	7	3	3	4	2,548	2,708	3,052

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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12 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>	
	<u>Total</u>	
	<i>Three months ended</i>	
	<u>31 March</u>	<u>31 March</u>
	<u>2021</u>	<u>2020</u>
Salaries, allowances and bonuses of key management personnel	4,743	5,740
Termination and long term benefits of key management personnel	240	280
Board of directors' remuneration	43	57
	<u>5,026</u>	<u>6,077</u>

13 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>
31 March 2021					
Total assets	7,309,532	6,554,835	5,697,748	1,656,288	21,218,403
Total liabilities	3,381,480	12,417,563	2,893,299	500,702	19,193,044
Operating income	20,120	85,019	59,983	38,263	203,385
Provisions and impairment	9,448	(3,620)	(41,139)	(20,806)	(56,117)
Profit (loss) for the period	26,646	32,441	(716)	3,026	61,397
					<i>KD 000's</i>
31 March 2020					
Total assets	6,917,146	5,922,900	5,383,105	1,787,427	20,010,578
Total liabilities	3,168,843	11,238,775	2,875,229	554,822	17,837,669
Operating income	35,206	83,251	68,155	33,508	220,120
Provisions and impairment	(6,412)	(5,641)	(49,563)	(13,315)	(74,931)
Profit (loss) for the period	24,961	33,088	(135)	(5,314)	52,600

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14 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 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 through statement of income	-	16,068	-	16,068
Equities at FVTPL	7,383	35,018	43,566	85,967
Equities at FVOCI	36,529	-	68,459	104,988
Investment in Sukuk FVPL	311,713	-	-	311,713
Investment in Sukuk FVOCI	2,219,195	-	78,299	2,297,494
<i>Derivative financial assets:</i>				
Forward contracts	-	7,915	-	7,915
Currency swaps	-	33,787	-	33,787
	<u>2,574,820</u>	<u>92,788</u>	<u>190,324</u>	<u>2,857,932</u>

	<i>KD 000's</i>			
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	2,155	-	2,155
Profit rate swaps	-	17,578	-	17,578
Currency swaps	-	15,798	-	15,798
Embedded precious metals	-	172	-	172
	<u>-</u>	<u>35,703</u>	<u>-</u>	<u>35,703</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 through statement of income	-	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 FVPL	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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At 31 March 2021

14 FAIR VALUES (continued)

	<i>KD 000's</i>			
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	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 31 March 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>
<i>Venture capital at fair value through statement of income</i>				
Equities at FVTPL	23,687	55,365	30,672	109,724
Equities at FVOCI	20,144	-	59,403	79,547
Investment in Sukuk FVTPL	275,035	-	-	275,035
Investment in Sukuk FVOCI	1,935,428	-	113,962	2,049,390
<i>Derivative financial assets:</i>				
Forward contracts	-	2,918	-	2,918
Currency swaps	-	39,948	-	39,948
	2,254,294	116,288	204,037	2,574,619

	<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	-	4,828	-	4,828
Profit rate swaps	-	29,760	-	29,760
Currency swaps	-	23,446	-	23,446
Embedded precious metals	-	582	-	582
	-	58,616	-	58,616

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 78,299 thousand (31 December 2020: KD 84,681 thousand) and unquoted equity investments of KD 112,025 thousand (31 December 2020: KD 100,688 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 1.2 % to 6.3 % (31 December 2020: 1.9% to 9.3%). 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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14 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	8,992	2,162
(Disposal) purchase, net	(4,037)	76
As at 31 March	<u>190,324</u>	<u>204,037</u>