

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

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

31 MARCH 2019



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 2019 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The management of the Group 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 2019 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 three months period ended 31 March 2019 that might have had a material effect on the business of the Bank or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

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

8 April 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2019

		<i>KD 000's</i>	
		<i>Three months ended</i>	
	<i>Notes</i>	<i>31 March 2019</i>	<i>31 March 2018</i>
INCOME			
Financing income		228,402	208,619
Finance cost and estimated distribution to depositors	4	(100,165)	(70,243)
Net financing income		128,237	138,376
Investment income		25,500	11,301
Fees and commission income		23,573	22,818
Net gain from foreign currencies		9,261	6,936
Other operating income		10,269	9,683
TOTAL OPERATING INCOME		196,840	189,114
OPERATING EXPENSES			
Staff costs		(48,265)	(49,363)
General and administrative expenses		(20,360)	(21,535)
Depreciation and amortization		(10,072)	(7,914)
TOTAL OPERATING EXPENSES		(78,697)	(78,812)
NET OPERATING INCOME		118,143	110,302
Provisions and impairment		(40,025)	(47,572)
Loss for the period from discontinuing operations		-	(4,304)
PROFIT FOR THE PERIOD BEFORE TAXATION		78,118	58,426
Taxation	6	(16,779)	(7,041)
PROFIT FOR THE PERIOD		61,339	51,385
Attributable to:			
Shareholders of the Bank		51,595	43,965
Non-controlling interests		9,744	7,420
		61,339	51,385
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK			
	5	7.50 fils	6.39 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 2019

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2019</i>	<i>31 March 2018</i>
Profit for the period	61,339	51,385
<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	1,088	(4,499)
<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	20,369	(11,434)
Recycled to interim condensed consolidated statement of income	11,552	595
Net gain (loss) on sukuk investments at fair value through other comprehensive income	31,921	(10,839)
Share of other comprehensive loss from associates and joint ventures	(73)	(1,103)
Exchange differences on translation of foreign operations	(18,170)	(21,658)
Other comprehensive income (loss) for the period	14,766	(38,099)
Total comprehensive income	76,105	13,286
Attributable to:		
Shareholders of the Bank	66,555	12,336
Non-controlling interests	9,550	950
	76,105	13,286

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 2019

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>31 March 2019</i>	<i>31 December 2018</i>	<i>31 March 2018</i>
ASSETS				
Cash and balances with banks and financial institutions	8	1,387,604	1,381,170	1,230,624
Short-term murabaha		3,333,237	3,248,450	3,006,342
Financing receivables		9,358,238	9,385,474	9,497,347
Investment in Sukuk		2,054,517	1,563,361	1,394,635
Trading properties		145,739	147,639	159,069
Investments		269,456	284,883	305,850
Investment in associates and joint ventures		494,368	499,179	479,619
Investment properties		487,417	489,609	536,977
Other assets		599,474	544,416	484,529
Intangible assets and goodwill		31,625	31,180	38,115
Property and equipment		221,088	194,917	214,125
Assets classified as held for sale		-	-	16,557
TOTAL ASSETS		18,382,763	17,770,278	17,363,789
LIABILITIES				
Due to banks and financial institutions		2,644,019	2,689,079	2,295,865
Sukuk payables		503,319	498,588	507,598
Depositors' accounts		12,298,873	11,780,310	11,764,009
Other liabilities		922,099	728,131	821,555
Liabilities directly associated with the assets classified as held for sale		-	-	2,230
TOTAL LIABILITIES		16,368,310	15,696,108	15,391,257
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK				
Share capital	9	697,649	634,226	634,226
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	9	-	63,423	-
Treasury shares		(43,930)	(44,452)	(44,921)
Reserves	7	447,505	395,278	462,247
		1,821,557	1,768,808	1,771,885
Proposed cash dividends	9	-	125,097	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,821,557	1,893,905	1,771,885
Non-controlling interests		192,896	180,265	200,647
TOTAL EQUITY		2,014,453	2,074,170	1,972,532
TOTAL LIABILITIES AND EQUITY		18,382,763	17,770,278	17,363,789



HAMAD ABDUL MOHSEN AL-MARZOUQ
(CHAIRMAN)



ABDULWAHAB AL-RUSHOOD
(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 2019

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 7)	Subtotal	Proposed cash dividends			Subtotal
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	-	-	-	-	51,595	51,595	-	51,595	9,744	61,339
Other comprehensive income (loss)	-	-	-	-	14,960	14,960	-	14,960	(194)	14,766
Total comprehensive income	-	-	-	-	66,555	66,555	-	66,555	9,550	76,105
Zakat	-	-	-	-	(14,748)	(14,748)	-	(14,748)	-	(14,748)
Share based payments	-	-	-	-	250	250	-	250	-	250
Issue of bonus shares (Note 9)	63,423	-	(63,423)	-	-	-	-	-	-	-
Cash dividends (Note 9)	-	-	-	-	-	-	(125,097)	(125,097)	-	(125,097)
Net movement in treasury shares	-	-	-	522	170	692	-	692	-	692
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	3,081	3,081
Balance at 31 March 2019	697,649	720,333	-	(43,930)	447,505	1,821,557	-	1,821,557	192,896	2,014,453

KD 000's

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 2019

	Attributable to shareholders of the Bank							Non- controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 7)	Subtotal	Proposed cash dividends	Subtotal		
Balance at 1 January 2018	576,569	720,333	57,657	(45,063)	466,101	1,775,597	96,645	1,872,242	243,880	2,116,122
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	(3,282)	(3,282)	-	(3,282)	(961)	(4,243)
Restated balance at 1 January 2018	576,569	720,333	57,657	(45,063)	462,819	1,772,315	96,645	1,868,960	242,919	2,111,879
Profit for the period	-	-	-	-	43,965	43,965	-	43,965	7,420	51,385
Other comprehensive loss	-	-	-	-	(31,629)	(31,629)	-	(31,629)	(6,470)	(38,099)
Total comprehensive income	-	-	-	-	12,336	12,336	-	12,336	950	13,286
Zakat	-	-	-	-	(12,578)	(12,578)	-	(12,578)	-	(12,578)
Issue of bonus shares (Note 9)	57,657	-	(57,657)	-	-	-	-	-	-	-
Cash dividends (Note 9)	-	-	-	-	-	-	(96,645)	(96,645)	-	(96,645)
Net movement in treasury shares	-	-	-	142	11	153	-	153	-	153
Deconsolidation of a subsidiary	-	-	-	-	(341)	(341)	-	(341)	(43,972)	(44,313)
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	750	750
Balance at 31 March 2018	634,226	720,333	-	(44,921)	462,247	1,771,885	-	1,771,885	200,647	1,972,532

KD 000's

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 31 March 2019

		<i>KD 000's</i>	
		<i>Three months ended</i>	
	<i>Note</i>	<i>31 March 2019</i>	<i>31 March 2018</i>
OPERATING ACTIVITIES			
Profit for the period before taxation		78,118	58,426
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization		10,072	7,914
Provisions and impairment		40,025	47,572
(Gain) loss on sale of investments		(7,995)	3,634
Dividends income		(987)	(1,184)
Share of results of associates and joint ventures		(4,509)	(6,862)
Gain on sale of trading and investment properties		(3,275)	(1,132)
Other investment income		(5,363)	(1,747)
		106,086	106,621
Changes in operating assets and liabilities			
<i>Decrease (increase) in operating assets:</i>			
Financing receivables		48,827	(341,641)
Trading properties		1,900	2,068
Other assets		(70,569)	(33,130)
Statutory deposit with Central Banks		(768)	118,701
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(40,329)	45,462
Depositors' accounts		518,563	167,276
Other liabilities		37,986	33,801
Net cash flows from operating activities		601,696	99,158
INVESTING ACTIVITIES			
Investments and investment in Sukuk, net		(458,310)	19,465
Purchase of investment properties		(257)	(718)
Proceeds from sale of investment properties		6,662	748
Purchase of property and equipment		(6,041)	(9,400)
Proceeds from sale of property and equipment		231	1,937
Intangible assets, net		(2,144)	(1,524)
Proceeds from sale of investment in associates and joint ventures		233	801
Dividend received		9,088	9,499
Net cash flows (used in) from investing activities		(450,538)	20,808
FINANCING ACTIVITIES			
Net movement in treasury shares		522	153
Net cash flows from financing activities		522	153
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January	8	1,770,279	1,366,890
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	1,921,959	1,487,009

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 2019

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 2019 were authorised for issue by the Bank's Board of Directors on 8 April 2019.

The shareholders' annual ordinary general assembly held on 18 March 2019 approved the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 2018 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").

The Expected Credit Losses for financing receivables as per CBK instructions for utilized and unutilized cash and non-cash financing facilities as at 31 March 2019 is KD 351,664 thousand (31 December 2018: KD 372,868 thousand) which is lower than total provision for credit losses recorded as per CBK instructions of KD 409,305 thousand (31 December 2018: KD 416,443 thousand).

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the adoption of IFRS 16: Leases from 1 January 2019 as disclosed in Note 3. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 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 2018.

Further, results for the three months period ended 31 March 2019, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 is summarised below:

IFRS 16: Leases ("IFRS 16")

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 16: Leases (continued)

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has recorded right-of-use assets representing the right to use the underlying assets under property and equipment and the corresponding lease liabilities to make lease payments under other liabilities.

Summary of new accounting policies

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

a. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)**IFRS 16: Leases (continued)***Summary of new accounting policies (continued)*

c. Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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 2019. 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 2019.

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 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 2019</i>	<i>31 March 2018</i>
Basic and diluted earnings per share:		
Profit for the period attributable to shareholders of the Bank (thousand KD)	51,595	43,965
Weighted average number of shares outstanding during the period (thousand shares)	6,880,875	6,879,296
Basic and diluted earnings per share attributable to the shareholders of the Bank	7.50 fils	6.39 fils

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2019

**5 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS
OF THE BANK (continued)**

	<i>Three months ended</i>	
	<i>31 March 2019</i>	<i>31 March 2018</i>
Basic and diluted earnings per share from continuing operations:		
Profit for the period from continuing operations attributable to shareholders of the Bank (thousand KD)	51,595	43,988
Weighted average number of shares outstanding during the period (thousand shares)	6,880,875	6,879,296
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	7.50 fils	6.39 fils

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

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus shares (Note 9).

6 TAXATION

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2019</i>	<i>31 March 2018</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(465)	(418)
National Labour Support Tax (NLST)	(841)	(606)
Zakat (based on Zakat Law No. 46/2006)	(452)	(332)
Taxation related to subsidiaries	(15,021)	(5,685)
	(16,779)	(7,041)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2019

7 RESERVES

The movement of reserves is analysed as follows:

	31 March 2019						KD 000's	
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
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	-	-	51,595	-	-	-	-	51,595
Other comprehensive income (loss)	-	-	-	-	25,883	(10,923)	-	14,960
Total comprehensive income (loss)	-	-	51,595	-	25,883	(10,923)	-	66,555
Zakat	-	-	(14,748)	-	-	-	-	(14,748)
Share based payments	-	-	-	-	-	-	250	250
Net movement in treasury shares	-	-	-	170	-	-	-	170
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(221)	-	221	-	-	-
Balance at 31 March 2019	298,527	298,527	101,553	7,117	11,389	(249,216)	(20,392)	447,505

31 March 2018

	31 March 2018						KD 000's	
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance at 1 January 2018	274,841	274,841	88,716	6,736	19,151	(163,822)	(34,362)	466,101
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	8,208	-	(11,490)	-	-	(3,282)
Restated balance at 1 January 2018	274,841	274,841	96,924	6,736	7,661	(163,822)	(34,362)	462,819
Profit for the period	-	-	43,965	-	-	-	-	43,965
Other comprehensive loss	-	-	-	-	(16,575)	(15,054)	-	(31,629)
Total comprehensive income (loss)	-	-	43,965	-	(16,575)	(15,054)	-	12,336
Zakat	-	-	(12,578)	-	-	-	-	(12,578)
Deconsolidation of a subsidiary	-	-	(10,938)	-	(2,292)	(341)	13,230	(341)
Net movement in treasury shares	-	-	-	11	-	-	-	11
Balance at 31 March 2018	274,841	274,841	117,373	6,747	(11,206)	(179,217)	(21,132)	462,247

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8 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>31 March</i>	<i>(Audited)</i>	
	<i>2019</i>	<i>31 December</i>	<i>31 March</i>
		<i>2018</i>	<i>2018</i>
Cash	178,058	218,746	188,107
Balances with Central Banks	754,340	701,407	636,935
Balances with banks and financial institutions – current accounts	455,206	461,017	405,582
Cash and balances with banks and financial institutions	1,387,604	1,381,170	1,230,624
Short term murabaha maturing within 3 months of contract date	1,011,638	865,624	853,786
Less: Statutory deposits with Central Banks	(477,283)	(476,515)	(597,401)
Cash and cash equivalents	1,921,959	1,770,279	1,487,009

9 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

The ordinary general assembly of the Bank's shareholders held on 18 March 2019, approved to distribute bonus shares of 10% (2017: 10%) on outstanding shares amounting to KD 63,423 thousand (2017: KD 57,657 thousand) and cash dividends of 20 fils per share (2017: 17 fils per share) amounting to KD 125,097 thousand (2017: KD 96,645 thousand) to the Bank's shareholders, for the year ended 31 December 2018.

Extraordinary general assembly of Bank's Shareholders held on 18 March 2019 has approved the increase of authorized and issued share capital through issuing bonus shares.

The authorised, issued, and fully paid share capital as at 31 March 2019 comprise of 6,976,489,202 shares (31 December 2018: 6,342,262,911 and 31 March 2018: 6,342,262,911) 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 2018 held on 18 March 2019 approved the directors' fees proposed for the year ended 31 December 2018.

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 followings:

	<i>KD 000's</i>		
	<i>31 March</i>	<i>(Audited)</i>	
	<i>2019</i>	<i>31 December</i>	<i>31 March</i>
		<i>2018</i>	<i>2018</i>
Acceptances and letters of credit	159,129	151,421	227,184
Letters of guarantee	1,653,560	1,712,382	1,947,194
Contingencies	1,812,689	1,863,803	2,174,378
Capital and other commitments	384,148	364,280	477,673

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2019

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>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Total</i>		
					<i>31 March 2019</i>	<i>31 December 2018</i>	<i>31 March 2018</i>
Related parties							
Financing receivables	-	272,056	3,990	6,167	282,213	263,176	228,599
Other assets	-	2,586	-	-	2,586	863	-
Due to banks and financial institutions	1,176,500	36,575	-	-	1,213,075	1,416,143	1,303,305
Depositors' accounts	-	43,103	10,512	16,779	70,394	85,182	199,254
Contingencies and commitments	486	12,705	-	3,249	16,440	16,321	16,285
Investments managed by related party	-	-	-	33,551	33,551	33,452	33,060

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>31 March 2019</i>	<i>31 March 2018</i>
Financing income	-	2,090	47	341	2,478	1,712
Fee and commission income	-	7	58	23	88	37
Finance cost and estimated distribution to depositors	9,033	941	58	375	10,407	8,121

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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At 31 March 2019

12 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>	
	<i>Total</i>	
	<i>Three months ended</i>	
	<i>31 March 2019</i>	<i>31 March 2018</i>
Salaries, allowances and bonuses of key management personnel	5,680	5,812
Termination & long term benefits of key management personnel	273	234
Remuneration of chairman and board members	65	75
	<u>6,018</u>	<u>6,121</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>
<i>31 March 2019</i>					
Total assets	5,442,250	5,905,509	4,984,175	2,050,829	18,382,763
Total liabilities	3,339,115	9,822,004	2,445,479	761,712	16,368,310
Operating income	8,426	71,925	60,620	55,869	196,840
Provisions and impairment	(3,545)	(4,631)	(15,633)	(16,216)	(40,025)
(Loss) profit for the period	(10,175)	20,210	27,174	24,130	61,339

	<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>31 March 2018</i>					
Total assets	4,093,374	5,800,200	5,315,536	2,154,679	17,363,789
Total liabilities	3,248,999	9,217,486	2,271,691	653,081	15,391,257
Operating income	4,888	81,525	67,228	35,473	189,114
Provisions and impairment	191	(4,230)	(14,639)	(28,894)	(47,572)
Profit (loss) for the period	4,268	34,457	34,448	(21,788)	51,385

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2019

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 2019:

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 through statement of income	-	29,932	-	29,932
Equities at FVTPL	53,734	51,667	43,382	148,783
Equities at FVOCI	31,963	-	58,778	90,741
Investment in Sukuk	1,777,430	-	277,087	2,054,517
<i>Derivative financial assets:</i>				
Forward contracts	-	1,135	-	1,135
Currency swaps	-	4,060	-	4,060
	<u>1,863,127</u>	<u>86,794</u>	<u>379,247</u>	<u>2,329,168</u>

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	-	2,957	-	2,957
Profit rate swaps	-	7,790	-	7,790
Currency swaps	-	9,912	-	9,912
Embedded precious metals	-	447	-	447
	<u>-</u>	<u>21,106</u>	<u>-</u>	<u>21,106</u>

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 December 2018:

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 through statement of income	-	29,932	-	29,932
Equities at FVTPL	52,258	52,252	57,396	161,906
Equities at FVOCI	29,022	-	64,023	93,045
Investment in Sukuk	1,291,591	-	271,770	1,563,361
<i>Derivative financial assets:</i>				
Forward contracts	-	2,568	-	2,568
Profit rate swaps	-	73	-	73
Currency swaps	-	895	-	895
	<u>1,372,871</u>	<u>85,720</u>	<u>393,189</u>	<u>1,851,780</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2019

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	-	3,733	-	3,733
Profit rate swaps	-	3,289	-	3,289
Currency swaps	-	8,372	-	8,372
Embedded precious metals	-	459	-	459
	<u>-</u>	<u>15,853</u>	<u>-</u>	<u>15,853</u>
	<u>-</u>	<u>15,853</u>	<u>-</u>	<u>15,853</u>

The following table provides the fair value measurement hierarchy of the Group financial assets and financial liabilities as at 31 March 2018:

				<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>				
Venture capital at fair value through statement of income	-	39,595	-	39,595
Equities at FVTPL	68,509	59,553	43,638	171,700
Equities at FVOCI	13,367	-	81,188	94,555
Investment in Sukuk	1,139,741	-	254,894	1,394,635
	<u>1,221,617</u>	<u>101,717</u>	<u>379,720</u>	<u>1,703,054</u>
	<u>1,221,617</u>	<u>101,717</u>	<u>379,720</u>	<u>1,703,054</u>
<i>Derivative financial assets:</i>				
Forward contracts	-	1,330	-	1,330
Profit rate swaps	-	329	-	329
Currency swaps	-	910	-	910
	<u>1,221,617</u>	<u>101,717</u>	<u>379,720</u>	<u>1,703,054</u>
	<u>1,221,617</u>	<u>101,717</u>	<u>379,720</u>	<u>1,703,054</u>
<i>Financial liabilities measured at fair value:</i>				
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,710	-	1,710
Profit rate swaps	-	43	-	43
Currency swaps	-	4,159	-	4,159
Embedded precious metals	-	126	-	126
	<u>-</u>	<u>6,038</u>	<u>-</u>	<u>6,038</u>
	<u>-</u>	<u>6,038</u>	<u>-</u>	<u>6,038</u>

No transfers have been made between the levels of hierarchy.

Level 3 investments included unquoted Sukuk of KD 277,087 thousand (31 December 2018: KD 271,770 thousand) and unquoted equity investments of KD 102,160 thousand (31 December 2018: KD 121,419 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 2.9% to 8.6% (31 December 2018: 2.9% to 8.2%). 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:

	<u>2019</u>	<u>KD 000's</u> 2018
As at 1 January	393,189	324,499
IFRS-9 impact	-	100,676
Re-measurement recognised in other comprehensive income	(770)	(3,950)
Disposal, net	(13,172)	(41,505)
As at 31 March	<u>379,247</u>	<u>379,720</u>