بيت التمويل الكويتي
Kuwait Finance House

Kuwait Finance House K.S.C.P.

(Incorporated in the State of Kuwait)
Commercial Registration Number 26066

OFFER DOCUMENT

Kuwait Finance House K.S.C.P. voluntary conditional offer to acquire 100% of the issued and paid up ordinary shares of Ahli United Bank B.S.C. by way of a share swap at an exchange ratio of 1 New KFH Share for each 2.325581 AUB Shares

Important: If you are in doubt about any aspect of this Offer Document, you should consult a licensed securities dealer or licensed institution in securities, a bank manager, solicitor or attorney, professional accountant, or other professional advisor.

DISCLAIMER STATEMENT

The Central Bank of Bahrain, Bahrain Bourse and the Ministry of Industry, Commerce and Tourism, in the Kingdom of Bahrain, assume no responsibility for the accuracy and completeness of the statements and information contained in this Offer Document and expressly disclaim any liability whatsoever for any loss howsoever arising from the reliance upon the whole or any part of the contents to this Offer Document.

This Offer Document is dated 24 February 2020

Offeror
Kuwait Finance House K.S.C.P.

Financial Advisor to the Offeror	Legal Advisor to the Offeror	Bahrain Receiving Agent
Goldman Sachs International	Freshfields Bruckhaus Deringer LLP	Bahrain Clear B.S.C.(c)

Bahrain Receiving Agent, Bahrain Execution Advisor and Cross Listing Advisor	Kuwait Receiving Agent and Allotment Agent
SICO B.S.C.(c)	Kuwait Clearing Company K.S.C

DIRECTORS' DECLARATION

THE DIRECTORS OF KUWAIT FINANCE HOUSE K.S.C.P. ISSUING THIS OFFER DOCUMENT, WHOSE NAMES APPEAR BELOW, JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF INFORMATION CONTAINED IN THIS OFFER DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS OFFER DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS OFFER DOCUMENT.

STATEMENT FROM THE BOARD OF DIRECTORS OF KUWAIT FINANCE HOUSE K.S.C.P.

This Offer Document has been prepared by Kuwait Finance House K.S.C.P. in accordance with the Central Bank of Bahrain (CBB) Rulebook, Volume 6, Takeovers, Mergers and Acquisitions Module, in particular Appendix TMA-C, to provide information to the shareholders of Ahli United Bank B.S.C. in connection with the offer made by Kuwait Finance House K.S.C.P. to acquire 100% of the issued and paid up ordinary shares of Ahli United Bank B.S.C.

This Offer Document has been filed with the CBB. The Board of Directors of Kuwait Finance House K.S.C.P. hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Offer Document is, to the best of its knowledge, in accordance with the facts and contains no material omissions.

Board of Directors	Title	Signature
Hamad Abdul Mohsen Al Marzouq	Chairman	
Abdul Aziz Yacoub Alnafisi	Vice Chairman	
Fahad Ali AlGhanim	Director	
Muad Saud Al Osaimi	Director	
Khaled Salem Al Nisf	Director	
Noorur Rahman Abid	Director	
Hanan Yousef Ali Yousef	Director	
Motlaq Mubarak Al-Sanei	Director	
Salah Abdulaziz Al-Muraikhi	Director	

Important Information

This Offer Document has been prepared in connection with a voluntary conditional offer (the Offer) made by Kuwait Finance House K.S.C.P. (the Offeror or KFH) to acquire 100% of the issued and paid up ordinary shares of Ahli United Bank B.S.C. (the Offeree or AUB), on the terms and conditions set out in this Offer Document. This Offer becomes unconditional only if the Conditions Precedent are fulfilled or waived, where applicable, as set out in section 5.7 (Conditions Precedent to the Offer) of this Offer Document.

If at the time you receive this Offer Document, and prior to providing your Acceptance, you have sold all your shares in AUB, you should immediately hand this Offer Document to the person to whom the shares have been sold, or to the person authorized by AUB or BB or other agent through whom the sale was made to effect the sale or transfer in favor of the person to whom the shares have been sold. However, this document should not be forwarded to or distributed in any jurisdiction where such transfer would constitute a violation of the relevant laws in such jurisdiction. If you have sold only part or otherwise transferred only part of your shares in AUB, you should retain this document.

This Offer Document has been prepared in compliance with the provisions of the TMA Module of the CBB Rulebook, Volume 6.

This Offer Document has been filed with the CBB and it does not constitute a guarantee by the CBB that the facts stated in this Offer Document are accurate or complete.

This Offer to AUB Shareholders resident in or citizens of countries other than the Kingdom of Bahrain or the State of Kuwait may be affected by the laws of their respective country of residence or citizenship and shall not be deemed to be an Offer in any jurisdiction where the Offer would violate the laws of such jurisdiction. All AUB Shareholders wishing to accept the Offer must satisfy themselves as to the due observance of the laws in the jurisdictions relevant to them, including the receipt of any necessary governmental consent or the payment of any taxes due.

The information in this Offer Document regarding the Offeror has been provided by the Offeror. The Financial Advisor and the Legal Advisor make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offer Document is, or shall be relied upon as, a promise or representation by the Financial Advisor or the Legal Advisor.

The information in this Offer Document pertaining to AUB has been prepared in good faith based on publicly available information. Consequently, the Offeror, the Financial Advisor and the Legal Advisor do not accept any liability for the accuracy or completeness of the information in this Offer Document regarding AUB.

All inquiries relating to this Offer Document should be directed to any of the Receiving Agents. No person has been authorized to provide any information or make any representation on behalf of the Offeror other than as indicated in this Offer Document.

The information contained in this Offer Document is correct as of the date of this Offer Document. Any new material information will be published and announced promptly as a supplement to this Offer Document in accordance with the provisions of the TMA Module.

IMPORTANT: If you are in any doubt about the contents of this Offer Document and the aspects of the Offer, you should consult a licensed securities dealer or an institution licensed in securities, a bank manager, solicitor or attorney, professional accountant or any other professional advisor. The fact that this Offer has been filed with the CBB, does not mean that the CBB takes responsibility for the performance of the Offeror or the Offeree, nor the correctness of any statements or representations made by the Offeror.

Copies of this Offer Document can be obtained from the offices of the Receiving Agents, BB and the Participating Branches. Copies of the Acceptance and Transfer Form can be (i) in Bahrain, obtained from the offices of the Bahrain Receiving Agent, BB and the Participating Branches; and (ii) in Kuwait, provided and completed electronically at the offices of the Kuwait Receiving Agent. This Offer Document has been prepared in an Arabic version and an English version.

Please refer to section 6 (Procedures for Accepting the Offer) for further details.

FORWARD LOOKING STATEMENTS

This Offer Document contains words or phrases such as ‘will’, ‘aim’, ‘expect’, ‘anticipate’, ‘forecast’, ‘estimate’, ‘intend’, ‘future’, ‘objective’, ‘project’, ‘should’, and similar expressions or variations of such expressions which are “Forward-Looking Statements”. Such Forward Looking Statements are based on assumptions and should not be construed as being indicative of the actual events which will occur or a guarantee of future performance.

Table of Contents

1. Glossary

Words and expressions not otherwise defined in this Offer Document have, unless the context otherwise requires, the following meanings:

AAOIFI Standards	the Sharia'a standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions from time to time
Acceptance	the acceptance of this Offer by an AUB Shareholder by signing the Acceptance and Transfer Form and submitting the same to any of the Receiving Agents within the Offer Period as per the procedures prescribed in this Offer Document
Acceptance and Transfer Form	the form to be prepared by the Receiving Agents and (i) with respect to AUB Shareholders of AUB BB Shares distributed by AUB and/or the Bahrain Receiving Agent; and (ii) with respect to AUB Shareholders of AUB BK Shares procured electronically at the offices of the Kuwait Receiving Agent, to accept the Offer
AUB	Ahli United Bank B.S.C., a public joint stock company incorporated in the Kingdom of Bahrain and registered under commercial registration number 46348
AUB BB Shares	AUB Shares that are listed on the BB, including shares held in physical form
AUB BK Shares	AUB Shares that are listed on the BK
AUB Board of Directors	the board of directors of AUB
AUB EGM	the Extra Ordinary General Assembly meeting of the AUB Shareholders convened to approve, amongst other things, and subject to any legal and regulatory requirements, converting the AUB business in the Kingdom of Bahrain to Sharia'a compliant
AUB Group	AUB and its subsidiaries and branches
AUB Kuwait	Ahli United Bank K.S.C.P., a bank incorporated in the State of Kuwait with commercial registration number 429
AUB Shares	8,774,444,281 issued shares of AUB with a nominal value of USD0.25 each in the capital of AUB, and any AUB shares that are issued and paid, whether as dividends shares, shares issued pursuant to AUB's employee stock option plan and/or otherwise, after the date of this Offer Document, but before the Effective Date
AUB Shareholders	holders of AUB Shares
Bahrain Receiving Agent	BC and/or SICO, being the entities appointed by the Offeror which are authorized to receive Acceptance and Transfer Forms in accordance with the Offer Document for AUB Shareholders of AUB BB Shares and for AUB Shareholders resident outside of Kuwait and Bahrain
Banks	KFH and AUB
BB	the Bahrain Bourse
BC	Bahrain Clear B.S.C.(c)
BK	Boursa Kuwait
Board of Directors	the board of directors of KFH
Business Day	a day (other than a Friday or Saturday) on which banks are open for general business in Kuwait City, Kuwait and the Kingdom of Bahrain
CBB	the Central Bank of Bahrain
CBB Rulebook	the Central Bank of Bahrain's rulebook issued and in force in the Kingdom of Bahrain

CBK	the Central Bank of Kuwait
Certified Copy	a copy of a document certified as a true copy of the original from any of the following from a GCC or FATF member state (a) a lawyer; (b) a notary; (c) a chartered/certified accountant; (d) an official of a government ministry; (e) an official of an embassy or consulate; or (f) an official of the Offeror, Offeree, or another licensed financial institution
CMA	the Capital Markets Authority in the State of Kuwait
CMA Executive Bylaws	the Executive Bylaws of Law No. (7) of 2010 and its Amendments Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities
Commercial Companies Law	Decree Law No. 21 of the year 2001 promulgating the Commercial Companies Law in the Kingdom of Bahrain, as amended from time to time
Conditions Precedent	the conditions set out in section 5.7 (Conditions Precedent to the Offer) of this Offer Document
Demat	dematerialized
Effective Date	if the Offer is successful, the date on which New KFH Shares are successfully issued as fully paid up to the AUB Shareholders who appear on the shareholder register of AUB as at the Record Date in accordance with the Exchange Ratio
Exchange Ratio	the exchange ratio set out in section 5.4 (Consideration for the Offer) of this Offer Document
FATF	the Financial Action Task Force
Final Offer Closing Date	the Initial Offer Closing Date, or the date falling not less than the 15th calendar day from the date of announcement of the Offer having been revised or become unconditional as to Requisite Acceptances, whichever is later, being 12 May 2020 for the purposes of this Offer Document
Financial Advisor	Goldman Sachs International, Dubai International Financial Centre (DIFC) branch
Firm Intention	the firm intention to make an Offer issued by KFH to the Board of Directors of AUB on 5 February 2020
GCC	the Gulf Co-operation Council comprising the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates
IN	a unique number issued by BC for any investor who opens a securities depository account at BC
Initial Offer Closing Date	the date falling on the 21st calendar day from the Offer Opening Date, being the last date, subject to the Final Offer Closing Date and any extensions as may be permissible under the TMA Module, for receiving the completed Acceptance and Transfer Forms, being 15 April 2020 for the purposes of this Offer Document
KCC	the Kuwait Clearing Company K.S.C.
KFH	Kuwait Finance House K.S.C.P., a public joint stock company incorporated in the State of Kuwait and registered under commercial registration number 26066
KFH Bahrain	Kuwait Finance House (Bahrain) B.S.C.(c)., a bank incorporated in the Kingdom of Bahrain with commercial registration number 48128
KFH Capital	KFH Capital Investment Company K.S.C., a company incorporated in the State of Kuwait with commercial registration number 76471

KFH Group	KFH and its subsidiaries and branches, including the AUB Group
KFH Shares	6,976,489,202 issued and paid up shares of KFH with a nominal value of KWD0.100 each in the capital of KFH, inclusive of any KFH shares that are issued pursuant to the Offer
Kuwait Receiving Agent	the KCC, being the entity appointed by the Offeror which is authorized to receive Acceptance and Transfer Forms in accordance with the Offer Document for AUB Shareholders of AUB BK Shares and for AUB Shareholders resident outside of Kuwait and Bahrain
KWD	Kuwaiti Dinar, the lawful currency in the State of Kuwait
Last Practicable Date	the last date prior to the dispatch of this Offer Document to the AUB Board of Directors for the purpose of ascertaining certain information contained herein, being 20 February 2020
Last Trading Date	the date falling one (1) Business Day prior to the Suspension Date, being (i) in Bahrain, 22 March 2020; and (ii) in Kuwait, 22 March 2020, unless an official public holiday is declared, then it shall be 19 March 2020
Legal Advisor	Freshfields Bruckhaus Deringer LLP
Minor	a person who is below 21 years of age
MOCI	the Ministry of Commerce and Industry in the State of Kuwait
MOICT	the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain
New KFH Shares	the new KFH Shares to be issued, credited as fully paid, to AUB Shareholders pursuant to the Offer
Offer	the voluntary conditional offer made by KFH to acquire 100% of the issued and paid up ordinary shares of AUB by way of a share swap at the Exchange Ratio
Offer Acceptance/ Rejection Announcement Date	the date falling on the Initial Offer Closing Date by which the results of the Offer, as to Requisite Acceptances, will be communicated to the AUB Shareholders, being 15 April 2020 for the purposes of this Offer Document
Offer Document	this offer document prepared in relation to the Offer, dated 24 February 2020
Offer Opening Date	26 March 2020, being the date from which the completed Acceptance and Transfer Forms will be received by the Receiving Agents
Offer Period	the period beginning on the Offer Opening Date and ending on the Initial Offer Closing Date
Offeree	AUB
Offeror	KFH
Participating Branches	the branches of AUB in Bahrain listed in section 6.2 of the Offer Document that will be receiving Acceptance and Transfer Forms during the Offer Period
Receiving Agents	the Bahrain Receiving Agent and the Kuwait Receiving Agent
Record Date	the date preceding the Offer Opening Date established for the purposes of identifying the AUB Shareholders' entitlement to receive the Offer, and to enable a list of AUB Shareholders entitled to receive the New KFH Shares to be drawn up, being 24 March 2020 in the Kingdom of Bahrain and 25 March 2020 in the State of Kuwait

Requisite Acceptances	the valid Acceptances that are received in respect of AUB Shares that represent at least 85% of the total issued share capital of AUB at the time of the Initial Offer Closing Date
SICO	SICO B.S.C.(c)
Suspension Date	the date on which trading in the AUB Shares is suspended to enable a list of AUB Shareholders entitled to receive the Offer and to receive the New KFH Shares to be drawn up, which shall be the date falling one (1) Business Day post the Last Trading Date, being 23 March 2020 for the purposes of this Offer Document
Suspension Period	the period during which trading in the AUB Shares will be suspended which shall commence on the Suspension Date and will continue until the earlier of (i) the date on which the Offer is discontinued due to failure in declaring it unconditional as to the Requisite Acceptances; (ii) the date on which the Offer is discontinued due to failure in declaring it unconditional in all respects; or (iii) the Effective Date
TMA Module	the Takeovers, Mergers and Acquisitions Module of Volume 6 of the CBB Rulebook
USD	United States Dollar, the lawful currency in the United States of America

2. Letter from the KFH Board of Directors

24 February 2020

Dear AUB Shareholders,

On 1 December 2019 and 9 October 2019, the KFH Board announced receipt of the Central Bank of Bahrain's conditional approval to commence acquisition procedures of AUB and the receipt of the conditional approval of Central Bank of Kuwait on the proposed acquisition of AUB, respectively. On 20 January 2020 the General Assembly of the KFH shareholders resolved to approve the proposed acquisition of AUB and authorized the KFH Board to proceed with the relevant procedures to effect the proposed acquisition.

The acquisition is intended to be effected through this voluntary conditional offer by way of a share swap. Subject to the satisfaction of the Conditions Precedent set out in this Offer Document, upon the Effective Date, New KFH Shares will be issued to existing AUB Shareholders in consideration for the acquisition. Upon the Offer becoming effective, the AUB Group will become a fully owned subsidiary of KFH and the AUB Shareholders will become shareholders in the KFH Group.

The proposed acquisition, will, if effected, create a leading Islamic financial institution with robust financial strength and global network. In addition, it will result in KFH becoming the largest Islamic financial institution in the world by assets, one of the leading financial institution in Kuwait and Bahrain, and will have a presence in 10 countries.

KFH's strategy for AUB post-acquisition will commence with the process of converting the business of AUB in the Kingdom of Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant offering full range of Sharia'a compliant banking products subject to approval of the CBB. This is with the intention of maintaining AUB's commercial registration. Following the successful completion of the Offer, KFH will also commence converting AUB Kuwait to a digital bank as requested by the CBK, and immediately following the successful completion of converting AUB's business to Sharia'a compliant, KFH will commence the process of conducting a statutory merger to merge its two wholly owned subsidiaries in Bahrain, being AUB and KFH Bahrain.

The Exchange Ratio (which determines the number of shares that will be issued to AUB Shareholders in KFH as a result of the Offer) was agreed between KFH and AUB following preliminary valuations and other analysis prepared by HSBC Bank Middle East and Credit Suisse, financial analysis prepared by the Financial Advisor, and detailed commercial negotiations between the two banks confirmed by the KFH Board of Directors and the AUB Board of Directors on 12 September 2019. The Exchange Ratio was also approved by the shareholders of KFH in the General Assembly meeting of KFH held on 20 January 2020.

AUB Shareholders whose names appear in the AUB Share register on the Record Date will be eligible to receive the Offer. AUB Shareholders should note that trading in AUB Shares will be suspended for the duration of the Suspension Period.

The implementation of the Offer will be subject to the fulfilment or waiver of the Conditions Precedent set out in this Offer Document. These include, but are not limited to, receipt of Acceptances in respect of AUB Shares that represent at least 85% of the total issued share capital of AUB at the time of the Initial Offer Closing Date. Following receipt of the Requisite Acceptances, the AUB Shareholders will be called to approve, amongst other things, and subject to any legal and regulatory requirements, converting the AUB business in Bahrain to Sharia'a compliant at an AUB extra ordinary general assembly meeting by a majority vote of two thirds of the AUB Shares represented at the AUB meeting. In addition, completing a cross-listing of KFH on BB is a Condition Precedent to the Offer.

Pursuant to the AUB EGM approval, receipt of all regulatory and statutory approvals, exemptions and/or waivers in connection with the Offer and the acquisition of no less than 100% of the issued and paid up ordinary shares of AUB, and provided that the Requisite Acceptances have been received, all AUB Shareholders representing 100% of the issued and paid up share capital of AUB will receive New KFH Shares.

Subject to the details set out in this Offer Document, the AUB Shareholders of AUB BK Shares will receive their New KFH Shares on BK and the AUB Shareholders of AUB BB Shares will receive their New KFH shares on BB.

As an AUB Shareholder, you are encouraged to read this Offer Document in full and to attend the AUB EGM and vote on the resolutions proposed at the AUB EGM with respect to the Offer, even if you have given your Acceptance and have successfully submitted the Acceptance and Transfer Form. Failure to meet the quorum requirements of the AUB EGM and/or the required voting threshold will result in failure to continue with implementing and effecting the Offer.

Persons who are in doubt as to the action they should take should consult their licensed brokers, dealers, solicitors, professional accountants or other professional advisers.

Board of Directors
KFH

3. Expected Timetable of Principal Events

The following dates are indicative only and will depend, among other things, on whether (and the dates on which) the Conditions Precedent are satisfied.

Event	Time and/or Date
Last Trading Date	22 March 2020[1]
Suspension Date	23 March 2020
Record Date for AUB BB Shares	24 March 2020
Record Date for AUB BK Shares	25 March 2020
Offer Opening Date	26 March 2020
Initial Offer Closing Date	15 April 2020
Offer Acceptance/Rejection Announcement Date	15 April 2020
Last day for the Offer to become or declared unconditional as to Requisite Acceptances	24 April 2020
Right of Accepting AUB Shareholders to withdraw their Acceptances arises unless the Offer has become unconditional as to Requisite Acceptances	29 April 2020
AUB EGM	7 May 2020[2]
Final Offer Closing Date	12 May 2020
Offer to be declared unconditional in all respects[3]	Expected to be 12 May 2020[4]
Release of the New KFH Shares to AUB Shareholders[5]	Effective Date
Effective Date[6]	Expected to be 18 May 2020

Notes

(1) If an official public holiday is declared in Kuwait, then the date in Kuwait shall be 19 March 2020.
(2) Subject to exemption from the CBB on rule TMA 2.14.5 of the TMA Module.
(3) AUB Shareholders should note that the Offer will not be open for further Acceptances once it is declared unconditional in all respects.
(4) Subject to satisfaction of all Conditions Precedent.
(5) Subject to the approval of the CMA on issuance of the New KFH Shares and adhering to the applicable laws and regulations in Kuwait and Bahrain.
(6) Subject to the Conditions Precedent of the Offer having been satisfied and all regulatory approvals required in Kuwait and/or Bahrain are obtained.

4. Resolutions and Approvals

4.1 BOARD OF DIRECTORS

This Offer is made pursuant to the resolutions adopted by the Board of Directors at their meeting held on 12 September 2019. The Board of Directors resolved to, amongst other items, adopt the reports of the external advisors viewed in detail by the Board of Directors in its meeting held on 8 September 2019, approve the final Exchange Ratio of 1 New KFH Share for each 2.325581 AUB Shares to acquire 100% of AUB's share capital, recommend the same to the general assembly when it is called for a meeting and finalize the relevant procedures and approvals.

4.2 KFH GENERAL ASSEMBLY OF SHAREHOLDERS

This Offer is also made pursuant to the resolutions adopted by the General Assembly of KFH's shareholders at the meeting held on 20 January 2020. The results of KFH's General Assembly meeting have been disclosed on 20 January 2020 in accordance with the laws and regulations of Kuwait and are available on the website of BK at https://www.boursakuwait.com.kw/news-details/32780/110.

4.3 CBB – NO OBJECTION

KFH have received from the CBB a conditional approval, dated 31 October 2019, pertaining to undertaking the Offer (the Initial Approval). Pursuant to the Initial Approval, KFH provided the CBB with a letter dated 18 November 2019 setting out its responses to the conditions set out in the Initial Approval. Following KFH's response, the CBB provided it's no objection letter, dated 28 November 2019, pertaining to undertaking the Offer.

4.4 CBB – CAPITAL MARKET SUPERVISION DIRECTORATE

KFH have received from the Capital Market Supervision Directorate of the CBB a no objection letter dated 23 February 2020 on the contents and dispatch of this Offer Document and the information and matters contained herein.

Copies of the Board of Director's resolutions and this Offer Document have been filed with the Capital Market Supervision Directorate of the CBB.

5. The Offer

The Board of Directors refer to the Firm Intention dated 5 February 2020 whereby the board of directors of AUB were notified of KFH's Firm Intention to make an Offer to the AUB Shareholders to acquire their shares in AUB.

The details of the Offer are set out below.

5.1 SECURITIES FOR WHICH THE OFFER IS MADE

The Offer is to acquire AUB Shares that comprise 100% of AUB's issued and paid up share capital. That is inclusive of 8,774,444,281 (eight billion, seven hundred and seventy four million, four hundred and forty four thousand and two hundred eighty one) AUB Shares of a nominal value of USD0.25 each and any AUB shares that are issued, whether as dividends shares, shares issued pursuant to AUB's employee stock option plan and/or otherwise, after the date of this Offer Document, but before the Effective Date.

5.2 THE OFFEREE

AUB is registered with the MOICT under commercial registration number 46348 as a Public Bahraini Shareholding Company whose ordinary shares are listed on the BB and BK.

AUB is licensed by the CBB as a locally incorporated bank operating as a conventional retail bank and providing its clients through its network of subsidiaries and associated companies with (i) retail banking; (ii) corporate banking; (iii) treasury and investment services; (iv) private banking and wealth management services; and (v) Islamic banking products & services besides offering conventional and Takaful life insurance products. AUB operates regionally through its subsidiaries and associates in United Kingdom, United Arab Emirates, Egypt, Kuwait, Iraq, Libya and Oman.

AUB has an issued and paid up share capital of USD2,193,611,070.25 divided into 8,774,444,281 ordinary shares with a nominal value of USD0.25 each.

5.3 THE OFFEROR

KFH is registered with the MOCI under commercial registration number 26066 as a Public Kuwaiti Shareholding Company whose ordinary shares are listed on the BK.

KFH is licensed by the CBK as a locally incorporated bank operating as an Islamic bank and provides a wide range of banking Sharia'a compliant products and services, covering real estate, trade finance, investment portfolios, commercial, retail and corporate banking and is available in Kuwait, Kingdom of Bahrain, Kingdom of Saudi Arabia, Turkey, Malaysia, and Germany.

As at the date of this Offer Document, KFH has an authorized share capital of KWD1,117,648,920.200 and an issued and paid up share capital of KWD697,648,920.200 divided into 6,976,489,202 ordinary shares with a nominal value of KWD0.100 each.

5.4 CONSIDERATION FOR THE OFFER

The consideration for the Offer is New KFH Shares issued to AUB Shareholders on the following basis:

for each 2.325581 AUB Shares : 1 New KFH Share

In the event that the Exchange Ratio calculation set out above produces a fractional share, the resulting figure will be rounded up to the nearest share.

Assuming that the requisite number of AUB shareholders accept the Offer, excluding the impact of fractional entitlements, issuance of AUB dividends shares for the year ending 31 December 2019 and the shares issued pursuant to AUB's employee stock option plan, the consideration would be 3,773,011,682 New KFH Shares. The final consideration number of New KFH Shares will be determined and announced by KFH on or around the Initial Offer Closing Date.

The Exchange Ratio (which determines the number of shares that will be issued to AUB Shareholders in KFH as a result of the Offer) was agreed between KFH and AUB following preliminary valuations and other analysis prepared by HSBC Bank Middle East and Credit Suisse, financial analysis prepared by the Financial Advisor, and detailed commercial negotiations between the two banks confirmed by the Board of Directors and the AUB Board of Directors on 12 September 2019. In negotiating the Exchange Ratio, KFH made reference to advice and assistance from its respective advisers and a review of due diligence information on AUB's businesses.

In reaching agreement on the Exchange Ratio, a number of valuation methodologies have been considered including:

(a) Price earnings multiple analysis
  (i) Earnings were calculated based on certain internal financial analyses and forecasts for KFH and AUB.
  (ii) Price-to-earnings multiples for KFH and AUB were obtained using Bloomberg, IBES and Capital IQ market data sources.

(b) Regression analysis to determine theoretical price-to-book value multiples for KFH and AUB
  (i) Regression was implied from selected peer group's price-to-book value multiple and return-on equity rate.
  (ii) KFH and AUB book values and return-on-equity rates were calculated based on certain internal financial analyses and forecasts for KFH and certain financial analyses and forecasts for AUB.
  (iii) Price-to-book value multiples and return-on-equity rates for selected peers were obtained using Bloomberg, IBES and Capital IQ market data sources.

(c) Dividend discount valuation based on the present value of future dividends for each bank
  (i) Dividends were calculated based on certain internal financial analyses and forecasts for KFH and certain financial analyses and forecasts for AUB.
  (ii) Discount rate, which was used to calculate present value of future dividends, was an estimate of the Banks' cost of equity, which was determined by application of the Capital Asset Pricing Model.

The following table summarizes the results of the agreed valuation:

Agreed Exchange Ratio	2.325581 AUB Shares for one New KFH Share or 0.430 New KFH Shares for one AUB share
Total number of the KFH Shares – post Acquisition*	10,749,500,884 shares, fully paid-up

*Excluding the impact of fractional entitlements, issuance of AUB dividends shares for the year ending 31 December 2019 and the shares issued pursuant to AUB's employee stock option plan

5.5 SHAREHOLDERS ELIGIBLE FOR THE OFFER

AUB Shareholders whose names appear in the AUB Share register on the Record Date will be eligible to receive the Offer.

5.6 SUSPENSION OF TRADING

Trading in AUB Shares will be suspended for the duration of the Suspension Period.

5.7 CONDITIONS PRECEDENT TO THE OFFER

The implementation of the Offer will be subject to the fulfilment or waiver, where applicable, of the following Conditions Precedent. For the avoidance of doubt, the Offer shall not become unconditional unless the below Conditions Precedent are fulfilled or waived by KFH:

(a) Receipt of the Requisite Acceptances.

(b) Following receipt of the Requisite Acceptances, the AUB Shareholders approving, amongst other things, and subject to any legal and regulatory requirements, converting the AUB business in Bahrain to Sharia'a compliant at the AUB EGM by a majority vote of two thirds of the AUB Shares represented at the AUB EGM.

(c) Receipt of all regulatory and statutory approvals, exemptions and/or waivers in connection with the Offer and the acquisition of no less than 100% of the issued and paid up ordinary shares of AUB, including receipt of the CBB and CBK final approvals, exemptions and/or waivers required to implement the Offer, receipt of the CMA approval for the issuance of the New KFH Shares and receipt of any other approval required from any regulatory or statutory authority as may be determined.

(d) KFH successfully completing a cross-listing on BB in line with the applicable rules and regulations of the CBB and BB.

In respect of Condition Precedent (b) above, the invitation to the AUB EGM will be published upon declaring the Offer unconditional as to Requisite Acceptances in line with the provisions of the TMA Module and the Commercial Companies Law.

AUB Shareholders and/or potential investors of AUB should note that the Offer is subject to the satisfaction or, with the exception of Conditions Precedent (a) and (d) above, waiver (where applicable) of the Conditions Precedent and conditional upon, the Offer becoming or being declared unconditional in all respects. Accordingly, the Offer may or may not become unconditional. Shareholders and/ or potential investors of AUB should therefore exercise caution when dealing in the securities of AUB. Persons who are in doubt as to the action they should take should consult their licensed brokers, dealers, solicitors, professional accountants or other professional advisers.

5.8 OFFER ACCEPTANCE PROCEDURES

AUB Shareholders willing to accept the Offer are required to tender all of their AUB Shares and may not tender only a part of their AUB Shares. AUB Shareholders may potentially be holding the AUB Shares in one, or a combination, of the following forms:

(a) Shares in Demat form held in a brokerage account with a registered broker in BB;

(b) Shares in Demat form held in BC or KCC; and/or

(c) Shares in physical form with an original share certificate only.

Please refer to section 6 (Procedures for Accepting the Offer) for further details.

5.9 ACCEPTANCE IRREVOCABLE

Upon an AUB Shareholder submitting the completed Acceptance and Transfer Form to the relevant Receiving Agent, the Acceptance becomes irrevocable and cannot be withdrawn by that AUB Shareholder either in whole or in part except if, as at the Final Offer Closing Date, the Conditions Precedent remain unfulfilled or have not been waived. An acceptor will be entitled to withdraw his acceptance after 14 days from the Initial Offer Closing Date, if the Offer has not become unconditional as to Requisite Acceptances by that date.

5.10 ISSUANCE OF THE NEW KFH SHARES

The issuance of the New KFH Shares will be conducted and managed by the KCC, and is subject to the CMA processes and approval. The KCC will liaise directly with the BC to create a shared electronic platform in order to enable the production of an AUB Shareholders register of the shareholders entitled to receive the New KFH Shares, whether in Kuwait or Bahrain, pursuant to the terms and conditions of the Offer.

Two (2) Business Days prior to the Effective Date, the KCC will issue and credit the New KFH Shares in Kuwait, however the issued New KFH Shares will not be released to the AUB Shareholders until the Effective Date. AUB Shareholders should note that the two (2) Business Days' period reflects the timing required administratively for the transfer of the New KFH Shares with respect to the AUB Shareholders of AUB BB Shares to BB.

On the Effective Date the KCC or BC, as the case may be, will release the New KFH Shares and the AUB Shareholders of AUB BK Shares will receive their New KFH Shares listed and in a tradable format on BK, and the AUB Shareholders of AUB BB Shares will receive their New KFH Shares listed and in a tradable format on BB.

AUB Shareholders should note that on the Effective Date, the share register of KFH will be updated to reflect the ownership of both AUB Shareholders of AUB BK Shares and AUB BB Shares. Actual ownership of the New KFH Shares and the attached entitlements will be effected for both AUB Shareholders of AUB BK Shares and AUB BB Shares on the Effective Date.

AUB Shareholders should note that the issuance of the New KFH Shares process may be subject to change or update as may be required by the CMA, KCC, BC, BK and/or BB. Full and immediate disclosure will be made to the AUB Shareholders of any changes or updates that may occur after the date of this Offer Document.

5.11 RIGHTS OF THE NEW KFH SHARES

The New KFH Shares shall rank pari passu with the existing ordinary shares of KFH. Other than ordinary shares, KFH has not issued any other classes of shares.

Provided that the Offer becomes unconditional after the fulfilment of the Conditions Precedent, AUB Shareholders of the New KFH Shares will be entitled to any dividends declared by KFH pertaining to the financial year ending 31 December 2020 and for subsequent years on a pari passu basis with other holders of shares in KFH.

Holders of the New KFH Shares will enjoy all the rights and obligations of the existing shareholders of KFH, including but not limited to, participation and voting in shareholders' general assembly meetings and participation on a pari passu basis in any distributions or other returns of capital whether with respect to a liquidation or otherwise.

6. Procedures for Accepting the Offer

6.1 FORM SUBMISSION

Acceptance submission procedures pertaining to AUB Shareholders of AUB BB Shares
All AUB Shareholders of AUB BB Shares willing to accept the Offer will be required to forward the following documentation to the Bahrain Receiving Agent:

For submissions by individuals
AUB Shareholders who are individuals and who wish to accept the Offer must submit the following documents:

(a) the original signed Acceptance and Transfer Form;

(b) the original or Certified Copy and a copy of the following two forms of identification:
   (i) the individual's valid passport or valid international travel document; and
   (ii) the individual's valid national identification card or an equivalent document,

(c) proof of permanent residential address. The proof can consist of a copy of a recent utility bill, bank statement or similar statement from another bank or financial institution licensed in the country, which have been issued within three months prior to their presentation, or official documentation, such as a smartcard, from a public/governmental authority, or a tenancy agreement;

(d) if an individual AUB Shareholder has an existing IN, proof of such IN is required in the form of a BB investor card or statement of account, or a BB system print-screen or an allotment notice from a previous initial public offering in Bahrain of no earlier than 2006;

(e) original share certificates for those AUB Shareholders holding physical AUB Shares. Holders of physical AUB Shares that have been misplaced or damaged are required to obtain replacements of such shares directly from BC prior to submitting their Acceptance and Transfer Form. As an alternative to physical AUB Shares, holders of lost or damaged physical AUB Shares may also approach BC to have such replacement shares issued in electronic form at no additional cost;

(f) a statement of account from BC or a BB registered broker in respect of AUB Shares held in electronic form;

(g) the following additional documents are required when a person is signing on behalf of an individual AUB Shareholder by way of a power of attorney:
   (i) the original or Certified Copy and copy of the valid passport or international travel document of the person applying and signing on behalf of the individual AUB Shareholder;
   (ii) the original or Certified Copy and copy of the valid national identification card or an equivalent document of the person applying and signing on behalf of the individual AUB Shareholder; and
   (iii) the original or Certified Copy and copy of the notarized (or where from outside the Kingdom of Bahrain, apostilled/legalized) power of attorney,

(h) the following additional documents are required for applications on behalf of Minors:
   (i) the original or Certified Copy and copy of the valid passport or valid international travel document of the legal guardian applying and signing on behalf of the Minor;
   (ii) the original or Certified Copy and copy of the government-issued valid national identification card or an equivalent document of the legal guardian applying and signing on behalf of the Minor; and
   (iii) unless the legal guardian signing on behalf of the Minor is the Minor's father, the original or Certified Copy and copy of the proof of guardianship to the applying Minor.

For submissions by institutions

All institutions must provide the following documentation:

(a) the original signed Acceptance and Transfer Form;

(b) a copy of a valid commercial registration certificate of the institution;

(c) a copy of the memorandum and articles of association, or equivalent, of the institution;

(d) the original or Certified Copy and a copy of the following two forms of identification in respect of the individual signing on behalf of the institution:
   (i) the individual's valid passport or valid international travel document; and
   (ii) the individual's valid national identification card or an equivalent document,

(e) if the institution has an existing IN, proof of such an IN is required in the form of a BB investor card or statement of account, or a BB system print-screen, or an allotment notice from a previous initial public offering in Bahrain of no earlier than 2006;

(f) original share certificates for those institutions holding AUB Shares in physical form. Holders of physical AUB Shares that have been misplaced or damaged are required to obtain replacements of such shares directly from BC prior to submitting their Acceptance and Transfer Form. As an alternative to physical AUB Shares, holders of lost or damaged physical AUB Shares may also approach BC to have such replacement shares issued in electronic form at no additional cost;

(g) a statement of account from BC or a BB registered broker in respect of their AUB Shares held in electronic form; and

(h) the original and copy of the document authorizing the person(s), whose signature(s) appear(s) on the Acceptance and Transfer Form to sign such document on behalf of the institution. Such a document can be either a power of attorney or a resolution of the board of the institution.

All completed Acceptance and Transfer Forms, together with the required documentation, should be submitted by hand to any of:

(a) the desk of the Bahrain Receiving Agent listed in section 6.2 during the Offer Period; or

(b) the Participating Branches listed in section 6.2 during the Offer Period.

In all cases the documents should reach one of the above locations no later than the close of business on the Initial Offer Closing Date.

AUB Shareholders who do not have an IN number will be required to obtain an IN number prior to any future transfer of any New KFH Shares received pursuant to the Offer using BC Application Form Number 1(A) for individuals and 1(B) for institutions. Certain fees payable to BC may apply. For the avoidance of doubt, this is not a requirement for Accepting the Offer. AUB Shareholders who wish to trade any New KFH Shares received pursuant to the Offer on the BB in the future will be required, prior to such trading, to open a trading account with a registered broker and open an investor account with BC via BC Application Form Number (2) – Investor Account Opening Form. Subsequently, an AUB Shareholder may transfer the shares from the "CSD to the Broker" via the BC Application Form Number (6) - Transfer application between CSD and Broker. Certain fees payable to BC may apply. For the avoidance of doubt, this is not a requirement for Accepting the Offer.

At the time of submission of a completed Acceptance and Transfer Form, the Bahrain Receiving Agent or the Participating Branches shall verify the validity of all copies of each participating AUB Shareholder's identification documents along with the submitted Acceptance and Transfer Form.

AUB Shareholders intending to accept the Offer and who hold AUB Shares that are mortgaged will have to provide original written clearance from the mortgagee in a form acceptable to the Offeror or the Bahrain Receiving Agent.

The following important directions should be followed when completing the Acceptance and Transfer Form:

(a) Only the prescribed Acceptance and Transfer Form received by mail or collected from the participating desk of the Bahrain Receiving Agent or the Participating Branches should be used, and completed in full in accordance with the instructions contained therein.

(b) In the case of joint owners of AUB Shares only one Acceptance and Transfer Form may be used and signed by all such joint owners.

(c) In the case of any AUB Shares held by investment managers, the Acceptance and Transfer Form should be signed by the investment manager and sent along with a copy of the document reflecting the investment manager's position as the investment manager for the AUB Shareholder. The Acceptance and Transfer Form must state the beneficial owners of the AUB Shares and be provided together with their specific signed mandate.

The Offeror and the Bahrain Receiving Agent reserve the right to reject any Acceptances and Transfer Forms if:

(a) the Acceptance and Transfer Form is not completed in all respects or is completed with incorrect information;

(b) any of the information stated in section 6.1 above is not included in or with the Acceptance and Transfer Form; or

(c) the Acceptance and Transfer Form along with all of the above documents is received by the Bahrain Receiving Agent after the close of business on the Initial Offer Closing Date.

The Offeror and the Bahrain Receiving Agent reserve the right to accept, at its sole discretion, duly completed Acceptance and Transfer Forms where the information set out in section 6.1 above has not been provided in its entirety but sufficient information and documentation has been provided or otherwise procured to comply with all applicable laws and regulations associated with know your client and anti-money laundering requirements and other laws and regulations applicable to the Offeror and the Offer have been complied with.

The AUB Shareholder shall:

(a) consent to the passing on of any information about the AUB Shareholder to any relevant regulatory authorities by the Bahrain Receiving Agent, the registrar, the Offeror or the Offeree (as the case may be) or their delegates and any onward transmission by those regulatory authorities of such information;

(b) acknowledge that due to money laundering requirements operating within Bahrain, the Bahrain Receiving Agent, the Offeror or the Offeree (as the case may be) may require identification of the AUB Shareholder(s) and source of funds before the Acceptance and Transfer Forms can be processed;

(c) hold the Bahrain Receiving Agent, the Offeror or the Offeree (as the case may be) harmless and indemnified and shall keep them held harmless and indemnified against any loss arising from the failure to process the Acceptance and Transfer Form, if information as has been required from the AUB Shareholder has not been provided within the allotted time to the satisfaction of the party requesting such information; and

(d) understand and agree that any New KFH Shares to be issued to the AUB Shareholder may be retained pending the completion of any verification of identity required by the Bahrain Receiving Agent, the Offeror or the Offeree (as the case may be).

Acceptance submission procedures pertaining to AUB Shareholders of AUB BK Shares

All AUB Shareholders of AUB BK Shares willing to accept the Offer will be required to submit the following documentation with the Kuwait Receiving Agent.

AUB Shareholders of AUB BK Shares should note that the Acceptance and Transfer Form will be procured and completed electronically at the offices of the Kuwait Receiving Agent. However, it will need to be physically signed by the relevant AUB Shareholder, or its representative, after it is printed at the offices of the Kuwait Receiving Agent.

For submissions by individuals

AUB Shareholders who are individuals and who wish to accept the Offer must submit the following documents:

(a) the original signed Acceptance and Transfer Form;

(b) the original or Certified Copy and a copy of one of the following forms of identification:
 (i) the individual's valid passport or valid international travel document; and
 (ii) the individual's valid national identification card or an equivalent document,

(c) proof of permanent residential address. The proof can consist of a copy of a recent utility bill, bank statement or similar statement from another bank or financial institution licensed in the country, which have been issued within three months prior to their presentation, or official documentation, such as a smartcard, from a public/governmental authority, or a tenancy agreement;

(d) the following additional documents are required when a person is signing on behalf of an individual AUB Shareholder by way of a power of attorney:
 (i) the original or Certified Copy and copy of the valid passport or international travel document or valid national identification card of the person applying and signing on behalf of the individual AUB Shareholder;
 (ii) the original or Certified Copy and copy of the valid national identification card or an equivalent document of the person applying and signing on behalf of the individual AUB Shareholder; and
 (iii) the original or Certified Copy and copy of the notarized (or where from outside the State of Kuwait, apostilled/legalized) power of attorney,

(e) the following additional documents are required for applications on behalf of Minors:
 (i) the original or Certified Copy and copy of the valid passport or valid international travel document or valid national identification card of the legal guardian applying and signing on behalf of the Minor;
 (ii) the original or Certified Copy and copy of the government-issued valid national identification card or an equivalent document of the legal guardian applying and signing on behalf of the Minor; and
 (iii) unless the legal guardian signing on behalf of the Minor is the Minor's father, the original or Certified Copy and copy of the proof of guardianship to the applying Minor.

For submissions by institutions

All institutions must provide the following documentation:

(a) the original signed Acceptance and Transfer Form;

(b) a copy of a valid commercial registration certificate of the institution;

(c) a copy of the memorandum and articles of association, or equivalent, of the institution;

(d) the original or Certified Copy and a copy of the following two forms of identification in respect of the individual signing on behalf of the institution:
 (i) the individual's valid passport or valid international travel document; and
 (ii) the individual's valid national identification card or an equivalent document,

(e) the original and copy of the document authorizing the person(s), whose signature(s) appear(s) on the Acceptance and Transfer Form to sign such document on behalf of the institution. Such a document can be either a power of attorney or a resolution of the board of the institution.

All signed Acceptance and Transfer Forms (once completed electronically at the offices of the Kuwait Receiving Agent), together with the required documentation, should be submitted by hand to the desk of the Kuwait Receiving Agent listed in section 6.2 during the Offer Period.

In all cases the documents should reach the above location no later than the close of business on the Initial Offer Closing Date.

At the time of submission of a completed Acceptance and Transfer Form, the Kuwait Receiving Agent shall verify the validity of all copies of each participating AUB Shareholder's identification documents along with the submitted Acceptance and Transfer Form.

AUB Shareholders intending to accept the Offer and who hold AUB Shares that are mortgaged will have to provide original written clearance from the mortgagee in a form acceptable to the Offeror or the Kuwait Receiving Agent.

Noting that the Acceptance and Transfer Form will be electronically produced at the offices of the Kuwait Receiving Agent, the following important directions should be followed when completing the Acceptance and Transfer Form:

(a) Only the prescribed Acceptance and Transfer Form procured at the participating desk of the Kuwait Receiving Agent should be used, and completed in full in accordance with the instructions contained therein.

(b) In the case of joint owners of AUB Shares only one Acceptance and Transfer Form may be used and signed by all such joint owners.

(c) In the case of any AUB Shares held by investment managers, the Acceptance and Transfer Form should be signed by the investment manager and submitted along with a copy of the document reflecting the investment manager's position as the investment manager for the AUB Shareholder. The Acceptance and Transfer Form must state the beneficial owners of the AUB Shares and be provided together with their specific signed mandate.

The Offeror and the Kuwait Receiving Agent reserve the right to reject any Acceptances and Transfer Forms if:

(a) the Acceptance and Transfer Form is not completed in all respects or is completed with incorrect information;

(b) any of the information stated in section 6.1 above is not included in or with the Acceptance and Transfer Form; or

(c) the Acceptance and Transfer Form along with all of the above documents is received by the Kuwait Receiving Agent after the close of business on the Initial Offer Closing Date.

The Offeror and the Kuwait Receiving Agent reserve the right to accept, at its sole discretion, duly completed Acceptance and Transfer Forms where the information set out in section 6.1 above has not been provided in its entirety but sufficient information and documentation has been provided or otherwise procured to comply with all applicable laws and regulations associated with know your client and anti-money laundering requirements and other laws and regulations applicable to the Offeror and the Offer have been complied with.

The AUB Shareholder shall:

(a) consent to the passing on of any information about the AUB Shareholder to any relevant regulatory authorities by the Kuwait Receiving Agent, the registrar, the Offeror or the Offeree (as the case may be) or their delegates and any onward transmission by those regulatory authorities of such information;

(b) acknowledge that due to money laundering requirements operating within Kuwait, the Kuwait Receiving Agent, the Offeror or the Offeree (as the case may be) may require identification of the AUB Shareholder(s) and source of funds before the Acceptance and Transfer Forms can be processed;

(c) hold the Kuwait Receiving Agent, the Offeror or the Offeree (as the case may be) harmless and indemnified and shall keep them held harmless and indemnified against any loss arising from the failure to process the Acceptance and Transfer Form, if information as has been required from the AUB Shareholder has not been provided within the allotted time to the satisfaction of the party requesting such information; and

(d) understand and agree that any New KFH Shares to be issued to the AUB Shareholder may be retained pending the completion of any verification of identity required by the Kuwait Receiving Agent, the Offeror or the Offeree (as the case may be).

6.2 THE RECEIVING AGENTS AND THE PARTICIPATING BRANCHES

The Receiving Agents and the Participating Branches as set out below will receive the completed Acceptance and Transfer Forms together with the information stated in section 6.1 (as applicable) above:

Bahrain Receiving Agent's addresses, contact details and opening times

No.	Name	Address	Telephone No.	Opening days	Operating hours
1	SICO B.S.C.(c) – Receiving desk at the BB	4th floor, Harbour Gate, Bahrain Financial Harbour, Manama, Kingdom of Bahrain	(973) 17 515022	Sunday to Thursday	9:00am - 1:00pm
2	Bahrain Clear B.S.C.(c)	4th floor, Harbour Gate, Bahrain Financial Harbour, Manama, Kingdom of Bahrain	(973) 17108844	Sunday to Thursday	9:00am – 1:00pm

Participating Branches' addresses, contact details and opening times

No.	Branch name	Address	Telephone No.	Opening days	Operating hours
1	Seef Headquarters	Building 2495, Road 2832, Al Seef District 428	(973) 17585514/39	Sunday to Thursday	8:00am – 3:30pm
2	Central Manama	Bahrain Car Park Commercial Center, Manama, Building #126, Road 383, Block 316	(973) 17221700	Saturday to Thursday	8:00am – 2:00pm
3	Seef Mall Muharraq	Shops#2009, Building 154, Road 29, Block 240, Muharraq	(973) 17562720	Saturday to Thursday	11:30am – 7:00pm
4	Mercado Mall	Unit 112, Building 108, Road #79 Avenue 79, Block 575 Janabiyah	(973) 17562749	Saturday to Thursday	11:30am – 7:00pm
5	Juffair Oasis Mall	Unit#137, Building #180, Ground Floor Level, Oasis Mall, 341 Al Shabab Avenue, Juffair, Kingdom of Bahrain	(973) 17579353	Saturday to Thursday	11:30am – 7:00pm
6	Riffa Branch	Shops 122, 124, 126 & 128, Shaikh Ali Bin Khalifa Road, Block 903, East Riffa	(973) 17562722	Sunday to Thursday	8:00am – 3:30pm

Kuwait Receiving Agent's addresses, contact details and opening times

No.	Name	Address	Telephone No.	Opening days	Operating hours
1	Kuwait Clearing Company K.S.C.	Ahmad Tower 5th Floor, Sharq, Kuwait City	(965) 22464565	Sunday to Thursday	8:30am – 3:00pm

6.3 GENERAL INFORMATION

AUB Shareholders should note that only Acceptances that are not rejected will count towards the Requisite Acceptances.

Once all the Conditions Precedent have been fulfilled or waived and the Offer becomes unconditional in all respects, during or at the end of the Final Offer Closing Date, KFH will arrange to make an announcement to this effect in two newspapers in the Kingdom of Bahrain and the websites of the BB, BK, AUB and KFH.

Allotment notices for each AUB Shareholder will be made available for collection at the KCC for AUB Shareholders of AUB BK Shares and the BC for AUB Shareholders of AUB BB Shares, during normal working hours starting from the Effective Date.

Any queries regarding the application procedure should be directed to the Receiving Agents.

6.4 PURCHASE OF AUB SHARES OUTSIDE THE OFFER

KFH reserves the right to purchase AUB Shares outside the Offer in accordance with the TMA Module and applicable laws.

6.5 TAX

The tax consequences for AUB Shareholders pursuant to the transaction contemplated by the Offer depend upon the shareholders' individual circumstances. AUB Shareholders should therefore consult their own tax advisors as to the particular tax consequences on them of accepting the Offer.

6.6 PRIOR CONTACTS

On 22 July 2018 KFH and AUB entered into a memorandum of understanding pursuant to which they agreed to commence a preliminary assessments of a potential consolidation of their respective businesses.

On 24 January 2019 each of KFH and AUB announced an average of a preliminary exchange ratio that has been agreed based on the preliminary assessments. KFH and AUB further announced that the determination of the final Exchange Ratio remains subject to the conclusion of due diligence studies to be conducted by each bank on the other.

On 12 September 2019, KFH and AUB announced that the commercial, financial and legal due diligence exercises with respect to the Offer have been concluded and that the respective Boards of Directors have approved the final Exchange Ratio.

On 5 February 2020, KFH communicated to AUB's Board of Directors its Firm Intention to make an Offer.

7. The Offeror

7.1 KUWAIT FINANCE HOUSE K.S.C.P.

Kuwait Finance House K.S.C.P. is considered a pioneer in the banking phenomenon known as Islamic Finance or Sharia'a Compliant Banking. Kuwait Finance House K.S.C.P. is the first Islamic bank established in 1977 in the State of Kuwait and today it's one of the foremost Islamic financial institutions in the world.

Kuwait Finance House K.S.C.P. has steadily managed to expand its business and achievements to lead the Islamic banking industry and become a pioneer financial establishment, not only in the Islamic banking industry, but also in the banking sector as a whole, besides being one of the biggest lenders in both the local and regional markets.

Kuwait Finance House K.S.C.P. provides a wide range of banking Sharia'a compliant products and services, covering real estate, trade finance, investment portfolios, commercial, retail and corporate banking and is available in the State of Kuwait, Kingdom of Bahrain, Kingdom of Saudi Arabia, Turkey, Malaysia and Germany.

7.2 CAPITAL AND MAJOR SHAREHOLDERS

KFH's authorized share capital currently stands at KWD1,117,648,920.200 with an issued and paid up capital of KWD697,648,920.200 divided into 6,976,489,202 shares with a nominal value of KWD0.100 each. KFH is currently listed and publically traded on BK with the following shareholders owning more than 5% each:

Major Shareholders	Percentage Owned*
Kuwait Investment Authority	24.079%
Public Authority for Minors Affairs	10.484%
General Secretariat of Awqaf	7.296%
The Public Institution for Social Security	5.91%**

*As at 31 December 2019, unless otherwise provided
**Indirect shareholding as at 7 January 2020

7.3 BOARD OF DIRECTORS

KFH's Board of Directors currently comprises of nine board members, as follows:

Board Member	Title
Hamad Abdul Mohsen Al Marzouq	Chairman
Abdul Aziz Yacoub Alnafisi	Vice Chairman
Fahad Ali AlGhanim	Director
Muad Saud Al Osaimi	Director
Khaled Salem Al Nisf	Director
Noorur Rahman Abid	Director
Hanan Yousef Ali Yousef	Director
Motlaq Mubarak Al-Sanei	Director
Salah Abdulaziz Al-Muraikhi	Director

Hamad Abdul Mohsen Al Marzouq – Chairman
Mr. Al Marzouq has over 30 years of experience as he has held many prominent positions in various banking, financial and regulatory institutions. Mr. Al Marzouq received his Master's Degree in International Finance and Business Management from Claremont Graduate University in the U.S. and his Bachelor's Degree in Industrial Systems Engineering from the University of Southern California in the U.S. Mr. Al Marzouq serves as a Board Member of Kuwait Banking Association (KBA) and therein he was appointed as KBA's Chairman from 2010 till 2016. Mr. Al Marzouq served as a Board Member of the Kuwait Institute of Banking Studies (KIBS) and the Public Authority for Applied Education and Training (PAAET). He served as a Member of the Board of Trustees of the Arab Academy for Financial and Banking Sciences and was a Board Member of the Union of Arab Banks. Other positions Mr. Al Marzouq held included Chairman and Managing Director of AUB – Kuwait, Vice Chairman of AUB - U.K., AUB – Egypt, AUB – Bahrain, Ahli Bank – Oman and the Commercial Bank of Iraq. Mr. Al Marzouq served as a Board Member, Vice Chairman, and Chairman of Kuwait & Middle East Financial Investment Company, Vice Chairman of Middle East Financial Investment Company in KSA, Vice Chairman of Ahli Bank in Qatar. Mr. Al Marzouq previously held several executive positions at the CBK including the position of Deputy Manager of the Technical Affairs Office, and Manager of Financial Control Department. Mr. Al Marzouq also served as an Investment Officer in the U.S. Equity Portfolios and Derivatives at the Investment Department at Kuwait Investment Co.

Abdul Aziz Yacoub Alnafisi – Vice Chairman
Mr. Alnafisi is currently serving as Chairman of Board Nomination and Remuneration Committee and Member of Board Executive Committee. He received his Bachelor's Degree in Economics from Whittier College in the U.S. Mr. Alnafisi has over 41 years of experience holding many prominent leadership positions in various sectors including banking, financial, real estate and telecommunication. His key positions include GM of Abdul Aziz Alnafisi General Trading Company. Mr. Alnafisi served as Board Member and Vice Chairman in Zain Group. Mr. Alnafisi held many positions in the Board of Directors of Zain Group MENA entities including Zain KSA, Iraq, Zain Jordan and Zain Sudan as well as many positions in the Board of Directors of Celtel - Zain Africa. He was the Chairman of Mada Communication Co., Al Madar Finance and Investment co., and KFIC Brokerage Co. Mr. Alnafisi held the position of Board Member of Wethaq Takaful Insurance Co. and Kuwait Investment Projects Company. Mr. Alnafisi was the CEO of Alnafisi National Real Estate Group, and Managing Director of KFIC Brokerage Co., and Head of Banking Facilities Division at Burgan Bank.

Fahad Ali Al Ghanim – Director
Mr. Al Ghanim is currently serving as Chairman of Board Investment Committee, Member of Board Executive Committee and Member of Board Audit and Compliance Committee. He received his Bachelor's Degree in Civil Engineering from Kuwait University. Mr. AlGhanim has over 16 years of experience holding many prominent leadership positions in various sectors including banking sector, vehicles, sports and building materials manufacturing. His key positions included Chairman of Aayan Leasing and Investment Co., Vice Chairman of AlAhlia Heavy Vehicles Selling and Import Co., Board Member of Kuwait Building Materials Manufacturing Company, CEO of Ali Mohammed Thunayan AlGhanim and Sons Automotive Company, Board Member and Treasurer at Kuwait Sports Club, member of Kuwait Society of Engineers, Chairman and CEO of AlAhlia Heavy Vehicles Selling and Import Co., Chairman of the Restructuring Committee at Aayan Leasing and Investment Company, Board Member of the Representatives Board of the World Agents of Mclaren Motors Co., Board Member of International Company for Electronic Payment, Al-Oula Slaughter House Company and CEO of Ali AlGhanim and Sons Group of Companies – Contracting Sector.

Muad Saud Al Osaimi – Director
Mr. Al Osaimi is currently serving as Member of Board Executive Committee, Member of Board Risk Committee, and Member of Board Investment Committee. He received his Bachelor's of Science Degree in Finance from George Mason University in the U.S. in 2001. Mr. Al Osaimi has over 18 years of experience holding many prominent leadership positions in various sectors including banking sector, retail and investment. His key positions include Chairman of KFH Malaysia, and he was Board Member of Kuwait Gate Holding Co., Kuwait Financial Center Co. and Al Raya International Holding Co. Also, he is CEO of Faiha International Real Estate Co.

Khaled Salem Al Nisf – Director
Mr. Al Nisf is currently serving as Chairman of Board Risk Committee, Member of Board Executive Committee, and Member of Board Investment Committee. He received his Bachelor's Degree in Finance from the College of Commerce, Economics and Political Sciences at Kuwait University in 1995. Mr. Al Nisf has over 23 years of experience holding many prominent leadership positions in various sectors including banking, retail and import and export. His key positions include Board Member of Al-Shamiya Holding Co., Al Tadamon Al Kuwaitiya Holding Co., Chairman of the Executive Board of Al Nisf Group of Companies, CEO at Mohammed Youssef Al Nisf & Partners Co., Al Tadamon Al Kuwaitiya Co. and Trading and Industrial Equipment Co, and Vice Chairman of Kuwait Digital Computer Co.

Noorur Rahman Abid – Director
Mr. Abid is currently serving as Chairman of Board Audit and Compliance Committee, Member of Board Nomination and Remuneration Committee and Board Member at KFH Malaysia. Mr. Abid has been a Fellow Chartered Accountant from Institute of Chartered Accountants in England and Wales (ICAEW) since 1976. Mr. Abid has over 40 years of extensive experience. He was appointed as Assurance Leader for Ernst & Young Middle East and North Africa in 1999. In 2012, Mr. Abid received the World Islamic Banking Conference Industry Leadership Award. Mr. Abid previously served as Chairman of the Accounting Standards Committee and Vice Chairman of Accounting and Auditing Standards Board of AAOIFI. He is currently a member of the Board of Trustees of the AAOIFI. Mr. Abid serves as a Board Member and Chairman of the Audit Committee at Meezan Bank, as well as at Arcapita Co. in Bahrain. Mr. Abid is a Board Member, Chairman of Audit Committee, and member of Nomination and Remuneration Committee at Dr. Soliman Fakeeh Hospital-KSA.

Hanan Yousef Ali Yousef – Director
Mrs. Hanan Yousif is currently serving as Board Member representing Kuwait Awqaf Public Foundation ("KAPF"). She is Member of Board Governance Committee and Member of Board Risk Committee. She received her Bachelor's Degree in Business Administration in Finance and Banking from Kuwait University. She has over 22 years of experience holding many prominent leadership positions in various sectors including government, banking and investment sectors. Ms. Hanan Yousif is the Director of the Investments Management Department in KAPF. She is the Chairman of the Board Audit Committee and Board Risk Committee in Rasameel Investment Co. Ms. Hanan Yousif held many positions at KAPF including Head of Financial Investment Unit and the Investment Management Controller. Ms. Hanan Yousif was a board member in Public Services Co., Al Masar Leasing & Investment Co., Al Madar Finance & Investment Co., and Rasameel Investment Co. in addition to numerous prominent leadership roles at KAPF.

Motlaq Mubarak Al-Sanei – Director
Mr. Al Sanei is currently serving as Board Member representing Kuwait Investment Authority. He is Board Executive Committee, Member of Board Risk Committee, and Member of Board Nomination and Remuneration Committee. He received his Bachelor's Degree in Economics from Kuwait University. Mr. Al Sanei has over 35 years of experience holding many prominent leadership positions in various sectors including government, banking, economic and investment sectors. He is currently the Director General of Kuwait Authority for Partnership Projects. His key positions included Chairman of Kuwait Small Projects Development Co., Chairman of the Tunisian Kuwaiti Bank, headed the Privatization Committee of Kuwait Airways Corporation, headed the Founding Committee of Warba Bank, member of the Privatization Committee of Kuwait Stock Exchange, and member of the Founding Committee of Media City Co. Mr. Al-Sanei was a Board Member in Tri International Consulting Group, Bank of Bahrain and Kuwait, Arab Investment Company - KSA, Arab Authority for Investment and Agricultural Development-Sudan, and the Kuwaiti United Company -Syria. Mr. Al Sanei was a member at Kuwait Economic Society, Board Member of Kuwait Airways Co., Chairman and GM for the Kuwaiti Tunisian Development Group and GM of the Kuwaiti Real Estate Investment Group Office in Tunisia.

Salah Abdulaziz Al-Muraikhi – Director
Mr. Al-Muraikhi is currently serving as Board Member representing Kuwait Investment Authority. He is Member of Board Audit and Compliance Committee, and Member of Board Investment Committee. He received his Master's Degree in Business Management and Financial Accounting from Claremont Graduate University in the U.S. He received his Bachelor's Degree in Finance from the Kuwait University. Mr. Al-Muraikhi has over 34 years of experience holding many prominent leadership positions in various sectors including government, banking, economic and investment sectors. His key positions included heading the private Equity Investment in Kuwait Investment Office in London, Director of Hedge Fund Department in Kuwait Investment Authority, Chairman of the Board of Farah Al-Maghreb Co., Board Member of Kuwait Investment Co., Chairman of the Board for Pakistan Kuwait Investment Co., Board Member of Kuwaiti Egyptian Investment Co, Board Member of Grupo Plastico Company in Spain, Vice Chairman and Managing Director at Kuwait Real Estate Investment Consortium and Board Member of Housing Bank in Amman – Jordon.

7.4 FATWA AND SHARIA'A SUPERVISORY BOARD

Dr. Sayyed Mohammad Al-Sayyed Abdul Razzaq Al-Tabtaba'e – Chairman
Dr. Al-Tabtaba'e received his PhD in 1996, and his Masters in 1993 from the Supreme Jurisdiction Institute at Al-Imam Mohammad Ibn Saud Islamic University in Riyadh, Kingdom of Saudi Arabia. He received his Bachelor's Degree in 1988 in Islamic Jurisprudence from Al-Imam Mohammad Ibn Saud Islamic University in Riyadh, Kingdom of Saudi Arabia.

Dr. Al-Tabtaba'e is currently the Chairman of Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2014.

During his professional career, he held numerous prominent roles including Chairman of Personal Status Committee in Kuwait, and Member of the Board of Trustees of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Dr. Al-Tabtaba'e was the former Dean of Shari'a and Islamic Studies College at Kuwait University and a Teaching Faculty Member. Dr. Al-Tabtaba'e previously held the position of Chairman of the Supreme Committee for working on applying Islamic Shari'a Law.

Dr. Mubarak Al-Harbi – Member
Dr. Al-Harbi received his PhD in Comparative Islamic Jurisprudence from Dar Al Ulum Faculty in Cairo University, Egypt in 2002. He received his Master's Degree in Comparative Islamic Jurisprudence from Dar Al Ulum Faculty in Cairo University, Egypt in 1998. Dr. Al-Harbi received his Bachelor's Degree in Shari'a from the Islamic University of Medina, Kingdom of Saudi Arabia in 1992.

Dr. Al-Harbi is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2009.

Dr. Al-Harbi is member of the Fatwa and Shari'a Supervisory Board for Kuwait Finance House in Bahrain. He is also a member of the Fatwa Board at the Ministry of Awkaf and Islamic Affairs in Kuwait, and a member of Fatwa & Shari'a Supervisory Boards at various Islamic Financial Institutions and Organizations.

Dr. Al-Harbi was a Former Head of the Comparative Islamic Jurisprudence and Shari'a Policy Department at Shari'a and Islamic Studies College at Kuwait University.

Dr. Isam Al-Ghareeb – Member
Dr. Ghareeb received his PhD in Islamic Jurisprudence and Usul Al-Fiqh from Birmingham University in the U.K. in 2000. He received his Master's Degree in Islamic Jurisprudence and Usul Al-Fiqh from Birmingham University in the U.K. in 1997. Dr. Ghareeb received his Bachelor's Degree in Islamic Jurisprudence and Usul Al-Fiqh from Kuwait University in 1988.

Dr. Ghareeb is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2014.

Dr. Ghareeb is a Teaching Faculty Member at the Islamic Jurisprudence and Usul Al-Fiqh Department at Shari'a and Islamic Studies College at Kuwait University.

Dr. Ghareeb previously held the position of Assistant Dean at Shari'a and Islamic Studies College at Kuwait University. Dr. Ghareeb previously held the position of member of the Supreme Committee for working on applying Islamic Shari'a Law.

Dr. Anwar Abdulsalam – Member
Dr. Al-Abdulsalam received his PhD in Islamic Jurisprudence and Usul Al-Fiqh from Al-Azhar University in Egypt in 1999. He received his Master's Degree in Islamic Jurisprudence and Usul Al-Fiqh from Al-Azhar University in Egypt in 1996.

Dr. Al-Abdulsalam received his Bachelor's Degree in Shari'a from Kuwait University in 1989.
Dr. Al-Abdulsalam is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2000.

Dr. Al-Abdulsalam is a member of the Fatwa and Shari'a Supervisory Board of Kuveyt Turk Participation Bank and a member of Fatwa & Shari'a Supervisory Boards at various Islamic Financial Institutions and Organizations.

Dr. Al-Abdulsalam was a former Head of Islamic Jurisprudence and Usul Al-Fiqh Department at Shari'a and Islamic Studies College at Kuwait University.

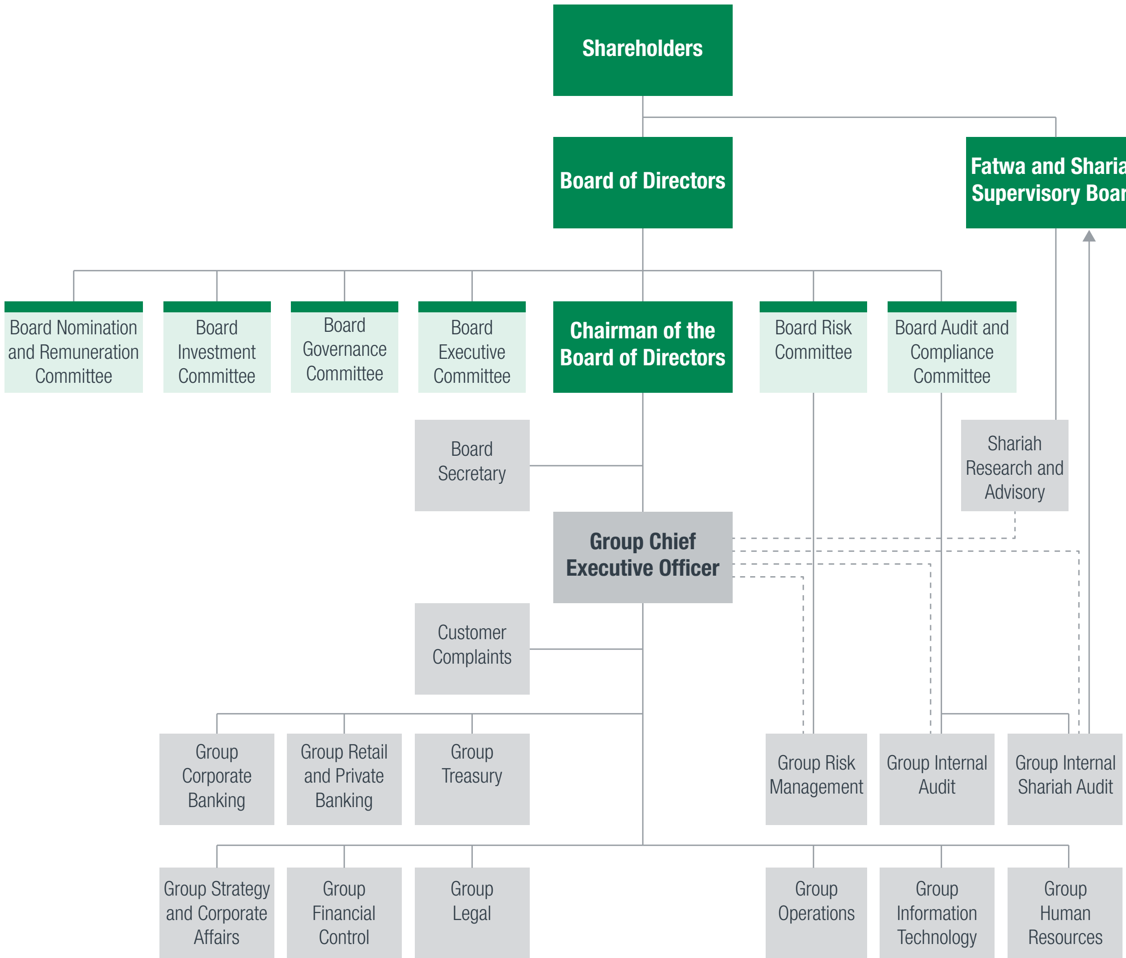
Dr. Khaled Al-Otaibi – Member
Dr. Al-Otaibi received his PhD in Islamic Jurisprudence and Usul Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia in 2000. He received his Master's Degree in Islamic Jurisprudence and Usul Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia in 1995. Dr. Al-Otaibi received his Bachelor's Degree in Islamic Jurisprudence and Usul Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia in 1991.

Dr. Al-Otaibi is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2014.
Dr. Al-Otaibi is a Teaching Faculty Member at the Islamic Jurisprudence and Usul Al-Fiqh Department at Shari'a and Islamic Studies College at Kuwait University. He is the Head of the Shari'a Supervisory Board at Kuwait Zakat House and the General Advisor for Kuwait Hajj Delegation and a member of Fatwa & Shari'a Supervisory Boards at various Islamic Financial Institutions and Organizations.

Dr. Al-Otaibi is an Imam and Orator at the Ministry of Awqaf and Islamic Affairs in Kuwait.

7.5 MANAGEMENT TEAM

The following organizational chart depicts the current management team of KFH:



Mazin Al-Nahedh – Group Chief Executive Officer

Mr. Alnahedh is currently the Group Chief Executive Officer at Kuwait Finance House since 2014. Mr. Alnahedh possesses a vast banking experience, spanning more than 26 years. During his professional career, he held numerous prominent leadership roles at the National Bank of Kuwait. Mr. Alnahedh received his Bachelor's of Science Degree in Business Administration in Finance from California State University - Sacramento in the U.S. in 1993. In addition, Mr. Alnahedh is the Chairman of KFH Capital Investment Company and Board Member of Kuveyt Turk Participation Bank.

Shadi Zahran – Group Chief Financial Officer

Mr. Zahran currently serves as the Group Chief Financial Officer at Kuwait Finance House since 2014. Mr. Zahran has a significant experience in Banking with more than 27 years. Mr. Zahran many professional certifications such as Certified Public Accountant (CPA) from the state of Illinois in the U.S. since 1996, Certified Bank Auditor (CBA) from Bank Administration Institute (BAI) since 1999, and Certified Islamic Professional Accountant (CIPA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) since 2006. He received his Master of Business Administration (MBA) Degree in Finance from the University of Manchester in the U.K. in 2014 and received his Bachelor's of Science Degree in Accounting from the University of Jordan in 1992. In addition, Mr. Zahran is the Vice Chairman of KFH Capital Investment Company and Board Member at Kuwait Finance House – Bahrain, a member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) and a Board Member of the General Council for Islamic Banks and Financial Institutions (CIBAFI).

Waleed Mandani – Group Chief Retail and Private Banking Officer
Mr. Mandani is currently the Group Chief Retail and Private Banking Officer at Kuwait Finance House since 2017. Mr. Mandani possesses a vast investment and banking experience, spanning more than 27 years. Mr. Mandani received his Bachelor's of Science Degree in Business Administration from the University of Arizona in the U.S. in 1992. Mr. Mandani holds the position of Vice Chairman of TurkCapital Holding and Board Member of KFH Capital investment company.

Abdulwahab Al-Rushood – Group Chief Treasury Officer
Mr. Al-Rushood holds currently the position of Group Chief Treasury Officer at Kuwait Finance House since 2015. Mr. Al-Rushood possesses a vast banking experience, spanning more than 30 years. Mr. Al-Rushood received his bachelor's degree in mathematics and Computer Science from Western Oregon State College in the U.S in 1987. In addition, Mr. Al-Rushood is a Board Member at Kuwait Finance House - Bahrain and a Board Member of Aviation Lease & Finance Company (ALAFCO). He represents Kuwait Finance House at the General Council for Islamic Banks and Financial Institutions (CIBAFI) in Bahrain and serves as a member of the Advisory Board. Furthermore, he served as Board Member for numerous leading companies including Kuwait Finance House - Malaysia, Liquidity Management House (KFH Investment Company), Development Enterprises Holding Company (DEH) and Liquidity Management Centre - Bahrain (LMC).

Ahmed Al Kharji – Group Chief Corporate Banking Officer
Mr. AlKharji is currently the Group Chief Corporate Banking Officer at Kuwait Finance House since 2016. He possesses a broad experience in the Finance and Banking Industries. Mr. AlKharji received his Master of Business Administration (MBA) Degree in Finance from University of San Diego in the U.S. in 1998. He received his Bachelor's of Science Degree in Finance and Banking from Kuwait University in 1994. In addition, Mr. AlKharji is a Board Member of Kuveyt Turk Participation Bank, Board Member of Kuwait Finance House - Malaysia, and Board Member of KFH Capital Investment Company.

Fahad Al-Mukhaizeem – Group Chief Strategy Officer
Mr. Al-Mukhaizeem is currently the Group Chief Strategy Officer at Kuwait Finance House since 2015. Mr. Al-Mukhaizeem possesses a vast banking experience, spanning more than 18 years. He received his Master of Business Administration (MBA) and Master's Degree in Economics from Boston University in the U.S. in 2000. He received his Bachelor's of Science Degree in Engineering and Bachelor's Degree in Economics from Tufts University in the U.S. in 1996. In addition, Mr. Al-Mukhaizeem is the Chairman of International Turnkey Systems Group (ITS).

Gehad El-Bendary – Group Chief Risk Officer
Mr. El-Bendary is currently the Group Chief Risk Officer at Kuwait Finance House since 2018. Mr. El-Bendary has over 20 years of experience in Risk Management, Auditing and Internal Control Systems in Financial Institutions. He holds the International Certificate in Banking Risk and Regulation (ICBRR) from the Global Association of Risk Professionals (GARP) since 2009. Mr. El-Bendary received his Finance & Risk Management Diploma from the University of Wales in the U.K. in 2014 and Bachelor of Commerce Degree in Accounting from Tanta University in Egypt in 1996.

Frederick Carstens – Group Chief Human Resources Officer
Mr. Carstens currently holds the position of Group Chief Human Resources Officer at Kuwait Finance House since 2016. Mr. Carstens brings with him over 28 years of experience in the Human Resources field. He received his master's degree in Commerce from the University of Johannesburg in South Africa in 2006. He also received his Honors Degree in Industrial Psychology from the University of the Orange Free State in South Africa in 1991 and bachelor's degree in Personnel Management from the University of the Orange Free State in South Africa in 1990.

Srood Sherif – Group Chief Information Officer
Mr. Sherif is currently the Group Chief Information Officer at Kuwait Finance House since 2014. Mr. Sherif possesses specialized experience in the Information Technology field at Financial Institutions. He received his Bachelor's of Science Degree in Physics from Al- Mustansiriyah University in Iraq in 1975. In addition, Mr. Sherif is the Vice Chairman of International Turnkey Systems Group (ITS).

Abdullah Abu Al-Hous – Group Chief Operations Officer
Mr. Abu Alhous is currently serving as the Group Chief Operations Officer at Kuwait Finance House since 2015. Mr. Alhous has a great experience in Banking industry and Managing Operations. He received his bachelor's degree in business administration in Finance and Banking from Kuwait University in 1987. In addition, Mr. Abu Alhous is a Board Member of International Turnkey Systems Group (ITS).

Wissam Sami El-Kari – Group Chief Internal Auditor
Mr. El-Kari is currently the Group Chief Internal Auditor at Kuwait Finance House since 2017. Mr. El-Kari possesses a vast experience, with more than 20 years in assessing Internal Controls, Risk Management, and Governance Processes. Mr. El-Kari holds several professional certificates including Financial Risk Manager (FRM), Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), Certified Bank Auditor (CBA) and Certified Management Accountant (CMA). Mr. El-Kari received his Master of Applied Finance Degree from the University of Melbourne in Australia in 2002 and he received his Bachelor's Degree in Business Administration from the American University of Beirut, Lebanon in 1996.

Dr Khaled Mohammed Al-Jumah – Group General Manager Legal
Dr. Al-Jumah currently holds the position of Group General Manager Legal at Kuwait Finance House since 2015. Dr. Al-Jumah holds verity of experience in the field of Law and legislations. Dr. Al-Jumah received his PhD in International Economic Law from the University of Wales in the U.K. in 1997. He received his master's degree in Law from the University of Edinburgh in the U.K. in 1993. Also, he received his bachelor's degree in Law from Kuwait University in 1988.

Mr. Khaled Yousif Al-Shamlan – General Manager Corporate Banking Kuwait
Mr. Al-Shamlan is currently serving as the General Manager Corporate Banking at Kuwait Finance House since 2018. Mr. Al-Shamlan possesses a vast banking experience, spanning more than 21 years. He received his Bachelor's degree in Economics from Kuwait University in 1995. In Addition, Mr. Al-Shamlan is the Chairman of Aref investment group and a member in the Executive Committee in the National Real Estate Fund.

Mr. Ahmad Eissa Al-Sumait – General Manager Treasury Kuwait
Mr. Al-Sumait is currently serving as the General Manager Treasury Kuwait at Kuwait Finance House since 2017. Mr. Al-Sumait possesses a vast banking experience, spanning over more than 19 years. He received his Bachelor's Degree in Political Science from Kuwait University in 1999. In addition, Mr. Al-Sumait is the Chairman of the Energy House Holding Company and Vice Chairman of Kuwait Financial Markets Association and he served as Board Member of Liquidity Management House from 2012 until 2013.

Mr. Fadi Elias Chalouhi – Group General Manager Retail Banking
Mr. Chalouhi is currently serving as the Group General Manager Retail Banking at Kuwait Finance House since 2016. Mr. Chalouhi is a well-renowned and seasoned banking professional with over 17 years. He received his Master of Business Administration (MBA) Degree from the American University of Beirut, Lebanon in 1999 and he received his Bachelor's Degree in Computer & Communications Engineering from the American University of Beirut, Lebanon in 1994. In addition, Mr. Chalouhi is a Board Member of The Shared Electronic Banking Services Company (K-NET).

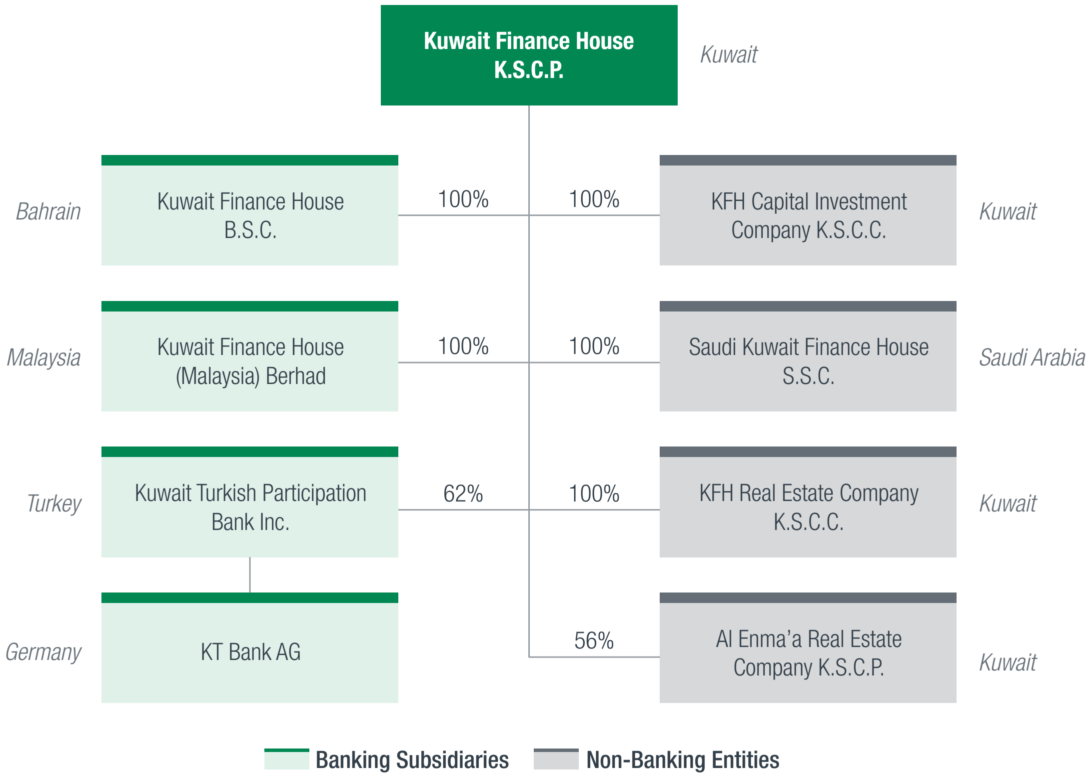
Mr. Dharar Aldakhil – General Manager Group Risk Management
Mr. Aldakhil is currently the General Manager of Group Risk Management at Kuwait Finance House since the beginning of 2019. Mr. Aldakhil possesses a vast banking experience, spanning more than 17 years. He received his master's Degree in Business Administration in 2014 at the American University of the Middle East - Kuwait and his Bachelor's Degree in Management from Kuwait University - Economic and Political Science Collage in 1999.

Mr. Abdulla Abdulmohsen Al-Mejhem – General Manager Private Banking

Mr. Al-Mejhem is currently serving as the General Manager Private Banking at Kuwait Finance House since 2017. Mr. Al-Mejhem has vast experience in investment and financial services. He holds a Chartered Accountant Designation and received his Master of Business Administration (MBA) with a concentration in Finance and Financial Institutions from Kuwait University in 2006. He also received his Bachelor's Degree in Accounting from Kuwait University in 2001.

7.6 CORPORATE STRUCTURE

The following structure chart depicts KFH's ownership in banking and material non-banking subsidiaries:



7.7 RELATED PARTY AND BUSINESS MODEL

Board members and shareholders of the Offeror may have cross shareholdings and cross-directorships in organizations which may provide services to the Offeror and/or the Offeree. Furthermore, the Offeror and Offeree currently have competitive services and subsidiaries and/or associate companies and/or business relationships.

7.8 REGISTERED ADDRESSES AND CONTACT INFORMATION

The Offeror	AlMirqab Area, Abdulla Al-Mubarak Street, Kuwait City, Kuwait PO Box 24989 Safat 13110 Kuwait Telephone: + (965) 22445050 Fax: + (965) 22409414 Web: www.kfh.com
Financial Advisor to the Offeror	Dubai International Financial Centre Level 7, Gate Precinct Building 5 PO Box 506588 Dubai, United Arab Emirates Telephone: +9714 376 3444 Web: www.goldmansachs.com

8. Report of the Independent Auditor on the Summary Consolidated Financial Statements of Kuwait Finance House K.S.C.P.

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : +965 22408844, 22438060
Fax : +965 22408855, 22452080
www.deloitte.com

Report of the Independent Auditor on the Summary Consolidated Financial Statements to the Board of Directors of Kuwait Finance House K.S.C.P ("The Group")

Opinion

The summary consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2019, 31 December 2018 and 31 December 2017; the consolidated statements of income; comprehensive income; changes in equity; and cash flows for the years then ended, and related notes, are derived from the audited consolidated financial statements of Kuwait Finance House K.S.C.P ("The Group") for the years then ended.

In our opinion, the accompanying summary consolidated financial statements are consistent in all material respects, with the audited consolidated financial statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 on the basis described in Note (2).

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Standards adopted for use in the State of Kuwait. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed unmodified audit opinions on the audited consolidated financial statements in our reports dated 9 January 2020, 10 January 2019 and 8 January 2018 respectively. These reports also include communication of key audit matters.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 2.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Other Matter

This report has been prepared for the purpose of inclusion in the Offer Document of Kuwait Finance House K.S.C.P in connection with the voluntary conditional offer to acquire 100% of the issued and paid up ordinary shares of Ahli United Bank B.S.C by way of share swap.

Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait 11 February 2020

Kuwait Finance House K.S.C.P

Consolidated Statement of Financial Position as at 31 December 2019, 2018 and 2017

	KD 000's		
	2019	**2018**	**2017**
Assets			
Cash and balances with banks	1,910,088	1,381,170	1,262,456
Due from banks	3,782,828	3,248,450	2,925,329
Financing receivables	9,336,555	9,385,474	9,216,475
Investments in Sukuk	2,276,432	1,563,361	1,428,655
Trading properties	107,613	147,639	161,137
Investments	210,524	284,883	304,293
Investments in associates and joint ventures	504,343	499,179	463,797
Investment properties	455,406	489,609	554,321
Other assets	546,782	544,416	464,558
Intangible assets and goodwill	31,329	31,180	38,659
Property and equipment	228,958	194,917	214,001
Assets classified as held for sale	-	-	324,300
Total assets	19,390,858	17,770,278	17,357,981
Liabilities			
Due to banks and financial institutions	2,427,166	2,689,079	2,239,923
Sukuk payables	319,965	498,588	518,078
Depositors' accounts	13,552,645	11,780,310	11,596,733
Other liabilities	847,707	728,131	699,236
Liabilities directly associated with assets classified as held for sale	-	-	187,889
Total liabilities	17,147,483	15,696,108	15,241,859
Equity attributable to the shareholders of the bank			
Share capital	697,649	634,226	576,569
Share premium	720,333	720,333	720,333
Proposed issue of bonus shares	69,765	63,423	57,657
Treasury shares	(36,243)	(44,452)	(45,063)
Reserves	470,908	395,278	466,101
	1,922,412	1,768,808	1,775,597
Proposed cash dividend	137,980	125,097	96,645
Total equity attributable to the shareholders of the Bank	2,060,392	1,893,905	1,872,242
Non-controlling interests	182,983	180,265	243,880
Total equity	2,243,375	2,074,170	2,116,122
Total liabilities and equity	19,390,858	17,770,278	17,357,981

Kuwait Finance House K.S.C.P

Consolidated Statement of Income for the years ended 31 December 2019, 2018 and 2017

	KD 000's		
	2019	**2018**	**2017**
Income			
Financing Income	931,574	862,055	740,509
Finance cost and distribution to depositors	(401,319)	(334,786)	(295,662)
Net financing income	530,255	527,269	444,847
Investment income	130,249	63,319	106,571
Fees and commissions income	79,129	86,627	96,896
Net gain from foreign currencies	34,061	30,277	17,325
Other income	40,708	38,516	47,641
Total operating income	814,402	746,008	713,280
Expenses			
Staff costs	(182,439)	(177,569)	(187,523)
General and administrative expenses	(78,843)	(81,487)	(82,824)
Depreciation and amortization	(42,989)	(33,404)	(34,671)
Total operating expenses	(304,271)	(292,460)	(305,018)
Net operating income	510,131	453,548	408,262
Provisions and impairment	(196,908)	(162,510)	(163,411)
Profit/ (loss) for the year from discontinued operations	-	410	(228)
Profit before taxation and proposed directors' fees	313,223	291,448	244,623
Taxation	(50,460)	(26,982)	(29,590)
Proposed directors' fees	(942)	(942)	(878)
Profit for the year	261,821	263,524	214,155
Attributable to:			
Shareholders of the Bank	251,023	227,411	184,155
Non-controlling interests	10,798	36,113	30,000
	261,821	263,524	214,155
Basic and diluted earnings per share attributable to the shareholders of the Bank	36.45 Fils	36.36 Fils	32.41 Fils

Kuwait Finance House K.S.C.P

Consolidated Statement of Comprehensive Income for the years ended 31 December 2019, 2018 and 2017

	KD 000's		
	2019	**2018**	**2017**
Profit for the year	261,821	263,524	214,155
Other comprehensive (loss) income			
Items that will not be reclassified to consolidated statement of income in subsequent periods:			
Revaluation loss on equity instrumenting at fair value through other comprehensive income	(1,280)	(4,790)	-
Items that are or may be reclassified to consolidated statement of income in subsequent periods:			
Investments in Sukuk at fair value through other comprehensive income:			
Net change in fair value during the year	65,253	(21,385)	-
Recycled to consolidated statement of income	10,802	6,021	-
Net gain (loss) on investments in sukuk at fair value through other comprehensive income	76,055	(15,364)	-
Change in fair value of financial assets available for sale	-	-	12,667
Realised gain in financial assets available for sale	-	-	(34,714)
Impairment losses transferred to consolidated statement of income	-	-	16,768
Share of other comprehensive income/ (loss) of associate and joint venture	1,430	(597)	270
Exchange differences on translation of foreign operations	(42,008)	(122,546)	(37,782)
Other comprehensive income/ (loss) for the year	34,197	(143,297)	(42,791)
Total comprehensive income	296,018	120,227	171,364
Attributable to:			
Shareholders of the Bank	292,056	133,487	155,405
Non-controlling interests	3,962	(13,260)	15,959
	296,018	120,227	171,364

Kuwait Finance House K.S.C.P

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

KD 000's

	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves	Subtotal	Proposed cash dividend	Subtotal	Non-Controlling interests	Total
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 year	-	-	-	-	251,023	251,023	-	251,023	10,798	261,821
Other comprehensive income/ (loss)	-	-	-	-	41,033	41,033	-	41,033	(6,836)	34,197
Total comprehensive income /(loss)	-	-	-	-	292,056	292,056	-	292,056	3,962	296,018
Issue of bonus shares	63,423	-	(63,423)	-	-	-	-	-	-	-
Zakat	-	-	-	-	(14,748)	(14,748)	-	(14,748)	-	(14,748)
Share based payments					1,000	1,000	-	1,000	-	1,000
Cash dividends paid	-	-	-	-	-	-	(125,097)	(125,097)	-	(125,097)
Distribution of profit:										
Proposed issue of bonus shares	-	-	69,765	-	(69,765)	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(137,980)	(137,980)	137,980	-	-	-
Group share of distribution to Tier 1 Sukuk of an associate	-	-	-	-	(151)	(151)	-	(151)	-	(151)
Net movement in treasury shares	-	-	-	8,209	4,952	13,161	-	13,161	-	13,161
Gain on partial sale of subsidiary	-	-	-	-	266	266	-	266	-	266
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	(1,047)	(1,047)
Net other change in non- controlling interests	-	-	-	-	-	-	-	-	(197)	(197)
At 31 December 2019	697,649	720,333	69,765	(36,243)	470,908	1,922,412	137,980	2,060,392	182,983	2,243,375

Kuwait Finance House K.S.C.P

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

KD 000's

	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves	Subtotal	Proposed cash dividend	Subtotal	Non-Controlling interests	Total
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 year	-	-	-	-	227,411	227,411	-	227,411	36,113	263,524
Other comprehensive loss	-	-	-	-	(93,924)	(93,924)	-	(93,924)	(49,373)	(143,297)
Total comprehensive income (loss)	-	-	-	-	133,487	133,487	-	133,487	(13,260)	120,227
Issue of bonus shares	57,657	-	(57,657)	-	-	-	-	-	-	-
Zakat paid	-	-	-	-	(12,578)	(12,578)	-	(12,578)	-	(12,578)
Share based payments					490	490	-	490	-	490
Cash dividends paid	-	-	-	-	-	-	(96,645)	(96,645)	-	(96,645)
Distribution of profit:										
Proposed issue of bonus shares	-	-	63,423	-	(63,423)	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(125,097)	(125,097)	125,097	-	-	-
Net movement in treasury shares	-	-	-	611	211	822	-	822	-	822
Deconsolidation of a subsidiary	-	-	-	-	(341)	(341)	-	(341)	(43,972)	(44,313)
Disposal of a subsidiary	-	-	-	-	(290)	(290)	-	(290)	(955)	(1,245)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	(1,554)	(1,554)
Net other change in non- controlling interests	-	-	-	-	-	-	-	-	(2,913)	(2,913)
At 31 December 2018	634,226	720,333	63,423	(44,452)	395,278	1,768,808	125,097	1,893,905	180,265	2,074,170

Kuwait Finance House K.S.C.P

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

KD 000's

	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves	Subtotal	Proposed cash dividend	Subtotal	Non-Controlling interests	Total
Balance at 1 January 2017	524,154	720,333	52,415	(48,824)	474,652	1,722,730	87,755	1,810,485	228,340	2,038,825
Profit for the year	-	-	-	-	184,155	184,155	-	184,155	30,000	214,155
Other comprehensive loss	-	-	-	-	(28,750)	(28,750)	-	(28,750)	(14,041)	(42,791)
Total comprehensive income	-	-	-	-	155,405	155,405	-	155,405	15,959	171,364
Issue of bonus shares	52,415	-	(52,415)	-	-	-	-	-	-	-
Zakat paid	-	-	-	-	(9,682)	(9,682)	-	(9,682)	-	(9,682)
Cash dividends paid	-	-	-	-	-	-	(87,755)	(87,755)	-	(87,755)
Distribution of profit:										
Proposed issue of bonus shares	-	-	57,657	-	(57,657)	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(96,645)	(96,645)	96,645	-	-	-
Net movement in treasury shares	-	-	-	3,761	1	3,762	-	3,762	-	3,762
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,434)	(1,434)
Change of ownership interest without loss of control	-	-	-	-	27	27	-	27	4,440	4,467
Net other change in non- controlling interests	-	-	-	-	-	-	-	-	(3,425)	(3,425)
At 31 December 2017	576,569	720,333	57,657	(45,063)	466,101	1,775,597	96,645	1,872,242	243,880	2,116,122

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Kuwait Finance House K.S.C.P

Consolidated Statement of Cash Flows for the years ended 31 December 2019, 2018 and 2017

		KD 000's	
	2019	**2018**	**2017**
Operating activities			
Profit for the year	261,821	263,524	214,155
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization	42,989	33,404	34,671
Provisions and impairment	196,908	162,510	163,411
Dividend income	(4,845)	(4,695)	(5,345)
Gain on sale of investments	(32,636)	(4,209)	(47,159)
Gain on real estate investments	(17,900)	(13,963)	(12,809)
Share of result of associates and joint venture	(22,408)	(28,192)	(13,203)
Other investment (income)/ loss	(41,281)	2,306	(13,727)
	382,648	410,685	319,994
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Financing receivables and due from banks	(169,588)	(501,547)	(1,463,612)
Investment in Sukuk	(718,465)	-	-
Trading properties	42,640	13,489	10,799
Other assets	(18,694)	(25,875)	99,585
Statuary deposit with Central Bank	(280,069)	239,587	(151,592)
Increase /(decrease) in operating liabilities:			
Due to banks and financial institutions	(440,536)	318,592	(319,030)
Depositors' accounts	1,772,335	183,577	1,139,678
Other liabilities	135,491	(27,183)	(3,298)
Net cash flows from/(used in) operating activities	705,762	611,325	(367,476)
Investing activities			
Investments, net	146,091	(127,441)	(290,795)
Purchase of investment properties	(1,406)	(2,915)	(7,134)
Proceeds from sale of investment properties	40,015	27,833	19,542
Purchase of property and equipment	(33,828)	(46,561)	(37,825)
Proceeds from sale of property and equipment	3,064	6,042	1,814
Intangible assets, net	(4,594)	(6,336)	(4,859)
Leasehold rights, net	-	-	(665)
Purchase of investment in associates and joint ventures	-	(304)	(770)
Proceeds from sale/ redemption of investments in associates and joint venture	6,102	3,857	31,406
Proceed from disposal of subsidiaries	307	34,133	10,068
Dividend received	14,429	13,711	15,148
Net cash flows from/ (used in) investing activities	170,180	(97,981)	(264,070)
Financing activities			
Cash dividends paid	(125,097)	(96,645)	(87,755)
Zakat paid	(13,236)	(12,578)	(9,682)
Net movement in treasury shares	13,161	822	3,762
Dividend paid to non-controlling interests	(1,047)	(1,554)	-
Net cash flows used in financing activities	(126,219)	(109,955)	(93,675)
Increase/(decrease) in cash and cash equivalents	749,723	403,389	(725,221)
Cash and cash equivalents at 1 January	1,770,279	1,366,890	2,092,111
Cash and cash equivalents at 31 December	2,520,002	1,770,279	1,366,890

Kuwait Finance House K.S.C.P

Notes to the Summary Consolidated Financial Statements for the years ended 31 December 2019, 2018 and 2017

1. Background information

Kuwait Finance House KSCP, is a Kuwaiti Shareholding Company incorporated in the State of Kuwait on 23 March 1977. Kuwait Finance House KSCP (the Bank) and its consolidated subsidiaries are collectively referred to as the Group. List of principal operating material subsidiaries is disclosed in the full set of audited consolidated financial statements for the years 2019, 2018 and 2017.

All activities of the Group are conducted in accordance with Islamic Shareea'a, as approved by the Bank's Fatwa and Shareea'a Supervisory Board. These comprise 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 full set of consolidated financial statements of the Group for the years ended 31 December 2018 and 31 December 2017 were approved for issue by the shareholders of the Bank on 18 March 2019 and 19 March 2018 respectively.

The full set of the consolidated financial statements of the Group for the year ended 31 December 2019 have been approved by Board of Directors of the Bank on 9 January 2020 and are subject to the approval of the ordinary general assembly of the shareholders of the Bank.

The summary consolidated financial statements have been prepared for the purpose of inclusion in the Offer Document of Kuwait Finance House KSCP in connection with the voluntary conditional offer to acquire 100% of the issued and paid up ordinary shares of Ahli United Bank B.S.C, Bahrain by way of a share swap.

2. Basis of preparation

2.1 The summary consolidated financial statements have been derived from the audited consolidated financial statements of the Group for the respective years, for which unqualified audit opinions were issued. The accounting policies and disclosure requirements applicable may vary from year to year as a result of adoption of new International Financial Reporting Standards (IFRS), amendment to existing standards or the changes in regulatory requirements of the Central Bank of Kuwait (CBK). Accordingly, users of these summary consolidated financial statements should refer to the annual audited annual consolidated financial statements of the respective years for a better understanding of the financial information presented.

The numbers for the years ended 31 December 2018 and 31 December 2017 have been derived from the respective audited annual consolidated financial statements of the Group, some of which are not strictly comparable to the comparative figures as reported at 31 December 2019 and 31 December 2018 respectively, due to reclassification adjustments to these figures which did not affect the previously reported assets, liabilities, equity and profit for those years.

2.2 The consolidated financial statements are prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. The full set of those consolidated financial statements are available at the respective annual reports published by the Bank.

9. Overview of Kuwait's Banking Sector

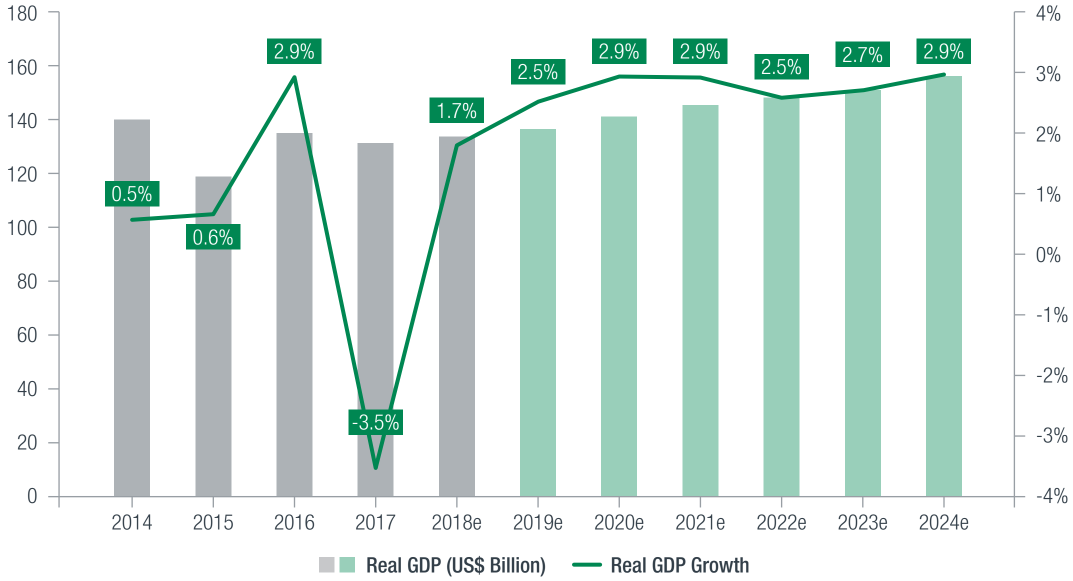
Overview of the Kuwaiti economy

Kuwait's economy has gained momentum in recent years as oil prices partially recovered. Assuming a stable outlook, economic growth is expected to reach 2.9% by 2020, up from 1.7% in 2018.

The inclusion of Kuwait in the J.P. Morgan Emerging Market Bond Index and the upgrade of Kuwait Boursa to emerging market status on three global equity indices could attract further foreign direct investment and strengthen international demand for further issuances over the coming years.

Furthermore, the announced infrastructure programme, part of the New Kuwait Vision 2035, seeks to diversify the Kuwaiti economy and to boost private sector participation. As a result, non-oil revenue is projected to grow by an annual 4% by 2021.

Figure 1 – Kuwait real GDP growth and forecasts 2014-2024



Source: International Monetary Fund

Overview of the Kuwaiti banking sector

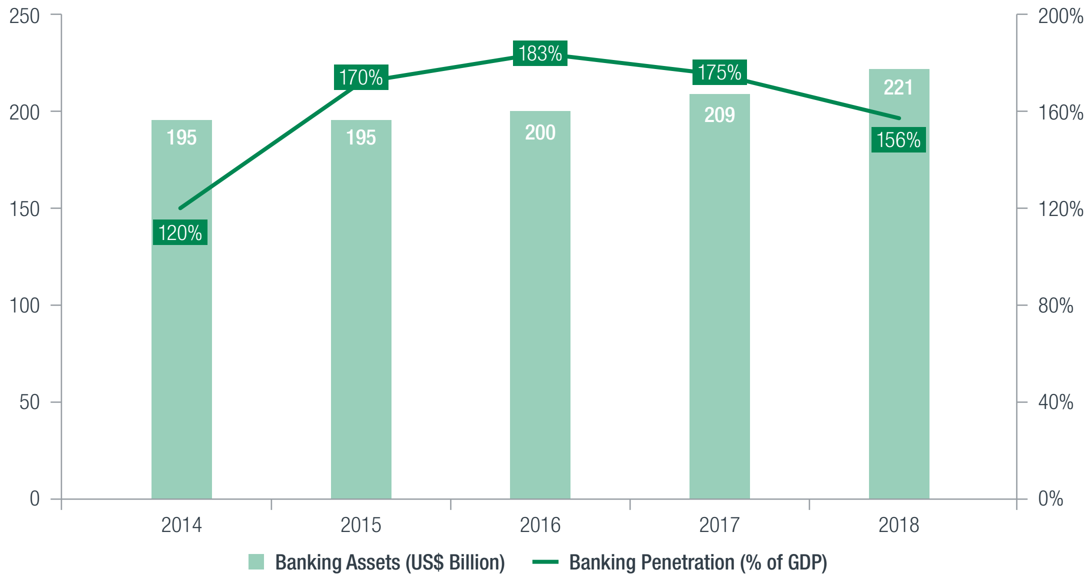
<u>Sector overview</u>

The assets of Kuwait's local banking sector were valued at USD221 billion in 2018. The sector has remained resilient in the face of the oil price shock of 2014 and its impact on economic growth, registering a 5-year CAGR of 4.7%. This growth has been driven by domestic credit uptake, particularly to the private sector.

Banking penetration, calculated as the ratio of banking assets to nominal GDP, stood at 156% of GDP in 2018, compared with 120% in 2014.

Additionally, the expiry of the public debt law in 2017 resulted in a decline in banks' investments during 2018. Consequently, banks increased their placements with CBK and other financial institutions as an alternative source of revenue.

Figure 2 – Kuwait local banking assets 2014-2018



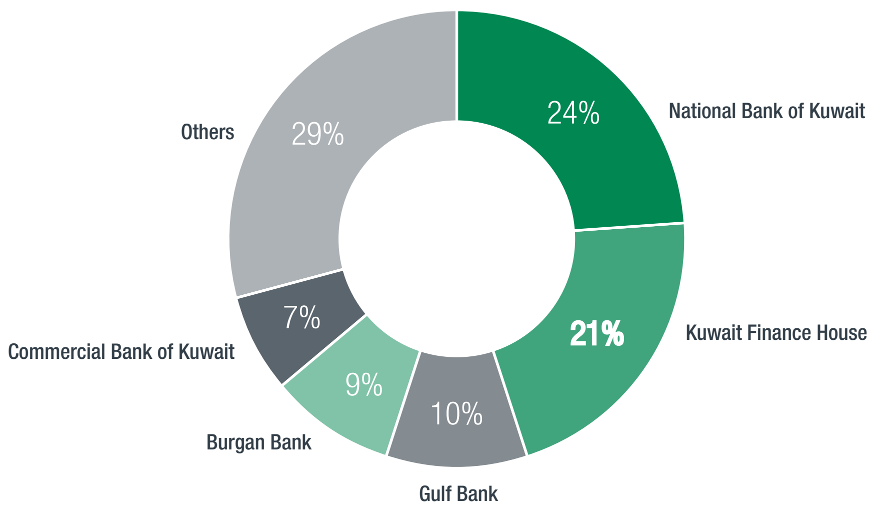
Source: Central Bank of Kuwait, International Monetary Fund

Competitive landscape

At present, Kuwait's banking sector comprises 23 banking institutions. Of these, 11 are local, consisting of five conventional banks, five full-fledged Islamic banks and one specialised bank (the Industrial Bank of Kuwait). The other 12 institutions are branches of foreign banks. On a consolidated basis, conventional banks make up 58% of the local banking sector's assets.

In all, 71% of banking assets in Kuwait are held by the five largest banks. In 2018, the National Bank of Kuwait controlled the largest share (24%) of Kuwait's local banking sector.

Figure 3 – Market share of local banks in Kuwait in 2018



Source: Central Bank of Kuwait

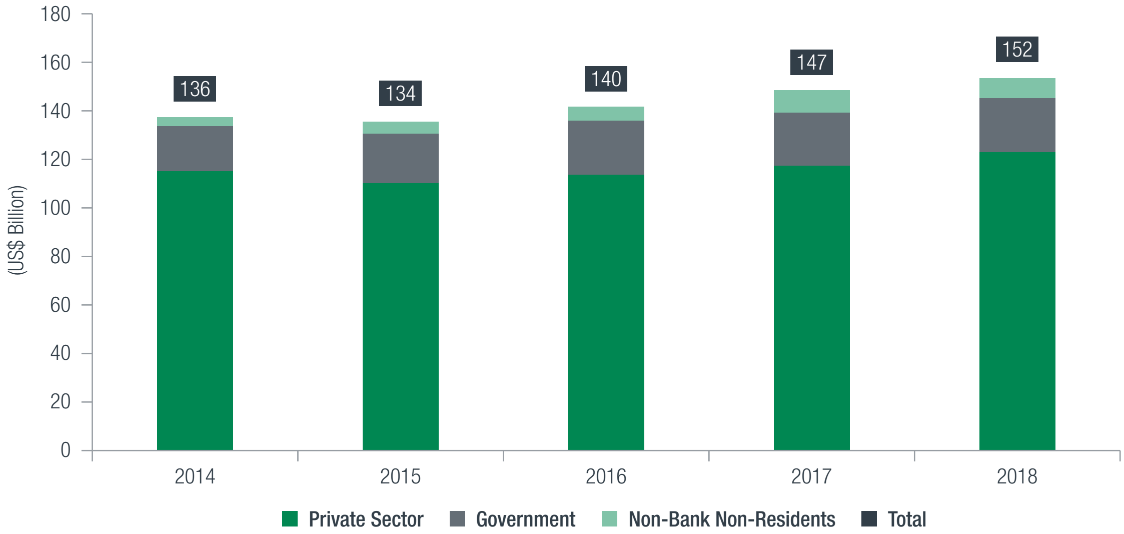
Deposits

Total deposits in Kuwait's local banking sector amounted to USD152 billion by the end of 2018, with a CAGR of 4.3% since 2014.

Government deposits grew by a CAGR of 5.8%, after the government increased deposits in 2016 to support liquidity in the banking sector.

The composition of deposits remained relatively consistent. The private sector was the largest depositor, with a share of 80% in 2018. It was also the largest contributor to deposit growth by value, accounting for over half of additional deposits over the past five years.

Figure 4 – Kuwait local bank deposits 2014-2018



Source: Central Bank of Kuwait

Credit

Total credit extended by local banks in 2018 amounted to USD130 billion. Banking credit has followed a similar growth trajectory to overall banking assets, with a CAGR of 5.2% from 2014 to 2018.

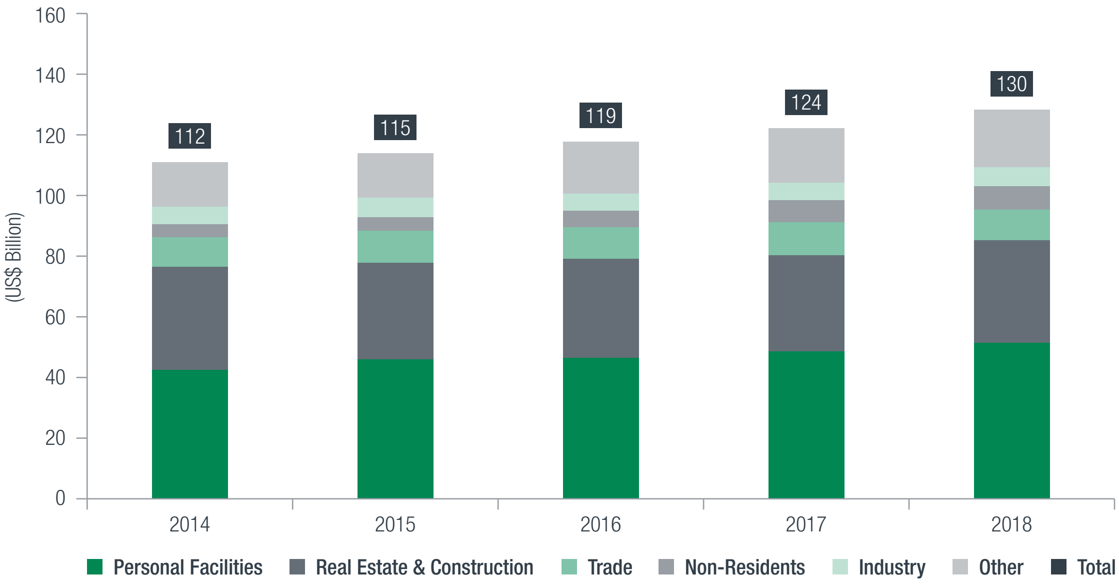
Loans/financing to the oil and gas sector were one of the main drivers of credit growth in Kuwait, seeing a CAGR of 42.2%. In 2016, credit to this sector more than doubled, as the oil price crisis continued to impact the balance sheets of oil and gas companies.

Personal credit facilities made up the largest share of banking credit in Kuwait, accounting for 40% of total credit facilities in 2018. This segment, materially comprising personal loans/financing offered to employees, has witnessed growth of 6.2% CAGR over the past five years, reflecting a changing preference towards lower-risk borrowers.

In November 2018, the CBK amended regulations on granting personal loans/financing, which are expected to boost credit growth over coming years. Taking into consideration changes in the macroeconomic landscape and customer demographics, these regulatory amendments increased the ceiling for consumer loans and Islamic financing. Consumer loans/financing facilities will have a maximum value set to 25 times the net monthly salary of the client, with a cap of KWD 25,000 (USD82,000). Housing loans, which comprised 74% of personal credit facilities in 2018, will be capped at KWD 70,000 (USD231,000). This brings the maximum borrowing for a single client to KWD 95,000 (USD313,000). In addition, monthly loan/ financing instalments will be capped at 40% of the borrower's net salary.

Another development that could boost credit growth is the increase in public sector wages during 2019, as outlined in the draft budget for the 2019/20 fiscal year.

Figure 5 – Kuwait local bank credit 2014-2018



Source: Central Bank of Kuwait

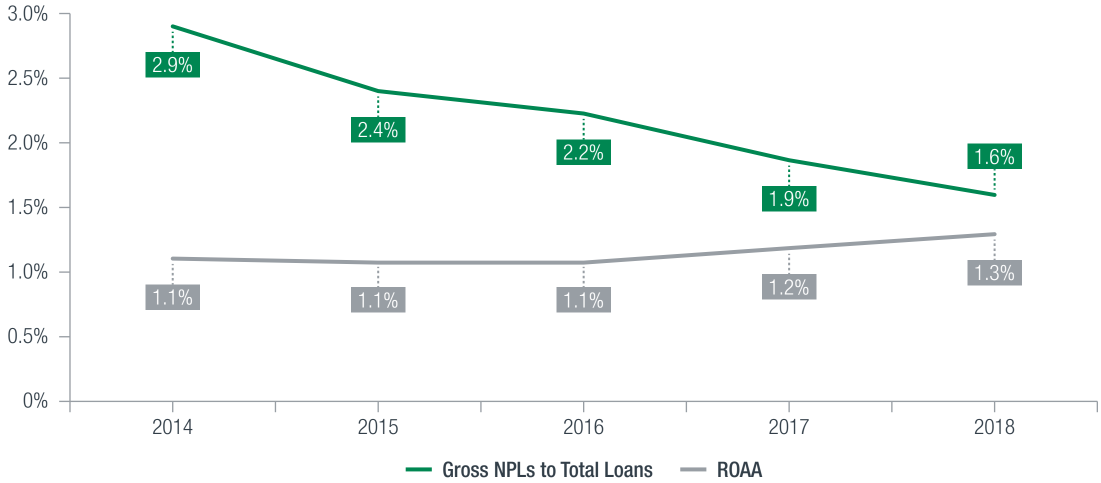
Sector performance

Kuwaiti banks saw a marginal increase in profitability between 2014 and 2018, with a consolidated return on average assets (ROAA) ratio of 1.3% in 2018, up from 1.1% in 2014. This increase in ROAA is believed to be a result of stronger growth in net income during this period, compared to slower growth in Kuwaiti banks' consolidated assets. Considering bank-level data, the range of ROAA across Kuwaiti banks indicates intensified competition, which has led banks to enhance their efficiency and provide better products and services to their clients. Nonetheless, this indicates the resilience of domestic banks' bottom lines in the face of a challenging global economic environment.

The quality of credit in the overall banking sector has also been strong, as the ratio of gross non-performing loans (NPL) to total loans has steadily declined from 2.9% in 2014 to a record-low level of 1.6% in 2018. This is the result of the low credit exposure to the oil sector, and a high concentration in housing loans/financing, which has typically had the one of the lowest NPL ratios (1.6%) among major credit segments. The CBK introduced the previously mentioned regulatory amendments in 2018 to further contain this segment's exposure to default.

Kuwaiti banks have also built ample provisions from pre-oil crisis years, which have been subsequently used to write off already declining NPLs. The NPL coverage ratio has continued to increase, with NPL provisions covering 164% of NPLs in 2014 to 254% in 2018.

Figure 6 – Financial performance ratios for Kuwait banks 2014-2018

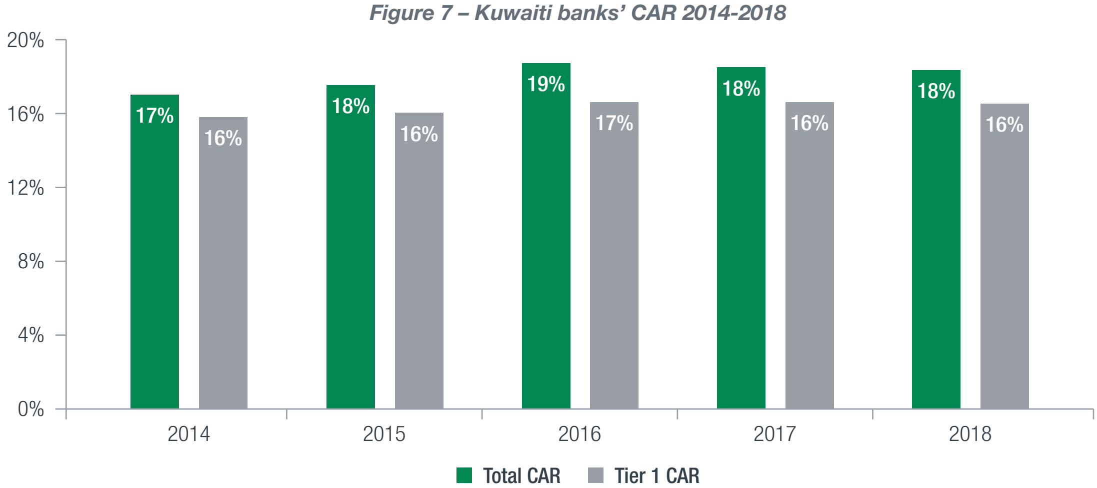


Source: Central Bank of Kuwait

Furthermore, banks in Kuwait have long maintained robust capital adequacy, which has been supported by CBK's emphasis on financial stability. Kuwaiti banks have been required to comply with Basel III capital adequacy requirements since 2014. The consolidated Capital Adequacy Ratio (CAR) reported that year had declined to 16.9% from 18.9% in 2013. However, this had been due to the implementation of Basel III and the recalculation of CAR under the new rules. Nonetheless, CAR has picked up since then to reach 18.3% in 2018, exceeding CBK's requirement of 13% in line with Basel III standards.

The financial strength of Kuwaiti banks is mainly driven by Tier 1 capital, which accounted for 90% of total capital, and 16.4% of risk-weighted assets in 2018. CBK requires banks to maintain Tier 1 capital at a minimum of 11% of risk-weighted assets.

Figure 7 – Kuwaiti banks' CAR 2014-2018



Source: Central Bank of Kuwait

10. Cross Shareholdings by the Offeror and its Directors in AUB

The table below depicts the Board of Directors' share ownership in KFH and AUB as of the date of this Offer Document:

KFH Board of Directors	Shares Currently Owned or Controlled in KFH		Shares Currently Owned or Controlled in AUB	
	Ownership %	No. of Shares	Ownership %	No. of Shares
Hamad Abdul Mohsen Al Marzouq	0.220	15,378,272	0.163	14,306,762
Abdul Aziz Yacoub Alnafisi	0.001	82,500	-	-
Fahad Ali AlGhanim	0.002	120,787	-	-
Muad Saud Al Osaimi	0.003	181,987	-	-
Khaled Salem Al Nisf	0.092	6,451,460	-	-
Noorur Rahman Abid	0.002	136,489	-	-
Hanan Yousef Ali Yousef	-	-	-	-
Motlaq Mubarak Al-Sanei	-	-	-	-
Salah Abdulaziz Al-Muraikhi	0.003	195,984	-	-
Total	**0.323**	**22,547,479**	**0.163**	**14,306,762**

One of the members of the Board of Directors owns shares in AUB as highlighted above, and may be considered an "interested" shareholder as defined by the TMA Module.

KFH has not purchased or sold AUB Shares during the 12 month period prior to the date of this Offer Document and does not hold any AUB Shares and has not held in the past any direct or indirect shareholding in AUB as of the date of this Offer Document.

11. KFH Post-Acquisition Strategy

11.1 AUB – COMMERCIAL REGISTRATION, LEGAL STATUS AND TRADE NAME

Following the successful implementation of the Offer and acquisition of shares, KFH intends to maintain AUB's commercial registration, however, KFH intends on changing AUB's name to become "**Kuwait Finance House – Bahrain**", in due course.

KFH will, in due course following the successful implementation of the Offer, assess the viability of converting AUB into a closed Bahrain shareholding company. AUB will only have two shareholders, namely, KFH Capital holding one hundred (100) AUB Shares, and the remaining AUB Shares will be held by KFH.

AUB will continue to operate under normal course of business and maintain its operations as a wholly owned subsidiary of KFH where disruption to or cessation of any significant line of operations of AUB is not expected to occur as a result of the proposed acquisition of shares under the Offer.

11.2 AUB CURRENT EMPLOYEES AND ORGANIZATIONAL STRUCTURE

Save for any changes due to KFH's commitment to Bahrainization levels and regulatory requirements, including any changes that may be required for the purposes of achieving the anticipated synergies or converting the business of AUB to Sharia'a compliant, the successful completion of the Offer will not impact the current organizational structure except for any changes which may be implemented as part of AUB's existing strategy, or as identified in this section 11 (KFH Post-Acquisition Strategy).

11.3 CONVERSION OF AUB'S BUSINESS TO SHARIA'A COMPLIANT

Given that KFH is a Sharia'a compliant institution and undertakes only Sharia'a compliant activities, the principal change to be implemented immediately post-Offer would be to commence the process of converting the business of AUB in the Kingdom of Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant offering full range of Sharia'a compliant banking products.

The Fatwa and Sharia'a Supervisory Board of KFH, in its recommendation issued on 10 December 2019 (a copy of which is on display as referred to in section 17.6 (Documents on Display)), confirmed that it has reviewed the parameters of the transaction contemplated by the Offer, and that it is directly acquainted with all the steps of the acquisition and conversion, which is done in a Sharia'a compliant manner. Further, it has confirmed that it will continue to monitor the next steps and that it is confident that the Board of Directors will implement the plan for acquisition and conversion as approved and envisaged.

For the purpose, an application shall be submitted to the CBB requesting the amendment of AUB's license to change the basis of the banking activities from conventional banking to Sharia'a compliant banking in due course.

AUB shall ensure the existence of a Sharia'a Supervisory Committee and bring about any changes as deemed necessary to comply with the principles of Sharia'a as set out in the AAOIFI Standards and the CBB Rulebook.

11.4 MANDATORY TENDER OFFER FOR THE SHARES OF AUB KUWAIT

The successful completion of the Offer will trigger the requirement for a mandatory tender offer to be submitted by KFH with respect to the shares in AUB Kuwait pursuant to the CMA Executive Bylaws. KFH intends on submitting the mandatory tender offer as prescribed for under the CMA Executive Bylaws and is confident that the maximum cash payable for the shares in AUB Kuwait (if it is to acquire 100% of the issued and paid up share capital of AUB Kuwait) will not have a material impact on its cash position or financial strength.

Further details in relation to the mandatory tender offer will be provided and disclosed following the successful implementation of the Offer. For the avoidance of doubt, the mandatory tender offer referred to in this section is only relevant and applicable to the shares in AUB Kuwait and does not apply to the shares of AUB listed on BK.

11.5 CONVERSION OF AUB KUWAIT TO A DIGITAL BANK

Following the successful completion of the Offer, KFH will commence the process of converting AUB Kuwait to a digital bank as requested by the CBK. The said conversion may include the sale or transfer of AUB Kuwait's corporate banking business, reduction in the share capital of AUB Kuwait and it's delisting from BK.

11.6 STATUTORY MERGER IN BAHRAIN

Immediately following the successful completion of converting AUB's business to Sharia'a compliant, KFH will commence the process of conducting a statutory merger to merge its two wholly owned subsidiaries in Bahrain, being AUB and KFH Bahrain. This merger would result in the assets and liabilities of KFH Bahrain being assumed by AUB, as per applicable law.

11.7 KFH DIVIDENDS POLICY POST-OFFER

KFH has no intention in changing its existing dividends policy, which shall continue into effect following the successful completion of the Offer.

Set out below is a summary of KFH's dividends over the last three (3) years:

	2019	2018	2017
Cash dividend - fils per share	20	20	17
Cash dividend - KWD 000	137,980	125,097	96,645
Profit attributable to shareholders	251,023	227,411	184,155
Payout ratio	55%	55%	52%
Bonus shares - per 100 shares	10	10	10
Bonus share Amount - KWD 000	69,765	63,423	57,657

11.8 STRATEGIC PLANS FOR THE OFFEREE COMPANY

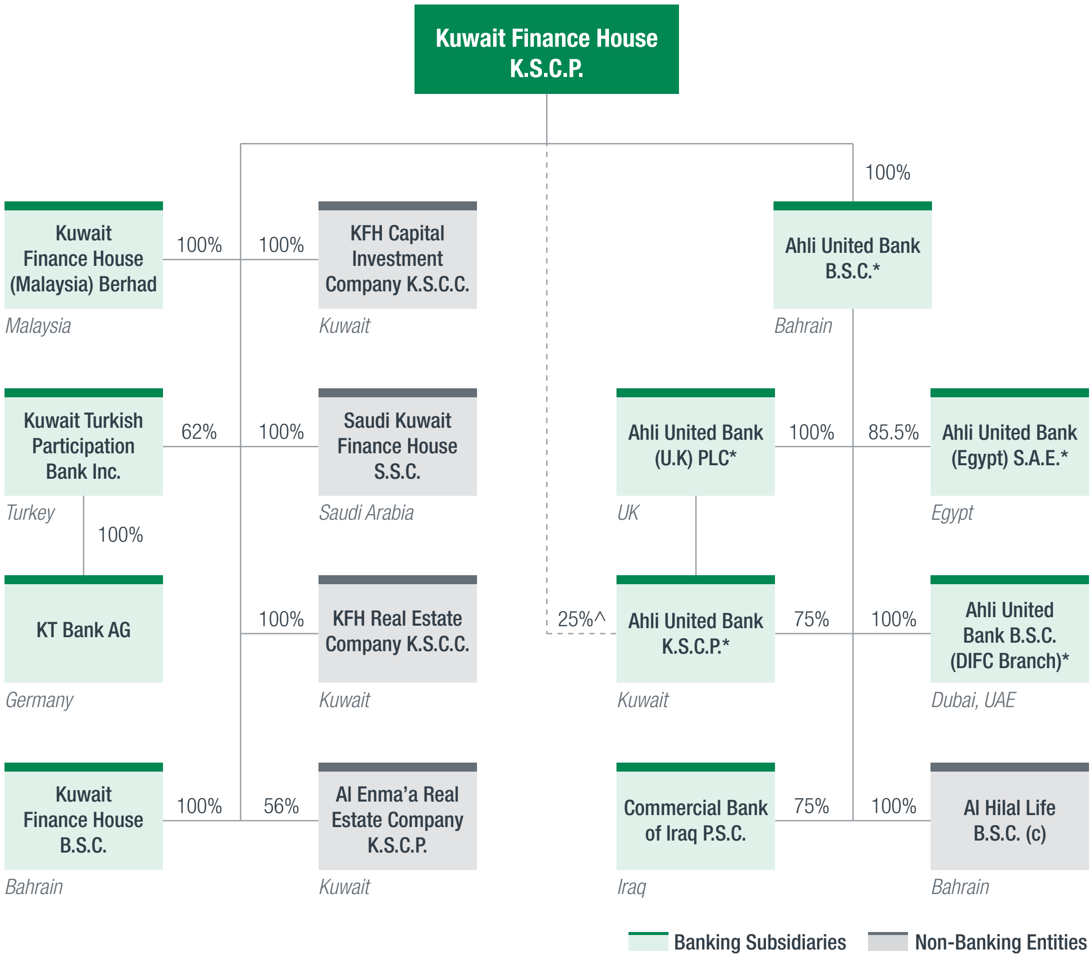
KFH intends to acquire 100% of the issued share capital of AUB. AUB operates regionally through its subsidiaries and associates in United Kingdom, United Arab Emirates, Egypt, Kuwait, Iraq, Libya and Oman. AUB also has a 100% stake in Al Hilal Life which provides life and health insurance products. The proposed acquisition will aid KFH's expansion plan and enhance its market share in the banking Industry both locally and regionally.

KFH's strategy for AUB post-acquisition commences with the process of converting the business of AUB in the Kingdom of Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant offering full range of Sharia'a compliant banking products subject to approval of CBB. This is with the intention of maintaining AUB's commercial registration.

Following the successful completion of the Offer, KFH will commence converting AUB Kuwait to a digital bank as requested by the CBK. Immediately following the successful completion of converting AUB's business to Sharia'a compliant, KFH will commence the process of conducting a statutory merger to merge its two wholly owned subsidiaries in Bahrain, being AUB and KFH Bahrain.

11.9 KFH GROUP STRUCTURE FOLLOWING SUCCESSFUL COMPLETION OF THE OFFER

Set out below is a structure chart[1] demonstrating the structure of the banking and material non-banking subsidiaries in the KFH Group following successful completion of the Offer:



Names of these entities will be changed to KFH subject to required approvals
^ Subject to successful completion of Mandatory Tender Offer by KFH

11.10 LONG TERM COMMERCIAL JUSTIFICATION FOR THE OFFER

KFH and AUB have complementary businesses and as such the KFH Group would offer a well-diversified, full-service financial institution, with strong offerings across products.

The Board of Directors believes that, on completion of the Offer, the KFH Group will play a key role in supporting Bahrain and Kuwait's economic ambitions, financing growth and developing the banking and finance expertise, and helping to drive international business relationships.

Furthermore, as mentioned above from KFH's strategic plans post-acquisition of AUB, AUB will continue to operate as a subsidiary of KFH, however, the proposed Offer is expected to create a combined group with leading market share within the Banking and Islamic Banking industry.

1 Fractional percentages have been rounded up

The Board of Directors believes that this transformational transaction brings significant benefits to all stakeholders:

(a) Following the completion of the Offer, KFH will become the leading banking institution in both Kuwait and Bahrain, in terms of both total assets and deposits, with a combined USD101 billion of total assets as at 30 September 2019. In Kuwait, KFH Group will have a 27% market share of total assets and in Bahrain, KFH Group will be almost 4 times larger than the second largest bank in Bahrain by assets.

(b) In addition to core market leadership in Kuwait and Bahrain, the transaction will create the sixth largest bank in the Middle East by total assets with a diversified footprint across the United Kingdom, Egypt, Iraq, Turkey and Malaysia. The enlarged KFH Group will be well positioned to leverage this international connectivity to the benefit of all domestic clients across the Middle East, as well as institutional and multinational clients abroad.

(c) The transaction will result in KFH becoming the world's largest Islamic bank by total assets and the second largest Islamic bank in terms of customer deposits. As a global leading Islamic institution, the enlarged KFH Group will significantly enhance the profile and strength of the Islamic Banking sector in Bahrain as well as lead the growth of Islamic Banking across the world.

(d) The transaction combines the significant reach of KFH Group's retail and corporate footprint with AUB's corporate backbone. As a result, the enlarged KFH Group will be well positioned to capture the significant opportunities arising from existing and new retail and corporate relationships across both banks. These relationships can be strengthened with increased cross-sell and an enhanced product offering across an expanded platform.

(e) The transaction is expected to generate estimated run-rate synergies in the region of c.10-15% of the enlarged KFH Group's cost base per annum. The anticipated annual synergies are expected to be realized over three years post-completion. The enlarged KFH Group is expected to benefit from enhanced scale in its home markets of Kuwait and Bahrain, a more efficient platform and infrastructure optimization from both banks.

(f) The enlarged KFH Group will be better positioned to support the Kuwaiti and Bahraini economies through its services and financial support to local and international companies operating in Kuwait and Bahrain, as well as the residents living in Kuwait and Bahrain. With a higher capital base, the enlarged KFH Group will also possess enlarged underwriting and balance-sheet capacity, thereby enhancing its ability to support growth opportunities across the economy and support the development of the local capital markets.

12. Share Ownership in KFH and AUB

Currently, the following shareholders own 5% or more in KFH and AUB respectively:

Current and Pre-Offer Ownership Structure

Kuwait Finance House K.S.C.P.	% owned in KFH*	No. of Shares
Kuwait Investment Authority	24.079%	1,679,888,678
Public Authority for Minors Affairs	10.484%	731,430,456
General Secretariat of Awqaf	7.296%	509,009,141
The Public Institution for Social Security	5.91%**	412,387,713
Other Public	52.231%	3,643,773,214
Total	**100%**	**6,976,489,202**

*As at 31 December 2019, unless otherwise provided
**Indirect shareholding as at 7 January 2020

Ahli United Bank B.S.C.	% owned in AUB*	No. of Shares
The Public Institution for Social Security	18.67%	1,638,615,873
Social Insurance Organization	10.01%	878,108,733
Tamdeen Investment Co.	7.51%	658,910,395
Other Public	63.81%	5,598,809,280
Total	**100%**	**8,774,444,281**

*As at 31 December 2019

13. The Offeror's Confirmatory Statements

The Offeror confirms that:

(a) settlement of the Offer consideration to which all of the Offeree's shareholders are entitled under this Offer will be implemented in full in accordance with the terms of this Offer;

(b) no arrangements involving rights over shares, nor any indemnity agreements, nor any agreements or understandings, both formal or informal, relating to the shares pertaining to this Offer (that may be an inducement to deal or refrain from dealing) exist between the Offeror or any person acting in concert with the Offeror and any other party;

(c) none of the AUB Shares being acquired in pursuance of the Offer will be transferred to any other persons other than the transfer of one hundred (100) AUB Shares to KFH Capital in order to maintain the requirement as to minimum number of shareholders applicable to Bahraini Shareholding Companies;

(d) it has not entered nor made any agreements, arrangements or understandings, nor has it undertaken any compensation agreements, both directly or through any person acting in concert with the Offeror, in connection with the Offer with the directors or shareholders of the Offeree other than as disclosed in this Offer Document; and

(e) no material changes in the financial or trading position or outlook of KFH has occurred following the last published audited accounts, excerpts of which are included in this Offer Document, and entire audited accounts and annual reports are publicly available through KFH's website and the BK.

14. Market Price and Historical Stock Trading Summary

14.1 TRADING PRICE OF THE OFFEREE

AUB shares are traded on both BB as well as BK. Below are the market prices of AUB shares on key dates:

On 20 February 2020, the Last Practicable Date	AUB shares closing market price on BB on 20 February 2020 was USD1.075 per share	AUB shares closing market price on BK on 20 February 2020 was KWD0.333 per share
On 11 September 2019, the last business day prior to the date of announcing the approved Exchange Ratio	AUB shares closing market price on BB on 11 September 2019 was USD0.932 per share	AUB shares closing market price on BK on 11 September 2019 was KWD0.277 per share
On 15 July 2018, the last business day prior to the date of initial announcement	AUB shares closing market price on BB on 15 July 2018 was USD0.660 per share	AUB shares closing market price on BK on 15 July 2018 was KWD0.206 per share
On 4 February 2020, the last business day prior to the date of announcement of the Firm Intention	AUB shares closing market price on BB on 4 February 2020 was USD1.115 per share	AUB shares closing market price on BK on 4 February 2020 was KWD0.335 per share

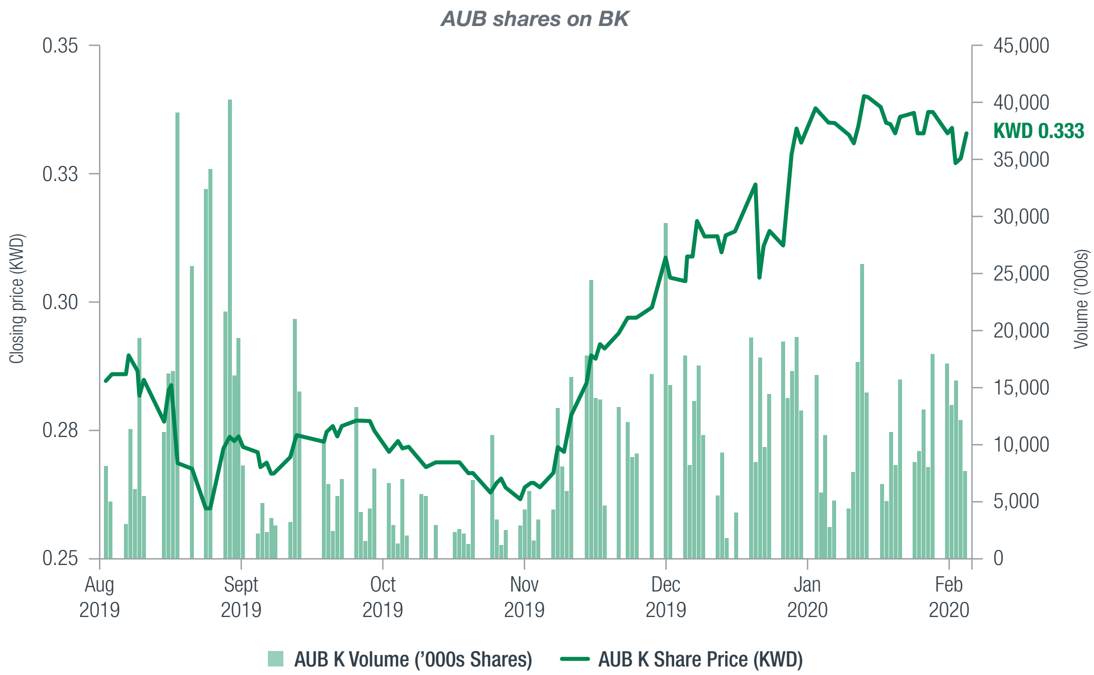
Over the six months prior to and including the Last Practicable Date, the total number of shares traded in AUB (i) on BB stood at 135,577,490 shares in 1,960 transactions with an average closing price of USD0.965 per share with a total value traded of USD130,419,055; and (ii) on BK stood at 1,344,534,657 shares in 35,843 transactions with an average closing price of KWD0.294 per share with a total value traded of KWD398,830,748. The lowest closing price (i) of USD0.833 per share on BB was on 19 September 2019; and (ii) of KWD0.260 per share on BK was from 18 September 2019 to 19 September 2019. The highest closing price (i) of USD1.115 per share on BB was from 2 February 2020 to 4 February 2020; and (ii) of KWD0.340 per share on BK was from 29 January 2020 to 30 January 2020.

The following table details the closing price for the AUB Shares at the end of each of the calendar months during the period commencing six months prior to the commencement of the Offer Period and ending on the Last Practicable Date:

	Closing price per share on BB (USD)	Closing price per share on BK (KWD)
January 2020	1.112	0.340
December 2019	1.050	0.323
November 2019	0.899	0.278
October 2019	0.890	0.268
September 2019	0.880	0.268
August 2019	0.918	0.280

The volume weighted average price per AUB Share in the six month period prior to and including the Last Practicable Date was USD0.962 for BB and KWD0.297 for BK.

Market price movement of AUB Shares on BB and BK for the period from 21 August 2019 to 20 February 2020 is shown in the charts below:



The implied value of the Offer at the Exchange Ratio:

(a) exceeds the market price per AUB BB Share of USD1.075 on the Last Practicable Date by USD0.056 per AUB BB Share (implying an Offer price of USD1.131 per AUB BB Share), and exceeds the market price per AUB BK Share of KWD0.333 on the Last Practicable Date by KWD0.015 per AUB BK Share (implying an Offer price of KWD0.348 per AUB BK Share);

(b) exceeds the volume weighted average price per AUB BB Share of USD0.962 in the six month period prior to and including the Last Practicable Date by USD0.078 (implying an Offer price of USD1.040 per AUB BB Share), and exceeds the volume weighted average price per AUB BK Share of KWD0.297 in the six month period prior to and including the Last Practicable Date by KWD0.023 per AUB BK Share (implying an Offer price of KWD0.320 per AUB BK Share); and

(c) exceeds the market price per AUB BB Share of USD0.917 six months prior to the Last Practicable Date, by USD0.153 per AUB BB Share (implying an Offer price of USD1.070 per AUB share), and exceeds the market price per AUB BK Share of KWD0.283 six months prior to the Last Practicable Date, by KWD0.046 per AUB BK Share (implying an Offer price of KWD0.329 per AUB BK Share).

14.2 TRADING PRICE OF THE OFFEROR

KFH shares are traded on BK. Below are the market prices of KFH shares on key dates:

On 20 February 2020, the Last Practicable Date	KFH shares closing market price on BK on 20 February 2020 was KWD0.809 per share
On 11 September 2019, the last business day prior to the date of announcing the approved Exchange Ratio	KFH shares closing market price on BK on 11 September 2019 was KWD0.707 per share
On 15 July 2018, the last business day prior to the date of initial announcement	KFH shares closing market price on BK on 15 July 2018 was KWD0.615 per share
On 4 February 2020, the last business day prior to the date of announcement of the Firm Intention	KFH shares closing market price on BK on 4 February 2020 was KWD0.830 per share

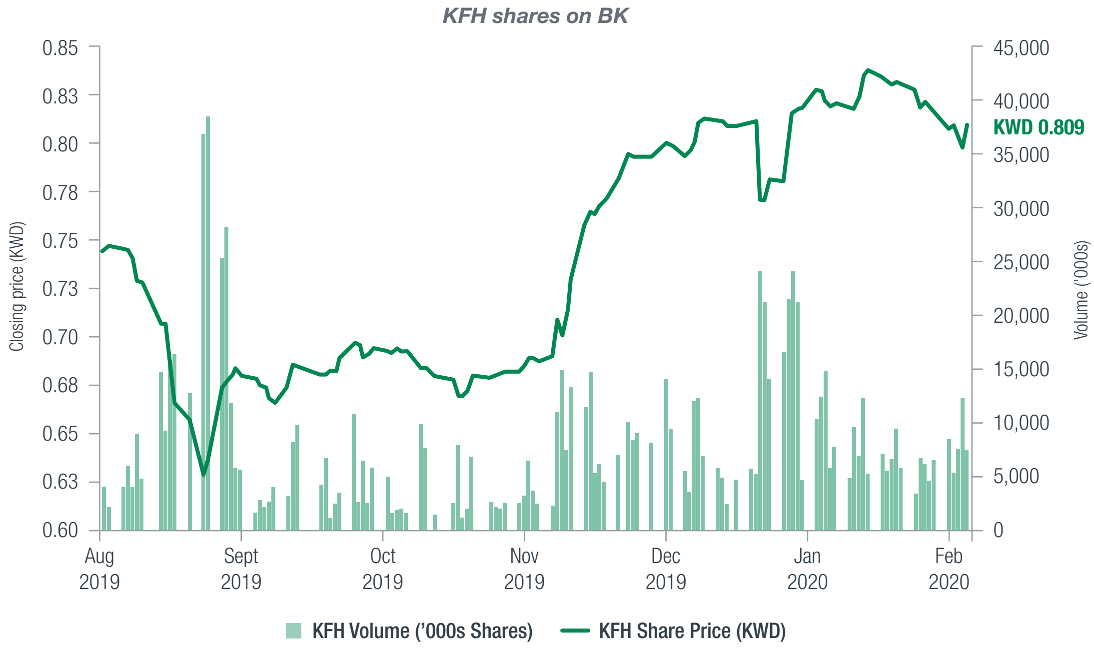
Over the six months prior to and including the Last Practicable Date, the total number of shares traded in KFH stood at 1,011,917,007 shares in 72,179 transactions with an average closing price of KWD0.744 per share with a total value traded of KWD752,507,398. The lowest closing price of KWD0.629 per share was on 18 September 2019. The highest closing price of KWD0.837 per share was on 30 January 2020.

The following table details the closing price for the KFH Shares at the end of each of the calendar months during the period commencing six months prior to the commencement of the Offer Period and ending on the Last Practicable Date:

	Closing price per share (KWD)
January 2020	0.837
December 2019	0.811
November 2019	0.729
October 2019	0.684
September 2019	0.675
August 2019	0.748

The volume weighted average price per KFH Share in the six month period prior to and including the Last Practicable Date was KWD0.744.

Market price movement of KFH Shares on BK for the period from 21 August 2019 to 20 February 2020 is shown in the chart below:



15. Effect of the Offer

15.1 LEGAL CONSEQUENCES OF THE OFFER

The Offer, if completed, will result in KFH becoming, directly and indirectly, the legal owner of all the AUB Shares together with all rights and interests associated with such ownership.

All AUB Shares to be sold to KFH by way of a share swap pursuant to the Offer must be free from any and all charges, liens and other encumbrances. Any encumbrances (including mortgages or attachments) on the sold AUB Shares will be transferred to the corresponding New KFH Shares owned by the relevant selling AUB Shareholder in the manner prescribed and provided for in the Acceptance and Transfer Form.

AUB Shareholders shall receive New KFH Shares along with all rights associated with the New KFH Shares, including but not limited to, rights concerning share ranking, voting, dividend and liquidation (other than any dividend which has been approved by the general assembly of KFH prior to the Effective Date for the financial year ended 31 December 2019).

15.2 NO SPECIAL BENEFITS TO EXECUTIVES, MANAGERS AND DIRECTORS

No payments of any kind will be made by KFH to the executive managers, the directors or the employees of AUB in connection with the Offer, except as ordinary settlement pursuant to the Offer for any AUB Shares held by such persons.

KFH's executive managers, its directors and its employees will not receive any payments of any kind from AUB or any other third party in connection with the Offer, except as ordinary settlement pursuant to the Offer for any AUB Shares held by such persons.

15.3 THE EFFECT OF THE OFFER ON THE DIRECTORS OF THE OFFEROR

Subject to any legal and regulatory requirements as may be, or have been, introduced in Kuwait, the Offer will not have any material effect on the current directors of KFH and no change in the composition or the number of member of the board will be effected or triggered by the Offer.

15.4 IMPACT ON OFFEREE'S EMPLOYEES

The successful completion of the Offer will not result in any immediate effect on AUB's employees and there is no current intention to implement changes in management or organizational structure except for any changes which may be implemented as contemplated in this Offer Document (reference is made to section 11.2 (AUB Current Employees and Organizational Structure)).

16. Risk Factors

In deciding whether to Accept the Offer, AUB Shareholders should carefully read this document and consider the risk factors set out in this section. Additional risks and uncertainties not presently known to KFH, or which KFH currently consider to be immaterial, may also have an adverse effect on the KFH Group.

16.1 RISKS RELATING TO THE OFFER

(a) Regulatory authorities may delay or prevent the Offer taking place, which may diminish the anticipated benefits of the Offer

The Offer is subject to certain risks and uncertainties, including the inability of KFH and AUB to obtain the necessary resolutions, approvals and other relevant consents (regulatory, governmental or otherwise) as necessary for the implementation of the Offer. Any delay in obtaining the required approvals may also postpone the execution of the Offer, which KFH currently expects to take place during the course of Q2 2020. The failure to consummate the Offer as currently planned could result in KFH not obtaining the anticipated benefits of the Offer. The Offer requires the receipt of consents and approvals from regulators in Kuwait (including the CBK, the Capital Markets Authority and the Ministry of Commerce and Industry), in Bahrain (including the CBB and the Ministry of Industry, Commerce and Tourism) and abroad including the Central Bank of Egypt, the Central Bank of Oman, the United Kingdom Prudential Regulation Authority and Financial Conduct Authority, the Central Bank of Iraq, the Dubai Financial Services Authority and Bank Negara Malaysia. Although KFH intends to pursue vigorously all required regulatory consents and approvals, and although it is not aware of any reason why it would not be able to obtain the necessary approvals in a timely manner, these approvals may not be granted or may be delayed. Any delay or prevention in the consummation of the Offer may diminish anticipated benefits or may result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the Offer.

(b) If the conditions to, and the procedural requirements of, the Offer (set out in section 5.7 (Conditions Precedent to the Offer) and section 6 (Procedures for Accepting the Offer) of this document) are not satisfied, the Offer may not take place or may be delayed

The Offer is conditional on a number of conditions as set out in section 5.7 (Conditions Precedent to the Offer) of this document. If any of these conditions are not satisfied, then there is a risk that the Offer will not take place. Further, in order to implement the Offer, the procedural requirements set out in section 6 (Procedures for Accepting the Offer) of this document must be satisfied. If any such requirement is not satisfied, then the Offer will not take place (or, in certain circumstances, the implementation of the Offer may be delayed). Any of the foregoing events may have a negative impact on the existing value of the KFH Shares.

(c) The KFH Group may fail to realise the anticipated cost savings, growth opportunities, synergies and other **benefits anticipated from the Offer**

The KFH Group may fail to achieve the synergies that it anticipates will arise from the Offer. The success of the Offer will depend, in part, on the KFH Group's ability to realise anticipated cost savings, revenue synergies and growth opportunities from integrating the businesses of KFH and AUB. The KFH Group expects to benefit from synergies resulting from the consolidation of capabilities, rationalisation of operations and headcount, greater efficiencies from increased scale and market integration, and organic growth. In particular, the KFH Group's ability to realise anticipated synergies and the timing of this realization may be affected by a variety of factors, including but not limited to:

- its broad geographic areas of operations and the resulting potential complexity of integrating KFH's and AUB's corporate and regional offices;
- the difficulty of implementing its cost saving plans; and
- unforeseeable events, including major changes in the markets in which KFH and AUB operate.

The KFH Group may incur higher than expected integration, transaction and Offer-related costs. In addition, KFH will incur legal, accounting and transaction fees and other costs related to the Offer. Some of these costs are payable irrespective of whether the Offer is completed and such costs may be higher than anticipated.

(d) Trading prices of the KFH Shares and the AUB Shares may be volatile until the Offer takes place

Given the awareness in the market of the Offer, it is likely that there will be increased volatility in the share price of the KFH Shares and the AUB Shares until the Offer is finalised.

(e) Risks relating to the Exchange Ratio

The Exchange Ratio has been calculated on the basis of, amongst other things, certain internal financial information and other data relating to the business and financial prospects of the Banks, including estimates and financial forecasts together with certain pro forma effects of the Offer on the Banks' respective financial statements and certain estimates of synergies. In calculating the Exchange Ratio, the financial forecasts, estimates, pro forma effects and calculations of synergies have been reasonably prepared on a basis reflecting the best currently available estimates as to the future performance of the Banks, such pro-forma effects and such synergies. Additionally, the future financial forecasts and estimates, including synergies, referred to above will be realised in the amounts and time periods contemplated thereby. If a material variation is to take place with respect to all or any of these assumptions, this could materially affect the valuations of the Banks and the Exchange Ratio may not accurately reflect the values of the respective companies.

16.2 RISKS RELATING TO THE KFH SHARES

(a) General volatility of KFH Share price and realisation of investment

The trading price of the KFH Shares following implementation of the Offer may be subject to wide fluctuations in response to a number of factors, specific to the KFH Group or otherwise, such as variation in operating results, changes in financial estimates, changes in credit ratings, recommendations by securities analysts, the operating and news reports relating to trends in the KFH Group's markets. These factors may adversely affect the trading price of the KFH Shares regardless of the KFH Group's operating performance. AUB Shareholders should be aware that the value of the KFH Shares (including the New KFH Shares) and the income from them can increase or decrease as is the case with any other investment in listed securities.

(b) Risks relating to the trading patterns for the KFH Shares relative to historic trends

The shareholders of KFH should be aware that the historic trading patterns of the KFH Shares are independent of, and may bear no resemblance whatsoever to, the trading patterns of the KFH Shares following implementation of the Offer.

(c) Future sales of KFH Shares by substantial shareholders in KFH may affect the market price of the KFH Shares

Sales, or the possibility of sales, of substantial numbers of KFH Shares owned by substantial shareholders in KFH following the Offer could have an adverse effect on the market price of the KFH Shares.

16.3 RISKS RELATING TO THE KFH GROUP'S BUSINESS

(a) The KFH Group will face significant competition in its business

The banking business is highly competitive. The KFH Group will face competition from various local and multinational banks and financial institutions. This may affect the KFH Group's business and results of operations. The KFH Group's financial performance is affected by general economic conditions. Risks arising from changes in credit quality and the recoverability of amounts due from borrowers and counterparties are inherent in banking businesses. Adverse changes in global economic conditions, or arising from systemic risks in the financial systems, could affect the recovery and value of the KFH Group's assets and require an increase in the KFH Group's provisions. KFH currently uses various hedging strategies to minimise risk. However, there can be no guarantee that such measures will eliminate or reduce such risks of the KFH Group.

(b) Risks relating to the KFH Group's income and dividend paying capacity

The KFH Group profitability may be impacted by various factors affecting its distributable reserves and consequently dividends payable to shareholders. In addition, the capacity of the KFH Group to pay dividends may also be constrained by prevailing regulatory capital requirements and capital and risk-weighted ratios imposed on the KFH Group from time to time by the CBK, non-Kuwaiti regulators or other governmental agencies, together with prevailing rating agency considerations as to the rating of the KFH Group.

(c) Failure to attract and retain key personnel may adversely affect the KFH Group's ability to conduct its business

The KFH Group's future success depends, in large part, upon its ability to attract and retain highly qualified professional personnel. Competition for key personnel in the various localities and business segments in which the KFH Group operates is intense. The KFH Group's ability to attract and retain key personnel, in particular senior officers, will be dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. There is no guarantee that the KFH Group will have the continued service of key employees who will be relied upon to execute its business strategy and identify and pursue strategic opportunities and initiatives. In particular, the KFH Group may have to incur costs to replace senior executive officers or other key employees who leave, and the KFH Group's ability to execute its business strategy could be impaired if it is unable to replace such persons in a timely manner.

(d) Risks related to the KFH Group's business being dependent on its information and technology systems which are subject to potential cyber-attack

Cyber-security has become an increasingly important consideration for financial institutions. The quantity of sensitive information stored by financial institutions makes them potential targets of cyber-attacks. Risks to technology and cyber-security change rapidly and require continued focus and investment and the KFH Group will need to act accordingly and take appropriate steps on an on-going basis to combat such threats and minimise such risks. Given the increasing sophistication and scope of potential cyber-attack, it is however possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could adversely affect the KFH Group's reputation, business, results of operations, financial condition and prospects.

(e) Employee misconduct could harm the KFH Group and is difficult to detect

Misconduct by employees of the KFH Group could result in binding the KFH Group to transactions that exceed authorised limits or present unacceptable risks, or concealing from the KFH Group unauthorised or unsuccessful activities which, in each case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information which could result in regulatory and legal sanctions and significant reputational and/or financial harm and could have a material adverse effect on the KFH Group's results, operations or financial condition. It is not always possible to deter employee misconduct, and the precautions the KFH Group takes to prevent and deter any such activity may not be effective in all cases.

(f) The KFH Group's business entails operational risks

The KFH Group is exposed to operational risks, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The KFH Group is susceptible to, amongst other things, fraud by employees or outsiders including unauthorised transactions, operational errors and clerical and record keeping errors resulting from faulty computer or telecommunications systems. Although the KFH Group maintains a system of controls designed to monitor and control operational risk, there is no guarantee that the KFH Group will not suffer losses from any failure of these controls to detect or contain operational risk in the future. Consequently, any inadequacy of the KFH Group's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on the KFH Group's business, financial condition and results of operations.

(g) Risks relating to credit

Risks arising from adverse changes and recoverability of loans, securities and amounts due from counterparties are inherent in a wide range of the KFH Group's activities principally in its lending and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of the KFH Group, or from a general deterioration in local or global economic conditions which could affect the recoverability and value of the KFH Group's assets and require an increase in the KFH Group's provisions for the impairment of loans, securities and other credit exposures.

(h) Liquidity risk

Liquidity risk could arise from the inability of the KFH Group to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the KFH Group's ability to meet its obligations when they fall due.

(i) Risks related to failure or delay in converting the AUB business in Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant

The businesses and revenues of the KFH Group may be impacted by failure or delay in converting the AUB business in Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant. This may have adverse impact on the profitability of the KFH Group.

(j) Conversion of AUB Kuwait to a digital bank may be challenging from a regulatory perspective

Although the conversion has been introduced as part of CBK conditional approval, the finalization of legal set up and regulatory framework may cause issues and delays in implementing the conversion, therefore affect the synergies and cost efficiencies.

16.4 RISKS RELATING TO THE MENA REGION, KUWAIT AND BAHRAIN

(a) Kuwait and Bahrain have a commodity and services economy based in the Middle East and are developing their other industries

The majority of each of KFH and AUB's operations are in Kuwait and Bahrain and accordingly their business and results of operations are, and will continue to be, generally affected by the financial, political and general economic conditions prevailing from time to time in Kuwait and Bahrain and/or the Middle East generally.

These markets are subject to risks similar to other developed and developing markets, including in some cases significant legal, economic and political risks.

(b) Continued instability and unrest in the MENA region may adversely affect the economies in which KFH and AUB operate

Although both Kuwait and Bahrain have enjoyed significant economic growth in recent years, there can be no assurance that such growth or stability will continue. This is particularly so in light of significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC. Consequently, certain sectors of the GCC economy such as financial institutions that had benefitted from such high growth rates, have been adversely affected by the crisis.

These challenging market conditions have historically resulted in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit and capital markets. The KFH Group's businesses and financial performance may be affected by the financial, political and general economic conditions prevailing from time to time in Kuwait, Bahrain and the Middle East.

(c) Risks arising from uncertainties relating to the legal and regulatory systems in certain of the countries in which the KFH Group will operate after the Offer

Some of the countries in which KFH and AUB currently operate (and where the KFH Group will operate after the Offer takes place) are in various stages of developing institutions and legal and regulatory systems. Some of these countries are also in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies (including, without limitation, policies relating to foreign ownership, repatriation of profits, property and contractual rights) that may affect the KFH Group's investment in those countries.

The procedural safeguards of the legal and regulatory regimes in these countries are still developing and, therefore, existing laws and regulations may be applied inconsistently. There may be ambiguities, inconsistencies and anomalies in the interpretation and enforcement of laws and regulations. All of these factors could affect the KFH Group's ability to enforce its rights under its contracts or to defend itself against claims by others.

(d) Risks arising from unlawful or arbitrary governmental action

Governmental authorities in many of the countries in which the KFH Group will operate may have a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law or influenced by political or commercial considerations. Such governmental action could include, amongst other things, the withdrawal of certain exemptions and dispensations granted by various regulatory authorities in connection with the Offer, the expropriation of property without adequate compensation or limitations on repatriation of profits and/or dividends. Any such action taken could have an adverse effect on the KFH Group's business, financial condition and results of operations.

(e) Risks associated with regulatory changes

Each of KFH and AUB are subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure its compliance with economic, social and other objectives and limit their exposure to risk. These regulations include Kuwaiti and Bahraini laws and regulations, as well as the laws and regulations of the other countries in which each of KFH and AUB operate (and the KFH Group will operate after the Offer takes place). Such regulations may limit the KFH Group's ability to lend to a single borrower or group of related borrowers, increase its loan/financing receivable portfolios or raise capital or may increase its cost of doing business.

Any changes in such laws and regulations and/or the manner in which they are interpreted or enforced may have a material adverse effect on the KFH Group's business, results of operations, financial condition and prospects.

(f) Risks relating to overseas shareholders

AUB Shareholders who are not resident in Bahrain or Kuwait or who are nationals or citizens of other jurisdictions (overseas shareholders) may face particular risks in relation to their shareholding. For example, if KFH were in future to make an offer of its shares to existing shareholders, the ability of overseas shareholders to participate in such further offering may be affected by the laws of relevant jurisdictions as a result of KFH's inability to guarantee compliance with all necessary requirements of those jurisdictions.

17. Additional Information

17.1 ARRANGEMENTS

No arrangements have been made involving rights over shares, indemnity arrangements or any other agreements or understandings relating to relevant securities which may be an inducement to deal or refrain from dealing between KFH or any person acting in concert with KFH.

Securities acquired in pursuance of this Offer shall be retained by KFH and no arrangement has been made for transfer of securities acquired through this Offer to any other person other than the transfer of one hundred (100) AUB Shares to KFH Capital in order to maintain the requirement as to minimum number of shareholders applicable to Bahraini Shareholding Companies.

No arrangement, agreement or understanding, including any compensation agreement, exists in connection with the Offer between KFH and any person acting in concert with it and the directors of AUB or AUB Shareholders.

17.2 SIGNIFICANT ACCOUNTING POLICIES

All the significant accounting policies as contained in the annual report for the financial year ended 31 December 2019 have been mentioned in section 19 (Annexures) of this Offer Document, under the heading "Notes to the Financial Statements".

17.3 SHAREHOLDING AND DEALINGS IN OFFEREE COMPANY

KFH has not purchased or sold AUB Shares during the 12-month period prior to the date of this Offer Document and does not hold any AUB Shares as of the date of this Offer Document. Some of the directors of KFH hold AUB Shares as highlighted in section 10 (Cross Shareholdings by the Offeror and its Directors in AUB) of this Offer Document as of the date of this Offer Document.

17.4 MATERIAL LITIGATION

At the date of this Offer Document, there is no material litigation to which KFH is a party or to the best of the knowledge of KFH, to which KFH may become a party.

17.5 NO MATERIAL LIABILITY

There are no material loans, mortgages, charges or guarantees other than those entered into in the normal course of business or other contingent liabilities of KFH as at the date of this Offer Document. Please refer to section 8 (Report of the Independent Auditor on the Summary Consolidated Financial Statements of Kuwait Finance House K.S.C.P.) for further information regarding the financial position of KFH.

17.6 DOCUMENTS ON DISPLAY

As of the date of this Offer Document, and until the date of the AUB EGM, the following documents (or copies thereof) may be inspected by AUB Shareholders on KFH's website at (www.kfh.com):

(a) the Memorandum and Articles of Association of KFH;
(b) annual reports of KFH for the years ended 31 December 2017, 2018 and 2019;
(c) extract of the Board of Directors' resolutions dated 12 September 2019 and 8 September 2019;
(d) the KFH General Assembly resolutions of the meeting held on 20 January 2020;
(e) notice of Firm Intention from KFH to AUB dated 5 February 2020;
(f) written consents of the Financial Advisor, the Legal Advisor and the Receiving Agents; and
(g) the recommendation of the KFH Fatwa and Sharia'a Supervisory Board dated 10 December 2019.

18. Key Parties

The Offeror

AlMirqab Area, Abdulla Al-Mubarak Street, Kuwait City, Kuwait
PO Box 24989 Safat 13110 Kuwait
Telephone: + (965) 22445050
Fax: + (965) 22409414

Financial Advisor to the Offeror

Dubai International Financial Centre
Level 7, Gate Precinct Building 5
PO Box 506588
Dubai, United Arab Emirates
Telephone: +9714 376 3444
Fax: +9714 376 3458

Legal Advisor to the Offeror

20th Floor, Al Fattan Currency House, Tower 2
Dubai International Financial Centre
PO Box 506569
Dubai, United Arab Emirates
Telephone: +971 4 5099 100

Bahrain Receiving Agent

Bahrain Financial Harbour
Harbour Gate (4th Floor)
PO Box 3203
Manama, Kingdom of Bahrain
Telephone: +973 17108781

Bahrain Receiving Agent, Bahrain Execution Advisor and Cross Listing Advisor

BMB Building, 1st Floor
Diplomatic Area
PO Box 1331
Manama, Kingdom of Bahrain
Telephone: +973 1751 6060

Kuwait Receiving Agent and Allotment Agent

Ahmad Al-Jabar Street
Stock Exchange Building
PO Box 22077
Kuwait City, State of Kuwait
Telephone: +965 184 11 11

19. Annexures

19.1 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.
Deloitte & Touche
Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20184, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Finance House K.S.C.P. (the "Bank") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International' *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on Islamic financing to customers
The recognition of credit losses on Islamic financing to customers ("financing facilities") is the higher of Expected Credit Loss ("ECL") under International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), determined in accordance with the Central Bank of Kuwait (the "CBK") guidelines, or the provision required by the CBK rules on classification of financing facilities of their provision (the "CBK instructions") as disclosed in the accounting policies in Note 2.6 and Note 10 to the consolidated financial statements.

Recognition of ECL under IFRS 9, according to CBK guidelines, is a complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing the level of credit risk on initial recognition and significant increase in credit risk subsequently on the reporting date for classification of credit facilities into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral. Recognition of specific provision on impaired financing facility under the CBK instructions is based on the rules prescribed by the CBK on the minimum provision to be recognized together with any additional provision to be recognised based on management estimate of expected cash flows related to that financing facility.

Due to the significance of financing facilities and the related estimation uncertainty and judgement in the impairment calculation, this was considered as a key audit matter.

Our audit procedures included assessing the design and implementation of controls over, inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the adequacy of credit losses.

With respect to the ECL based on IFRS 9, according to CBK guidelines, we have selected a samples of financing facilities outstanding as at the reporting date and checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of the financing facilities into various stages. For a sample of credit facilities, we have checked the appropriateness of the Group's staging criteria, Exposure at Default ("EAD") Probability of Default ("PD") and Loss Given Default ("LGD") including the eligibility and value of collateral considered in the ECL models used by the Group to determine ECL. We have also checked the consistency of various inputs and assumptions used by the Group's management to determine ECL.

Further, for CBK provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, it has been computed accordingly. For the samples selected, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired financing facilities, we have assessed the valuation of collateral and checked the resultant provision calculations.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of associates and joint ventures

The investment in associates and joint ventures are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. Significant management judgement is required in determining the indications of impairment and recoverable amount of investment in associates and joint ventures based on value in use. Accordingly, we considered this as a key audit matter.

We carried out procedures to understand management's process for identifying impairment triggers such as significant adverse changes in the technological, market, economic, or legal environment in which the investee operates, structural changes in the industry in which the investee operates, changes in the political or legal environment affecting the investee's business and changes in the investee's financial condition. Our audit procedures included, amongst others, assessing the appropriateness of the recoverable amounts determined by management and the valuation methods used. For impairment assessment we evaluated the reasonableness of the key assumptions used by management in determining the value-in-use computation

We also assessed the adequacy of the Group's disclosure in Note 13 and 14 of the consolidated financial statements.

Impairment test of investment properties and trading properties

Management's assessment of impairment of real estate properties was significant to our audit because this process is complex and requires judgement. Furthermore, impairment testing of real estate properties can be inherently subjective which increases the risk of error, particularly given the number and diverse nature and location of the Group's real estate properties. Accordingly, we considered this a key audit matter.

We selected samples and considered the methodology and the appropriateness of the valuation models and inputs used to value the real estate properties. Further, we used our internal specialists to assess the valuation of a sample of real estate properties located outside the State of Kuwait. As part of these audit procedures, we assessed the accuracy of key inputs used in the valuation such as the rents, gross multiplier yield, market comparable, and discount rates. We also evaluated the Group's assessment whether objective evidence of impairment exists for international real estate.

The disclosure relating to the investment properties is given in note 15 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Valuation of currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts ("Islamic derivative financial instruments")

The Group has significant Islamic derivative financial instruments, the valuation of which is determined through the application of valuation techniques, which often involve the exercise of judgement and the use of assumptions and estimates. Due to the significance of Islamic derivative financial instruments and the related estimation and uncertainty, this is considered as key audit matter.

Our audit procedures included assessment of controls over the identification, measurement and management of Islamic derivative financial instrument to confirm the operating effectiveness of the key controls in place.

Our audit procedures also comprised of an assessment of the methodology and the appropriateness of the valuation models used to value Islamic derivative financial instruments. Further, we used our internal specialists to assess the valuation of a sample of each type of Islamic derivative financial instruments. As part of these audit procedures, we assessed the accuracy of key inputs used in the valuations such as contractual cash flows, risk free rates, profit rate volatility, swap rates, profit spot rates, implied forward rates and quoted prices from market data providers, by benchmarking them with external data. Finally, we considered completeness and accuracy of the disclosures related to Islamic derivative financial instruments to assess compliance with the disclosure requirements.

The disclosure relating to Islamic derivative financial instruments is given in Note 26 to the consolidated financial statements.

Other information included in the Group's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Bank's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of Consolidated Financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and 2/I.B.S./343/2014 dated 21 October 2014 respectively, the Companies Law No.1 of 2016, as amended and its executive regulations, as amended and by the Bank's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and 2/I.B.S./343/2014 dated 21 October 2014 respectively, the Companies Law No.1 of 2016, as amended and its executive regulations, as amended or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 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 audit, 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 year ended 31 December 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.

9 January 2020

Kuwait

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	2019	2018
			KD 000's
INCOME			
Financing income		**931,574**	862,055
Finance cost and distribution to depositors		**(401,319)**	(334,786)
Net financing income		**530,255**	527,269
Investment income	3	**130,249**	63,319
Fees and commissions income		**79,129**	86,627
Net gain from foreign currencies		**34,061**	30,277
Other income	4	**40,708**	38,516
TOTAL OPERATING INCOME		**814,402**	746,008
EXPENSES			
Staff costs		**(182,439)**	(177,569)
General and administrative expenses		**(78,843)**	(81,487)
Depreciation and amortization		**(42,989)**	(33,404)
TOTAL OPERATING EXPENSES		**(304,271)**	(292,460)
NET OPERATING INCOME		**510,131**	453,548
Provisions and impairment	5	**(196,908)**	(162,510)
Gain for the year from discontinuing operations		**-**	410
PROFIT BEFORE TAXATION AND PROPOSED DIRECTORS' FEES		**313,223**	291,448
Taxation	6	**(50,460)**	(26,982)
Proposed directors' fees	23	**(942)**	(942)
PROFIT FOR THE YEAR		**261,821**	263,524
Attributable to:			
Shareholders of the Bank		**251,023**	227,411
Non-controlling interests		**10,798**	36,113
		261,821	263,524
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	7	**36.45 fils**	33.06 fils

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		KD 000's
	2019	*2018*
Profit for the year	**261,821**	263,524
Items that will not be reclassified to consolidated statement of income in subsequent periods:		
Revaluation loss on equity investments at fair value through other comprehensive income	**(1,280)**	(4,790)
Items that are or may be reclassified subsequently to consolidated statement of income:		
Investments in Sukuk at fair value through other comprehensive income:		
Net change in fair value during the year	**65,253**	(21,385)
Recycled to consolidated statement of income	**10,802**	6,021
Net gain (loss) on investments in sukuk at fair value through other comprehensive income	**76,055**	(15,364)
Share of other comprehensive income (loss) of associates and joint ventures	**1,430**	(597)
Exchange differences on translation of foreign operations	**(42,008)**	(122,546)
Other comprehensive income (loss) for the year	**34,197**	(143,297)
Total comprehensive income	**296,018**	120,227
Attributable to:		
Shareholders of the Bank	**292,056**	133,487
Non-controlling interests	**3,962**	(13,260)
	296,018	120,227

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 KD 000's	2018 KD 000's
ASSETS			
Cash and balances with banks	8	**1,910,088**	1,381,170
Due from banks	9	**3,782,828**	3,443,689
Financing receivables	10	**9,336,555**	9,190,235
Investment in Sukuk	11	**2,276,432**	1,563,361
Trading properties		**107,613**	147,639
Investments	12	**210,524**	284,883
Investment in associates and joint ventures	13,14	**504,343**	499,179
Investment properties	15	**455,406**	489,609
Other assets	16	**546,782**	544,416
Intangible assets and goodwill	17	**31,329**	31,180
Property and equipment		**228,958**	194,917
TOTAL ASSETS		**19,390,858**	17,770,278
LIABILITIES			
Due to banks and financial institutions		**2,427,166**	2,689,079
Sukuk payables		**319,965**	498,588
Depositors' accounts	19	**13,552,645**	11,780,310
Other liabilities	20	**847,707**	728,131
TOTAL LIABILITIES		**17,147,483**	15,696,108
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK			
Share capital	22	**697,649**	634,226
Share premium	21	**720,333**	720,333
Proposed issue of bonus shares	23	**69,765**	63,423
Treasury shares	22	**(36,243)**	(44,452)
Reserves	21	**470,908**	395,278
		1,922,412	1,768,808
Proposed cash dividends	23	**137,980**	125,097
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		**2,060,392**	1,893,905
Non-controlling interests		**182,983**	180,265
TOTAL EQUITY		**2,243,375**	2,074,170
TOTAL LIABILITIES AND EQUITY		**19,390,858**	17,770,278

HAMAD ABDUL MOHSEN AL-MARZOUQ
(CHAIRMAN)

MAZIN SAAD AL-NAHEDH
(GROUP CHIEF EXECUTIVE OFFICER)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

KD 000's

	Attributable to the shareholders of the Bank								*Non-controlling interests*	*Total equity*
	Share capital	*Share premium*	*Proposed issue of bonus shares*	*Treasury shares*	*Reserves (Note 21)*	*Subtotal*	*Proposed cash dividends*	*Subtotal*		
Balance as 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 year	-	-	-	-	251,023	251,023	-	251,023	10,798	261,821
Other comprehensive income (loss)	-	-	-	-	41,033	41,033	-	41,033	(6,836)	34,197
Total comprehensive income	-	-	-	-	292,056	292,056	-	292,056	3,962	296,018
Issue of bonus shares (Note 23)	63,423	-	(63,423)	-	-	-	-	-	-	-
Zakat	-	-	-	-	(14,748)	(14,748)	-	(14,748)	-	(14,748)
Share based payments (Note 24)	-	-	-	-	1,000	1,000	-	1,000	-	1,000
Cash dividends paid	-	-	-	-	-	-	(125,097)	(125,097)	-	(125,097)
Distribution of profit (Note 23):										
Proposed issue of bonus shares	-	-	69,765	-	(69,765)	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(137,980)	(137,980)	137,980	-	-	-
Group share of distribution to Tier 1 Sukuk of an associate	-	-	-	-	(151)	(151)	-	(151)	-	(151)
Net movement in treasury shares	-	-	-	8,209	4,952	13,161	-	13,161	-	13,161
Gain on partial sale of subsidiary	-	-	-	-	266	266	-	266	-	266
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,047)	(1,047)
Net other change in non-controlling interests	-	-	-	-	-	-	-	-	(197)	(197)
Balance as at 31 December 2019	**697,649**	**720,333**	**69,765**	**(36,243)**	**470,908**	**1,922,412**	**137,980**	**2,060,392**	**182,983**	**2,243,375**

The attached notes 1 to 36 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

KD 000's

	Attributable to the shareholders of the Bank								*Non-controlling interests*	*Total equity*
	Share capital	*Share premium*	*Proposed issue of bonus shares*	*Treasury shares*	*Reserves (Note 21)*	*Subtotal*	*Proposed cash dividends*	*Subtotal*		
Balance as 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 year	-	-	-	-	227,411	227,411	-	227,411	36,113	263,524
Other comprehensive loss	-	-	-	-	(93,924)	(93,924)	-	(93,924)	(49,373)	(143,297)
Total comprehensive income (loss)	-	-	-	-	133,487	133,487	-	133,487	(13,260)	120,227
Issue of bonus shares (Note 23)	57,657	-	(57,657)	-	-	-	-	-	-	-
Zakat	-	-	-	-	(12,578)	(12,578)	-	(12,578)	-	(12,578)
Share based payments (Note 24)	-	-	-	-	490	490	-	490	-	490
Cash dividends paid	-	-	-	-	-	-	(96,645)	(96,645)	-	(96,645)
Distribution of profit (Note 23):										
Proposed issue of bonus shares	-	-	63,423	-	(63,423)	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(125,097)	(125,097)	125,097	-	-	-
Net movement in treasury shares	-	-	-	611	211	822	-	822	-	822
Deconsolidation of a subsidiary	-	-	-	-	(341)	(341)	-	(341)	(43,972)	(44,313)
Disposal of a subsidiary	-	-	-	-	(290)	(290)	-	(290)	(955)	(1,245)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,554)	(1,554)
Net other change in non-controlling interests	-	-	-	-	-	-	-	-	(2,913)	(2,913)
Balance as at 31 December 2018	634,226	720,333	63,423	(44,452)	395,278	1,768,808	125,097	1,893,905	180,265	2,074,170

The attached notes 1 to 36 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019	2018
			KD 000's
OPERATING ACTIVITIES			
Profit for the year		**261,821**	263,524
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		**42,989**	33,404
Provisions and impairment	5	**196,908**	162,510
Dividend income	3	**(4,845)**	(4,695)
Gain on sale of investments	3	**(32,636)**	(4,209)
Gain on sale of real estate investments	3	**(17,900)**	(13,963)
Share of results of investment in associates and joint ventures	3	**(22,408)**	(28,192)
Other investment (income) loss	3	**(41,281)**	2,306
		382,648	410,685
Changes in operating assets and liabilities:			
(Increase) decrease in operating assets:			
Financing receivables and due from banks		**(169,588)**	(501,547)
Investment in Sukuk		**(718,465)**	(141,895)
Trading properties		**42,640**	13,489
Other assets		**(18,694)**	(25,875)
Statutory deposit with Central Banks		**(280,069)**	239,587
Increase (decrease) in operating liabilities:			
Due to banks and financial institutions		**(440,536)**	318,592
Depositors' accounts		**1,772,335**	183,577
Other liabilities		**135,491**	(27,183)
Net cash flows from operating activities		**705,762**	469,430
INVESTING ACTIVITIES			
Investments, net		**146,091**	14,454
Purchase of investment properties		**(1,406)**	(2,915)
Proceeds from sale of investment properties		**40,015**	27,833
Purchase of property and equipment		**(33,828)**	(46,561)
Proceeds from sale of property and equipment		**3,064**	6,042
Intangible assets, net		**(4,594)**	(6,336)
Purchase of investments in associates and joint ventures		**-**	(304)
Proceeds from sale of investments in associates and joint ventures		**6,102**	3,857
Proceed from disposal of subsidiaries		**307**	34,133
Dividend received		**14,429**	13,711
Net cash flows from investing activities		**170,180**	43,914
FINANCING ACTIVITIES			
Cash dividends paid		**(125,097)**	(96,645)
Zakat paid		**(13,236)**	(12,578)
Net movement in treasury shares		**13,161**	822
Dividend paid to non-controlling interests		**(1,047)**	(1,554)
Net cash flows used in financing activities		**(126,219)**	(109,955)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**749,723**	403,389
Cash and cash equivalents as at 1 January		**1,770,279**	1,366,890
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	8	**2,520,002**	1,770,279

1 CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 9 January 2020. The general assembly of the shareholders of the Bank has the power to amend these consolidated financial statements after issuance.

The Group comprises Kuwait Finance House K.S.C.P. ("the Bank") and its consolidated subsidiaries (collectively "the Group") as noted in Note 18.1. The Bank is a public shareholding company incorporated in Kuwait on 23 March 1977 and is registered as an Islamic bank with the Central Bank of Kuwait ("the CBK"). 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.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been 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 consolidated financial statements are prepared under the historical cost convention modified to include the measurement of financial assets at fair value, venture capital at fair value through statement of income, precious metals inventory, currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) and all values are rounded to the nearest thousand Dinars, except when otherwise indicated.

2.2 PRESENTATION OF FINANCIAL STATEMENTS

The Group presents its statement of consolidated financial position in order of liquidity.

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

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the previous year except for the adoption of IFRS 16: Leases effective from 1 January 2019.

Adoption of IFRS 16: Leases ("IFRS 16")
IFRS 16 supersedes IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease ("IFRIC 4"), SIC-15 Operating Leases-Incentives ("SIC 15") and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease ("SIC 27"). 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.

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Adoption of 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 applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

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.

The Group's accounting policies for right-of-use assets and lease liabilities is explained in Note 2.6.

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.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective up to the date of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new standards and amended standards and interpretations when they become effective.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3: Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

2.5 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year and its subsidiaries as at the same date or a date not earlier than three months from 31 December. The financial statements of subsidiaries, associates and joint ventures are prepared using consistent accounting policies and are adjusted, where necessary, to bring the accounting policies in line with those of the Group. All significant intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated on consolidation.

a. Subsidiaries

Subsidiaries are all entities over which the Group has control. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Refer note 18 for the list of major subsidiaries, their principal businesses and the Group's effective holding.

b. Non-controlling interest

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of financial position. For each business combination, non-controlling interest in the acquiree is measured either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. A change in ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingencies but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated statement of income in the year of acquisition.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash– generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed off in these circumstances is measured based on the relative fair values of the disposed operation and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus associated cumulative translation differences, cash flow hedge and goodwill is recognised in the consolidated statement of income.

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in an associate and joint ventures are initially recognised at cost and subsequently accounted for by the equity method of accounting. The Group's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of income. Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Gain or loss on such transaction is computed by comparing the carrying amount of the associate or joint venture at the time of loss of significant influence or joint control with the aggregate of fair value of the retained investment and proceeds from disposal. Such gain or loss is recognised in the consolidated statement of income.

Foreign currency translation

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial position date. All differences are included within net gain/loss from foreign currencies in the consolidated statement of income.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Group companies

On consolidation the assets and liabilities of foreign subsidiaries are translated into Kuwait Dinar at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal, liquidation, repayment of share capital or abandonment of all, or part of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary, is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiary and translated at the spot rate of exchange at the reporting date.

Revenue recognition

The following specific recognition criteria must also be met before revenue is recognised:

i) Financing income is income from murabaha, istisna'a, leased assets, wakala investments and investment in Sukuk and is determined by using the effective profit method. The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating the financing income over the relevant period.

ii) Fees and commission income is recognised when the Group satisfies the performance obligation by transferring the promised service to customers. At inception of the contract, the Group determines whether it satisfies the performance obligation over a period of time or at a point in time. Fees income earned from services provided over a period of time is recognised over the period of service. Fees and commissions arising from providing a transaction service are recognised at a point in time on completion of the underlying transaction.

iii) Rental income from investment properties is recognised on an accrual basis.

iv) Dividend income is recognised when the right to receive payment is established.

v) Operating lease income is recognised on a straight-line basis in accordance with the lease agreement.

vi) Gain from real estate investments includes gains from sale, transfer and distribution of investment properties, trading properties. Real estate gain is recognised when the significant risks and returns have been transferred to the buyer including satisfaction of all conditions of a contract.

Trading properties

Trading properties are measured initially at cost. Subsequent to initial recognition, trading properties are carried at the lower of cost or net realizable value determined on an individual basis.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at depreciated cost less impairment.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the investment property is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to property and equipment, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If property and equipment becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

When the Group begins to redevelop an existing investment property with a view to selling the property, it is transferred to trading properties at carrying value.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Depreciation is provided on a straight-line basis over the estimated useful lives, that range from 20 – 25 years other than freehold land which is deemed to have an indefinite life.

Properties under construction
Properties under construction or development for future use as investment properties are classified as investment properties and are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of the asset.

Precious metals inventory
Precious metals inventory primarily comprises Gold, which is carried at the fair value less cost to sell.

Financial instruments
Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Classification on initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the investment income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Financial liabilities, other than financing commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and yield (SPPY test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Yield (the 'SPPY test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are payments of principal or amortisation of the premium/discount).

The most significant elements of profit within a basic financing arrangement are typically the consideration for the time value of money, credit risk, other basic financing risks and a profit margin. To make the SPPY assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the yield rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and yield on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

The Group classifies its financial assets upon initial recognition into the following categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to statement of income on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to statement of income on derecognition
- Financial assets carried at fair value through profit or loss (FVTPL)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Debt instruments at amortised cost:

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset meet the SPPY test.

Cash and balances with banks and financial institutions, due from banks and financing receivables are classified as debt instruments at amortised cost.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Profit income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Debt instruments at FVOCI:

A debt instrument is carried at FVOCI if it meets both of the following conditions:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPY test

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Profit income and foreign exchange gains, losses and ECL are recognised in the consolidated statement of income. Fair value changes which are not part of an effective hedging relationship are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity until the asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of income.

Equity instruments at FVOCI:

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

Financial asset at FVTPL:

The Group classifies financial assets at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, profit income and dividends are recorded in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain perpetual Sukuks, equities and derivatives that are not designated as hedging instruments in a hedge relationship.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
The Group has determined the classification and measurement of its financial assets as follows:

i. Cash and cash equivalents
Cash and cash equivalents comprise cash, balances with Central Banks, balances with banks and financial institutions, cash in transit and exchange of deposits maturing within three months of contract date. Cash and cash equivalents are carried at amortised cost using effective profit rate.

ii. Due from banks
Due from banks are financial assets originated by the Group and represent commodity murabaha transactions with high credit quality banks. These are stated at amortised cost using effective profit rate.

iii. Financing receivables
Financing receivables are financial assets with fixed or determinable payments that are not quoted in an active market and principally comprise murabahas, istisna'a, wakala receivables and leased assets. The financing receivables are stated at amortised cost using effective profit rate.

Murabaha
Murabaha is an agreement relating to the sale of commodities at cost plus an agreed upon profit margin, whereby the seller informs the buyer of the price at which the deal will be completed and also the amount of profit to be recognized. Murabaha is a financial asset originated by the Group.

Istisna'a
Istisna'a is a sale contract between a contract owner and a contractor whereby the contractor based on an order from the contract owner undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time.

Wakala
Wakala is an agreement whereby the Group provides a sum of money to a customer under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the wakala.

Leased assets - the Group as a lessor
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease. Leased assets are stated at amortised cost using effective profit rate.

Trade receivable
Trade receivables that primarily relate to subsidiaries in businesses other than financing are carried at amounts due, net of expected credit losses and are stated at amortised cost.

iv. Investments
Group's financial investments consists of investment in Sukuk, equity investments and investment in funds. Sukuk are classified at FVOCI based on the business model in which these securities are managed. The management of the Group classifies investment in Sukuk as debt instruments at FVOCI. Equity investments are generally carried at FVTPL except for those specific investments for which the Group has made an election to classify at FVOCI. Investment in funds are carried at FVTPL.

v. Venture capital at fair value through statement of income
Certain investments in joint ventures held directly or indirectly through venture capital segment are not accounted for using equity method, as the Bank has elected to measure these investments at fair value through statement of income in accordance with IFRS 9, using the exemption of IAS 28: Investments in associates and joint ventures.

Venture capital at fair value through statement of income are carried in the consolidated statement of financial position at fair value with net changes in fair value recorded as unrealized gain (loss) in the consolidated statement of income.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Group has determined the classification and measurement of its financial liabilities as follows:

i. Due to banks and depositors' accounts

These are measured at amortised cost.

ii. Trade payable

Trade payable mainly relates to non-banking subsidiaries of the Group. Liabilities are recognised for amounts to be paid in the future for goods whether or not billed to the Group.

iii. Accrued expenses

Liabilities are recognised for amounts to be paid in the future for services received whether or not billed to the Group.

iv. Financial guarantees

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of income, and the provisions required by the CBK.

Undrawn financing commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a financing with pre-specified terms to the customer. Similar to financial guarantee contracts, a provision is measured, if they are an onerous contract, according to the CBK guidelines.

De-recognition of financial assets and financial liabilities

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

De-recognition due to substantial modification or terms and conditions

The Group derecognises a financial asset, such as financing receivables, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded..

When assessing whether or not to derecognise a financing receivable, amongst others, the Group considers the following factors:

- Change in currency of the financing
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPY criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at original effective profit rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

Derivative financial instruments and hedge accounting

i. Derivatives not designated as hedges:

Currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts instruments ("the instruments") are initially recognised in the consolidated statement of financial position at cost (including transaction costs) and subsequently measured at their fair value. The fair value of these instruments includes unrealized gain or loss from marking to market the instruments using prevailing market rates or internal pricing models. The instruments with positive market values (unrealised gains) are included in other assets and the instruments with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. These instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of these instruments are taken directly to the consolidated statement of income.

ii. Derivatives designated as hedges:

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Derivative financial instruments and hedge accounting (continued)

ii. Derivatives designated as hedges (continued):

- There is 'an economic relationship' between the hedge item and the hedging instrument.
- The effect of the credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges:
The gain or loss on the hedging instrument is recognised in consolidated statement of income while the hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item, if applicable, and be recognised in consolidated statement of income.

Cash flow hedges:
The effective portion of the gain or loss on the hedging instrument is recognised in the consolidated statement of other comprehensive income, while any ineffective portion is recognised immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognised as other comprehensive income are transferred to the consolidated statement of income when the hedged transaction affects consolidated statement of income.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in the consolidated statement of other comprehensive income at that time remains in the consolidated statement of other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the consolidated statement of other comprehensive income is immediately transferred to the consolidated statement of income.

Hedges of a net investment:
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity are transferred to consolidated statement of income.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Group recognises ECL for financing receivable, due from banks, non-cash credit facilities in the form of bank guarantees, letters of guarantee, documentary letters of credit, bank acceptances, undrawn cash and non-cash credit facilities (revocable and irrevocable) (together "financing facilities") and investment in Sukuk at FVOCI.

Balances with CBK is low risk and fully recoverable and hence no ECL is measured. Equity investments are not subject to ECL.

Impairment of financing facilities shall be recognised at the higher of ECL under IFRS 9 according to the CBK guidelines or the provisions required by the CBK instructions.

Expected Credit Losses
The Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

- To calculate ECL, the Group estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and
- The cash flows that the Group expects to receive, discounted at the effective profit rate of the financing facility.

The Group applies a three-stage approach to measure the ECL based on the applied impairment methodology, as described below:

Stage 1: 12-month ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure value of collaterals determined in accordance with CBK guideline.

Except for consumer and instalment financing, transfer of credit facility from Stage 2 to Stage 1 is made after a period of 12 months from the satisfaction of all conditions that triggered classification of the financial assets to Stage 2. Transfer of financial assets from Stage 3 to Stage 2 or Stage 1 is subject to approval of CBK.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the asset. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

When estimating lifetime ECL for undrawn financing commitments, the Group estimates the expected portion of the financing commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective profit rate on the financing.

The Group measures ECLs on guarantees based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted profit rate relevant to the exposure.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected Credit Losses (continued)
Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. The Group considers an exposure to have significantly increased in credit risk when there is significant deterioration in customer rating compared to rating at origination, restructured due to financial difficulties of the customers and other conditions mentioned below.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for financial assets, such as moving a customer/facility to the watch list, or the account becoming forborne. The Group also consider that events explained below (and not restricted to) as indicators of significant increase in credit risk as opposed to a default.

- All Financial assets are classified under Stage 2 when there has been a downgrade in the facility's credit rating by 2 grades for the facilities with Investment Grade and by 1 grade for those with Non-Investment Grade;
- All rescheduled financial assets are classified under the Stage 2 unless it qualifies for Stage 3 classification.
- Internal rating of the customer indicating default or near-default
- The customer requesting emergency funding from the Group;
- The customer having past due liabilities to public creditors or employees;
- The customer is deceased;
- A material decrease in the underlying collateral value where the recovery of the financing is expected from the sale of the collateral;
- A material decrease in the customer's turnover, loss of major customers or deterioration of customer financial position;
- A covenant breach not waived by the Group;
- The obligor (or any legal entity within the obligor's group) filing for bankruptcy application / protection or liquidation;
- Obligor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties;
- Legal measures and action against customer by other creditors;
- Clear evidence that the customer is unable to pay financing receivable on maturity dates;

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to Stage 2 even if other criteria do not indicate a significant increase in credit risk.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and are taken to Stage 3.

Objective evidence that financial assets is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assess whether objective evidence of impairment exists on an individual basis for each individually significant financial asset and collectively for others not deemed individually significant.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected Credit Losses (continued)

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represent the difference between cashflows due to the Group in accordance with the contract and the cashflows that the Group expects to receive. The key elements in the measurement of ECL include probability of default, loss given default and exposure at default.

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio. The Group uses point in time PD (PITPD) to calculate the ECL. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade financing facilities except for financing facilities granted to Government and Banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing financing (except for credit cards).

- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including payments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on utilized cash and non-cash facilities. For unutilized facilities CCF is applied based on the CBK requirements for leverage ratio issued on 21 October 2014.

- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. CBK guidelines have prescribed list of eligible collaterals and minimum hair-cuts that are applied in determination of LGD.

Further, as per CBK guidelines, for unsecured senior and subordinate financing facilities minimum LGD threshold applied is 50% and 75% respectively.

The maximum period for which the credit losses are determined is the contractual life of a financial asset, including credit cards and other revolving facilities unless the Group has the legal right to call it earlier except for financial assets in Stage 2, the Group considers a minimum maturity of 7 years for all financing facilities (excluding consumer financing & credit cards and personal housing financing which is regulated by CBK based on salary) unless financing facilities have non-extendable contractual maturity and final payment is less than 50% of the total facility extended. For consumer financings & credit cards and personal housing financings which is regulated by CBK based on salary in Stage 2, the Group considers minimum maturity of 5 years and 15 years respectively.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, unemployment rates, Central Bank base rates, oil prices, commodity price index and equity price index and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected Credit Losses (continued)

Renegotiated financing receivables

In the event of a default, the Group seeks to restructure financing to customers rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. When the financing to customers has been renegotiated or modified but not derecognised, any impairment is measured using the original effective yield method as calculated before the modification of terms. Management continually reviews renegotiated financing to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk or the facility should be classified in stage 3.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost. In the case of debt instruments measured at FVOCI, the Group recognises the ECL charge in the consolidated statement of income and a corresponding amount is recognised in other comprehensive income with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position.

Provisions for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on financing receivables in accordance with the instructions of CBK on the classification of financing receivables and calculation of provisions. Financing receivables are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A financing receivable is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired financing receivables are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions.

Provisions for credit losses in accordance with CBK instructions (continued)

Category	*Criteria*	*Specific provisions*
Watch list	Irregular for a period of 31 to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable financing receivables (net of certain restricted categories of collateral) which are not subject to specific provisioning.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

▪ Buildings	20 years
▪ Furniture, fixtures and equipment	3 to 5 years
▪ Motor vehicles	3 years

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date of the underlying asset if available of 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 the lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets ranging up to 25 years.

If the ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with the Group's impairment of non-financial assets policy.

ii. 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 incentive 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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in 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.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

i. Leased assets

This represents net investment in assets leased for periods which either approximate or cover a major part of the economic lives of such assets. The lease agreements provide a purchase option to lessees at a price equal or expected to be equal or lower than fair value of such assets at the time when such option is exercised.

Leased assets are stated at amounts equal to the net investment outstanding in the leases.

ii. Operating leases

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Intangible assets

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

▪ License of Islamic brokerage company	assessed to have an indefinite useful life
▪ Software development cost	3 to 5 years
▪ Software license right	15 years
▪ Other rights	3 to 7 years

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Taxation
Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates. Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates and applicable legislation enacted at the reporting date.

The Bank calculates shareholders Zakat at 2.577% on net working capital on completing fiscal year and is paid under the direction of the Bank's Fatwa and Shareea'a Supervisory Board, and netting the amount paid by 1% of net profit attributed to the Zakat paid to the Ministry of Finance as per the Zakat Law. Such Zakat is charged to voluntary reserve.

Non-current assets held for sale and disposal groups
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, in the most advantageous market to which the Group has access at that date.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets at a bid price and liabilities at an ask price.

The Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets carried at FVOCI or FVTPL
For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date.

For financial assets where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, current fair value of another instrument that is substantially the same, an earnings multiple, book value multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts
The fair value of currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts are determined based on valuations obtained from counterparty/third parties.

Other financial assets and liabilities
For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

Investment properties
For investment properties, fair value is determined by registered real estate valuers who have relevant experience in the property market.

Due from/to customers for contract work
Due from/to customers of contracting subsidiaries for uncompleted contracts represents costs, which comprises direct materials, direct labour and an appropriate allocation of overheads, plus attributable profit to the extent that it is reasonably certain less provision for contingencies and any losses incurred or foreseen in bringing contracts to completion, and less any amounts received or receivable as progress billings.

Share based payments
The Group operates an employees' share purchase plan for certain eligible employees, whereby employees render services as consideration for equity instruments (equity-settled transactions) and cash (cash-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (Reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of income represents the movement in cumulative expense recognised during the year.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments (continued)

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

Finance cost

Finance cost is directly attributable to due to banks and financial institutions and depositors' accounts. All finance costs are expensed in the period they occur.

Other provisions and reserves

Other provisions and reserves are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any reserve provision is presented in the consolidated statement of income net of any reimbursement.

Reserves for maintenance

Provisions for maintenance –related costs are recognised when the service is provided. Initial recognition is based on historical experience. The initial estimate of maintenance –related costs is revised annually.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Treasury shares

The Group's holding of its own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in equity (treasury share reserve) which is non distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated statement of financial position. These are disclosed separately in the consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgments (continued)

Classification of real estate

Management decides on acquisition of a developed and under development real estate property whether it should be classified as trading, investment property or property and equipment.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business or when it is being redeveloped for sale.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies property as property and equipment when it is acquired for owner occupation.

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.

Determining the lease term of contracts with renewal options (continued)

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).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and intangible assets with indefinite useful life

The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of investment in associates and joint ventures

The Group calculates the amount of impairment as the difference between the recoverable amount and its carrying value if there is any objective evidence that the investment in associates or joint ventures are impaired. The estimation of recoverable amount requires the Group to make an estimate of the expected future cash flows and selection of appropriate inputs for valuation.

Impairment of investment properties and trading properties

The Group reviews the carrying amounts of its investment and trading properties to determine whether there is an indication that those assets have suffered an impairment loss if the fair values are below than the carrying values. The Group management determines the appropriate techniques and inputs required for measuring the fair value using observable market data and as appropriate, the Group uses reputed valuers qualified to do the valuation.

Impairment of financial instruments

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)
The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their dependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit rating model, which assigns PDs to the individual grades
- The Group's criterial for assessing if there has been a significant increase in credit risk so allowances for financial assets should be measured on a lifetime ECL basis and qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including various formulas and choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The Group has the policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

3 INVESTMENT INCOME

		KD 000's
	2019	*2018*
Gain on sale of real estate investments	**17,900**	13,963
Rental income from investment properties	**11,179**	14,566
Dividend income	**4,845**	4,695
Gain on sale of investments	**32,636**	4,209
Share of results of investment in associates and joint ventures (Note 13 and Note 14)	**22,408**	28,192
Others	**41,281**	(2,306)
	130,249	63,319

4 OTHER INCOME

		KD 000's
	2019	*2018*
Income from sale of property and equipment	**2,182**	8,540
Real estate trading, development and construction income	**4,117**	3,781
Income from maintenance, services and consultancy	**13,049**	11,491
Rental income from operating lease	**7,997**	8,039
Other income	**13,363**	6,665
	40,708	38,516

5 PROVISIONS AND IMPAIRMENT

		KD 000's
	2019	*2018*
Expected credit losses for investment in Sukuk (Note 11)	**12,583**	5,662
Expected credit losses for other financial assets	**3,658**	8,344
Impairment on financing receivables* (Note 10)	**225,628**	87,835
Recovery of written-off debts	**(40,455)**	(28,082)
Impairment of investment properties** (Note 15)	**8,909**	71,117
Impairment of property and equipment	**1,121**	1,141
Reversal of impairment of non-cash facilities (Note 10)	**(26,459)**	(2,875)
Impairment of trading properties	**134**	240
Impairment of other assets and other provisions	**11,789**	19,128
	196,908	162,510

* During the year, the Bank has recorded additional provision of KD 60,000 thousand against financing receivables in its subsidiary in Turkey, in the view of the management for negative economic outlook.

** During the previous year, full impairment against certain real estate investments in GCC amounting to KD 63,779 thousand was recorded due to uncertainty in the recoverable amount in view of market outlook.

6 TAXATION

		KD 000's
	2019	*2018*
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	**2,450**	2,210
National Labour Support Tax (NLST)	**6,485**	4,078
Zakat (based on Zakat Law No. 46/2006)	**2,584**	2,223
Taxation related to subsidiaries	**38,941**	18,471
	50,460	26,982

7 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 year attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year after adjusting for treasury shares held by the Group.

Basic and diluted earnings per share:	***2019***	*2018*
Profit for the year attributable to shareholders of the Bank (thousand KD)	**251,023**	227,411
Weighted average number of shares outstanding during the year (thousands share)	**6,887,313**	6,879,463
Basic and diluted earnings per share attributable to the shareholders of the Bank	**36.45 fils**	33.06 fils

Basic and diluted earnings per share from continuing operations:	***2019***	*2018*
Profit for the year from continuing operations attributable to shareholders of the Bank (thousand KD)	**251,023**	222,825
Weighted average number of shares outstanding during the year (thousands share)	**6,887,313**	6,879,463
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	**36.45 fils**	32.39 fils

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

The comparative basic and diluted earnings per share have been restated for bonus shares issued (Note 22).

8 CASH AND BALANCES WITH BANKS

	KD 000's	
	2019	*2018*
Cash	**222,319**	218,746
Balances with Central Banks	**1,043,565**	701,407
Balances with banks and financial institutions – current accounts	**644,204**	461,017
Cash and balances with banks and financial institutions	**1,910,088**	1,381,170
Due from bank within 3 months of contract date	**1,366,498**	865,624
Less: Statutory deposits with Central Banks	**(756,584)**	(476,515)
Cash and cash equivalents	**2,520,002**	1,770,279

Statutory deposits with Central Banks represent balances that are not available for use in the Group's day-to-day operations.

9 DUE FROM BANKS

	KD 000's	
	2019	*2018*
Due from banks	**1,832,398**	1,329,215
Due from Central Banks	**1,950,430**	2,114,474
	3,782,828	3,443,689

The fair value of due from banks is not materially different from their respective carrying value.

10 FINANCING RECEIVABLES

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

	KD 000's	
	2019	*2018*
Financing receivables		
Murabaha and wakala	**9,039,692**	8,773,431
Leased assets	**2,003,959**	1,972,101
Istisna'a and other receivables	**90,864**	89,306
	11,134,515	10,834,838
Less: deferred and suspended profit	**(1,324,815)**	(1,270,420)
Net receivables	**9,809,700**	9,564,418
Less: impairment	**(473,145)**	(374,183)
	9,336,555	9,190,235

10 FINANCING RECEIVABLES (continued)

	Specific		*General*		*Total*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
						KD 000's
Balance as at beginning of year	**95,968**	166,713	**278,215**	277,695	**374,183**	444,408
Provided during the year (Note 5)	**151,956**	78,182	**73,672**	9,653	**225,628**	87,835
Amounts written off and foreign currency translation	**(124,151)**	(148,927)	**(2,515)**	(9,133)	**(126,666)**	(158,060)
Balance as at end of year	**123,773**	95,968	**349,372**	278,215	**473,145**	374,183

Reversal of provision for the year on non-cash facilities is KD 26,459 thousand (2018: KD 2,875 thousand) (Note 5). The available provision balance on non-cash facilities of KD 15,450 thousand (2018: KD 42,260 thousand) is included under other liabilities (Note 20).

The fair values of financing receivables do not materially differ from their respective book values.

The future minimum lease payments receivable in the aggregate are as follows:

	2019	*2018*
		KD 000's
Within one year	**998,566**	996,148
One to five years	**344,167**	349,464
More than five years	**661,226**	626,489
	2,003,959	1,972,101

Non-performing financing facilities
As at 31 December 2019, non-performing cash finance facilities before impairment and collateral (net of deferred profit and suspended profit) amounted to KD 211,084 thousand (2018: KD 217,758 thousand).

Total provision for credit losses recorded as per CBK instructions for utilized and unutilized cash and non-cash financing facilities as at 31 December 2019 is KD 488,595 thousand (2018: KD 416,443 thousand) which exceeds the ECL for financing receivables as per CBK instructions by KD 125,521 thousand (2018: KD 43,575 thousand).

11 INVESTMENT IN SUKUK

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification.

2019	***Stage 1 Individual***	***Stage 2 Individual***	***Stage 3 Individual***	***Total***
				KD 000's
High grade	**1,723,362**	-	-	**1,723,362**
Standard grade	**572,842**	-	-	**572,842**
Gross carrying amount	**2,296,204**	-	-	**2,296,204**
ECL allowance	**(19,772)**	-	-	**(19,772)**
Carrying value	**2,276,432**	-	-	**2,276,432**

11 INVESTMENT IN SUKUK (continued)

2018	*Stage 1 Individual*	*Stage 2 Individual*	*Stage 3 Individual*	*Total*
				KD 000's
High grade	1,366,246	-	-	1,366,246
Standard grade	204,304	-	-	204,304
Gross carrying amount	1,570,550	-	-	1,570,550
ECL allowance	(7,189)	-	-	(7,189)
Carrying value	1,563,361	-	-	1,563,361

Movement in the gross carrying amount and the corresponding expected credit losses in relation to the Group's investment in Sukuk carried at fair value through other comprehensive income is as follows:

2019	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
				KD 000's
Gross carrying amount as at 1 January 2019	**1,570,550**	-	-	**1,570,550**
Net movement during the year	**725,654**	-	-	**725,654**
At 31 December 2019	**2,296,204**	-	-	**2,296,204**

2019	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
				KD 000's
ECL allowance as at 1 January 2019	**7,189**	-	-	**7,189**
Re-measurements during the year (Note 5)	**12,583**	-	-	**12,583**
At 31 December 2019	**19,772**	-	-	**19,772**

2018	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
				KD 000's
Gross carrying amount as at 1 January 2018	1,418,033	-	1,308	1,419,341
Net movement during the year	152,517	-	(1,308)	151,209
At 31 December 2018	1,570,550	-	-	1,570,550

2018	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
				KD 000's
ECL allowance as at 1 January 2018	1,527	-	1,308	2,835
Re-measurements during the year (Note 5)	5,662	-	-	5,662
Amounts written-off	-	-	(1,308)	(1,308)
At 31 December 2018	7,189	-	-	7,189

12 INVESTMENTS

	KD 000's	
	2019	*2018*
Equities and funds	**189,467**	254,951
Venture capital at fair value through statement of income	**21,057**	29,932
	210,524	284,883
Investments at fair value through profit or loss	**100,774**	161,906
Investments at fair value through other comprehensive income	**88,693**	93,045
Venture capital at fair value through statement of income	**21,057**	29,932
	210,524	284,883

13 INVESTMENT IN ASSOCIATES

The major associates of the Group are as follows:

	Interest in equity %		*Country of registration*	*Principal activities*	*Financial statements reporting date*
	2019	*2018*			
Sharjah Islamic Bank P.J.S.C.	**18**	18	United Arab Emirates	Islamic banking services	30 September 2019
Ibdar Bank B.S.C.	**35**	35	Bahrain	Islamic banking service	30 September 2019
Aviation Lease and Finance Company K.S.C.P. (ALAFCO)	**46**	46	Kuwait	Aircraft leasing and financing services	30 September 2019

The following table illustrates the summarised aggregate information of the Group associates:

Summarised consolidated statement of financial position:

	KD 000's	
	2019	*2018*
Assets	**5,778,660**	5,607,341
Liabilities	**(4,714,156)**	(4,546,119)
Equity	**1,064,504**	1,061,222
Carrying amount of the investment	**297,613**	296,203

Summarised consolidated statement of income:

	KD 000's	
	2019	*2018*
Revenues	**314,555**	323,215
Expenses	**(260,506)**	(244,429)
Profit for the year	**54,049**	78,786
Group's share of profit for the year	**12,533**	24,039

Investments in associates with a carrying amount of KD 250,623 thousand (2018: KD 242,802 thousand) have a market value of KD 185,903 thousand at 31 December 2019 (2018: KD 217,607 thousand) based on published quotes.

13 INVESTMENT IN ASSOCIATES (continued)

Dividends received from the associates during the current year amounted to KD 9,584 thousand (2018: KD 7,911 thousand).

14 INVESTMENT IN JOINT VENTURES

The major joint ventures of the Group are as follows:

	Interest in equity %		*Country of registration*	*Principal activities*	*Financial statements reporting date*
	2019	*2018*			
Diyar Homes Company W.L.L (Souq Al Muharraq)	**50**	50	Bahrain	Real estate development	31 October 2019
Al Durrat Al Tijaria Company W.L.L	**50**	50	Bahrain	Real estate development	31 October 2019
Diyar Al Muharraq Company W.L.L.	**52**	52	Bahrain	Real estate development	31 October 2019

The following table illustrates the summarised aggregate information of the Group joint ventures:

Summarised consolidated statement of financial position:

		KD 000's
	2019	*2018*
Assets	**829,672**	983,997
Liabilities	**(387,186)**	(540,048)
Equity	**442,486**	443,949
Carrying amount of the investment	**206,730**	202,976

Summarised consolidated statement of income:

		KD 000's
	2019	*2018*
Revenues	**72,018**	41,779
Expenses	**(54,284)**	(34,184)
Profit for the year	**17,734**	7,595
Group's share of profit for the year	**9,875**	4,153

Dividends received from the joint ventures during the current year amounted to Nil (2018: KD 1,105 thousand).

15 INVESTMENT PROPERTIES

		KD 000's
	2019	*2018*
As at 1 January	**489,609**	554,321
Additions	**1,406**	2,915
Transfer from other assets	**-**	29,306
Disposals	**(20,315)**	(18,996)
Depreciation charge for the year	**(6,385)**	(6,820)
Impairment (Note 5)	**(8,909)**	(71,117)
As at 31 December	**455,406**	489,609

15 INVESTMENT PROPERTIES (continued)

	2019 KD 000's	*2018* KD 000's
Developed properties	**343,876**	375,106
Properties under construction	**111,530**	114,503
	455,406	489,609

16 OTHER ASSETS

	2019 KD 000's	*2018* KD 000's
Precious metals inventory	**111,943**	38,080
Trade receivable, net	**89,248**	79,576
Clearing accounts	**130,549**	176,027
Receivables on sale of investment	**2,104**	34,389
Deferred tax	**22,538**	34,005
Advances and prepayments	**55,511**	48,552
Other miscellaneous assets	**134,889**	133,787
	546,782	544,416

17 INTANGIBLE ASSETS AND GOODWILL

	2019 KD 000's	*2018* KD 000's
Intangible assets	**31,037**	30,888
Goodwill	**292**	292
	31,329	31,180

Movement of intangible assets is as follows:

	2019 KD 000's	*2018* KD 000's
Cost		
As at 1 January	**75,553**	74,499
Additions	**6,807**	7,248
Disposal	**(3,330)**	-
Foreign exchange translation	**(1,939)**	(6,194)
As at 31 December	**77,091**	75,553

	2019 KD 000's	*2018* KD 000's
Accumulated amortization		
As at 1 January	**44,665**	42,489
Charge for the year	**3,963**	5,012
Disposals	**(517)**	-
Foreign exchange translation	**(2,057)**	(2,836)
As at 31 December	**46,054**	44,665
Net book value		
As at 31 December	**31,037**	30,888

17 INTANGIBLE ASSETS AND GOODWILL (continued)

Intangible asset includes license of an Islamic brokerage company amounting to KD 14,671 thousand (2018: KD 14,671 thousand) and is considered as an intangible asset with an indefinite useful life. The carrying value of the Islamic brokerage license is tested for impairment on an annual basis by estimating the recoverable amount of the cash generating unit (CGU). The recoverable amount of the license has been determined using a discount rate of 8.8% (2018: 9.1%) and a terminal growth rate of 2.7% (2018: 3.0%). As a result, the management believes there are no indications of any impairment in value. Other intangible assets amounting to KD 16,366 thousand (2018: KD 16,217 thousand) represent software development cost, software license right and other rights with finite useful lives. Intangible assets with finite lives are amortised over their useful economic life.

18 SUBSIDIARIES

18.1 Details of principal operating material subsidiaries

Name	*Country of registration*	*Interest in equity %*		*Principal activity*	*Financial statements reporting date*
		2019	*2018*		
Kuwait Turkish Participation Bank	Turkey	**62**	62	Islamic banking services	31 December 2019
Kuwait Finance House B.S.C.	Bahrain	**100**	100	Islamic banking services	31 December 2019
Kuwait Finance House (Malaysia) Berhad	Malaysia	**100**	100	Islamic banking services	31 December 2019
Saudi Kuwait Finance House S.S.C. (Closed)	Saudi Arabia	**100**	100	Islamic investment	31 December 2019
KFH Capital Investments Company K.S.C. (Closed) *	Kuwait	**99.9**	99.9	Islamic finance and investments	31 October 2019
KFH Private Equity Ltd	Cayman Islands	**100**	100	Islamic investments	31 December 2019
KFH Real Estate Company K.S.C. (Closed) *	Kuwait	**99.9**	99.9	Real estate development and leasing	31 October 2019
Al Enma'a Real Estate Company K.S.C.P.	Kuwait	**56**	56	Real estate, investment, trading and real estate management	31 October 2019
Development Enterprises Holding Company K.S.C. (Closed) *	Kuwait	**99.9**	99.9	Infrastructure and industrial investment	31 December 2019
Baitak Real Estate Investment Company S.S.C.	Saudi Arabia	**100**	100	Real estate development and investment	30 September 2019
International Turnkey Systems Company K.S.C. (Closed)	Kuwait	**97**	97	Computer maintenance, consultancy and software services	30 September 2019
Gulf International Automobile Trading Company K.S.C. (Closed) *	Kuwait	**99.6**	99.6	Trading, import and export of used cars	30 September 2019

18 SUBSIDIARIES (continued)

18.1 Details of principal operating material subsidiaries (continued)

Name	*Country of registration*	*Interest in equity %*		*Principal activity*	*Financial statements reporting date*
E'amar	Cayman Islands	**100**	100	Islamic investments	31 December 2019
Al Salam Hospital K.S.C. (Closed)	Kuwait	**76**	76	Healthcare services	30 September 2019
Muthana GCC Islamic Banks Fund	Kuwait	**87**	92	Islamic equity investments	30 September 2019
Muthana Islamic Index Fund	Kuwait	**-**	20	Islamic equity investments	30 September 2019
Turkapital Holding B.S.C.(C)	Bahrain	**51**	51	Real estate, auto leasing and insurance	30 September 2019

** Effective ownership percentage is 100% (2018: 100%).*

18.2 Material partly-owned subsidiary

Financial information of subsidiary that have material non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation & operation	*Non-controlling interest percentage*	
		2019	*2018*
Kuwait Turkish Participation Bank	Turkey	**38%**	38%

The summarised financial information of the subsidiary is provided below. This information is based on amounts before intra-Group eliminations and adjustments.

Summarised consolidated statement of income for the year ended:

	KD 000's	
	2019	*2018*
Revenues	**508,298**	427,068
Expenses	**(433,734)**	(322,082)
Profit for the year	**74,564**	104,986
Attributable to non-controlling interest profit	**28,155**	39,643

18 SUBSIDIARIES (continued)

18.2 Material partly-owned subsidiary (continued)

Summarised consolidated statement of financial position as at:

	2019	2018
	KD 000's	
Total assets	**5,481,274**	4,302,308
Total liabilities	**(5,064,630)**	(3,932,558)
Total equity	**416,644**	369,750
Attributable to non-controlling interests	**157,325**	139,618

Summarised consolidated statement of cash flows for year ended:

	2019	2018
	KD 000's	
Operating	**716,577**	216,532
Investing	**(647,285)**	780
Financing	**(216,646)**	(116,707)
Net (decrease) increase in cash and cash equivalents	**(147,354)**	100,605

19 DEPOSITORS' ACCOUNTS

a) The depositors' accounts of the Bank comprise the following:

1) Non-investment deposits in the form of current accounts: These deposits are not entitled to any profits nor do they bear any risk of loss as the Bank guarantees to pay the related balances on demand. Accordingly, these deposits are considered Qard Hasan from depositors to the Bank under Islamic Shari'a.

2) Investment deposits: These have fixed maturity as specified in the term of the contract and are automatically renewable for the same periods unless notified to the contrary in writing by the depositor. Investment savings accounts are valid for an unlimited period.

In all cases, the investment deposits receive a proportion of the profit as the board of directors of the Bank determines, or bear a share of loss based on the results of the financial year.

b) The fair values of depositors' accounts do not differ from their carrying book values.

20 OTHER LIABILITIES

	2019	2018
	KD 000's	
Trade payables	**196,929**	163,521
Accrued expenses	**174,817**	147,679
Certified cheques	**57,578**	60,218
Due to customers for contract work	**31,652**	35,811
Maintenance and other reserve	**117,745**	77,156
Employees' end of service benefits	**76,104**	73,478
Refundable deposits	**5,897**	6,309
Provision on non-cash facilities (Note 10)	**15,450**	42,260
Other miscellaneous liabilities	**171,535**	121,699
	847,707	728,131

21 RESERVES

KD 000's

	Statutory reserve	*Voluntary reserve*	*Retained earnings*	*Treasury shares reserve*	*Fair value reserve*	*Foreign exchange translation reserve*	*Other reserves*	***Total***
Balance as at 1 January 2019	298,527	298,527	64,927	6,947	(14,715)	(238,293)	(20,642)	395,278
Profit for the year	-	-	251,023	-	-	-	-	251,023
Other comprehensive income (loss)	-	-	-	-	66,309	(25,276)	-	41,033
Total comprehensive income (loss)	-	-	251,023	-	66,309	(25,276)	-	292,056
Zakat	-	(14,748)	-	-	-	-	-	(14,748)
Transfer to reserves	26,348	26,348	(52,696)	-	-	-	-	-
Proposed issuance of bonus shares (Note 23)	-	-	(69,765)	-	-	-	-	(69,765)
Proposed cash dividends (Note 23)	-	-	(137,980)	-	-	-	-	(137,980)
Share based payments (Note 24)	-	-	-	-	-	-	1,000	1,000
Transfer of fair value reserve of equity investment at FVOCI	-	-	(221)	-	221	-	-	-
Gain on partial sale of subsidiary	-	-	-	-	-	-	266	266
Group share of distribution to Tier 1 Sukuk of an associate	-	-	(151)	-	-	-	-	(151)
Net movement in treasury shares	-	-	-	4,952	-	-	-	4,952
Balance as at 31 December 2019	324,875	310,127	55,137	11,899	51,815	(263,569)	(19,376)	470,908

21 RESERVES (continued)

KD 000's

	Statutory reserve	*Voluntary reserve*	*Retained earnings*	*Treasury shares reserve*	*Fair value reserve*	*Foreign exchange translation reserve*	*Other reserves*	*Total*
Balance as 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 year	-	-	227,411	-	-	-	-	227,411
Other comprehensive loss	-	-	-	-	(20,084)	(73,840)	-	(93,924)
Total comprehensive income (loss)	-	-	227,411	-	(20,084)	(73,840)	-	133,487
Zakat	-	-	(12,578)	-	-	-	-	(12,578)
Transfer to reserves	23,686	23,686	(47,372)	-	-	-	-	-
Proposed issuance of bonus shares (Note 23)	-	-	(63,423)	-	-	-	-	(63,423)
Proposed cash dividends (Note 23)	-	-	(125,097)	-	-	-	-	(125,097)
Share based payments (Note 24)	-	-	-	-	-	-	490	490
Deconsolidation of a subsidiary	-	-	(10,938)	-	(2,292)	(341)	13,230	(341)
Disposal of a subsidiary	-	-	-	-	-	(290)	-	(290)
Net movement in treasury shares	-	-	-	211	-	-	-	211
Balance as at 31 December 2018	298,527	298,527	64,927	6,947	(14,715)	(238,293)	(20,642)	395,278

21 RESERVES (continued)

Statutory reserve
In accordance with the Companies' Law, as amended, and the Bank's Memorandum of Incorporation and Articles of Association, as amended, a minimum of 10% of the profit for the year before KFAS, NLST, Zakat, and board of directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Bank may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

Voluntary reserve
In accordance with the Companies' Law, as amended, and the Bank's Memorandum of Incorporation and Articles of Association, as amended, a maximum of 10% of the profit for the year before KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

Voluntary reserve is available to be distributed to shareholders at the discretion of the Bank's Board of Directors in ways that may be deemed beneficial to the Bank, except for the amount of KD 36,243 thousand (2018: KD 44,452 thousand) which is equivalent to the cost of purchasing treasury shares, and is not available for distribution throughout the holding period of the treasury shares (Note 22).

The ordinary general assembly meeting of the shareholders of the Bank held on 16 March 2015 approved to restrict the balance of statutory reserve and voluntary reserve up to 50% of the paid-up share capital and transfer amounts in excess of 50% of the paid-up capital from statutory reserve and voluntary reserve to retained earnings.

The share premium balance is not available for distribution.

Fair value reserve, foreign currency translation reserve and other reserve are attributable to both shareholders and deposit account holders.

22 SHARE CAPITAL AND TREASURY SHARES

The ordinary general assembly of the shareholders of the Bank held on 18 March 2019 approved 10% bonus shares on outstanding shares amounting to KD 63,423 thousand for the year ended 31 December 2018 (Note 23).

Share capital

	KD 000's	
	2019	*2018*
Authorized, issued and fully paid in cash and bonus shares: 6,976,489,202 (2018: 6,342,262,911) shares of 100 fils each	**697,649**	634,226

The movement in ordinary shares in issue during the year was as follows:

	2019	*2018*
Number of shares in issue as at 1 January	**6,342,262,911**	5,765,693,556
Bonus shares issued	**634,226,291**	576,569,355
Number of shares in issue 31 December	**6,976,489,202**	6,342,262,911

Treasury shares and treasury share reserve.
The Group held the following treasury shares at the year-end:

	2019	*2018*
Number of treasury shares	**77,469,236**	87,436,110
Treasury shares as a percentage of total shares in issue	**1.11%**	1.38%
Cost of treasury shares (KD)	**36,242,560**	44,451,503
Market value of treasury shares (KD)	**62,827,550**	53,336,027

The balance in the treasury share reserve account is not available for distribution.

22 SHARE CAPITAL AND TREASURY SHARES (continued)

An amount of KD 36,243 thousand (2018: KD 44,452 thousand) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares.

The weighted average market price of the Bank's shares for the year ended 31 December 2019 was 698 fils (2018: 587 fils) per share.

23 PROPOSED CASH DIVIDENDS, BONUS SHARES, AND DIRECTORS' FEES

The Board of Directors of the Bank has proposed a cash dividend of 20% for the year ended 31 December 2019 (2018: 20%) and issuance of bonus shares of 10% (2018: 10%) of paid up share capital as follows:

	2019		*2018*	
		Total KD 000's		*Total KD 000's*
Proposed cash dividends (per share)	20 fils	**137,980**	20 fils	125,097
Proposed issuance of bonus shares (per 100 shares)	10 shares	**69,765**	10 shares	63,423

This proposal is subject to the approval of the ordinary general assembly of the shareholders of the Bank and completion of legal formalities. Proposed dividends are shown separately within equity.

The Board of Directors of the Bank has proposed Directors' fees of KD 942 thousand (2018: KD 942 thousand), (Note 27) are within the amount permissible under local regulations and are subject to approval by the annual general assembly of the shareholders of the Bank.

24 SHARE BASED PAYMENTS

The Bank operates long-term incentive scheme plan (LTIS) approved by the Board of Directors and authorized by the Bank's extraordinary general assembly and ordinary assembly. The LTIS operate on a rolling yearly employees' share purchase plan where new plans is rolled out to eligible employees every year. Shares issued under each plan will vest at the end of three years from the allocation date subject to agreed performance conditions approved by the Board of Directors being met.

25 CONTINGENCIES AND CAPITAL COMMITMENTS

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

		KD 000's
	2019	*2018*
Acceptances and letters of credit	**140,041**	151,421
Letter of Guarantees	**1,556,923**	1,712,382
Contingencies	**1,696,964**	1,863,803

		KD 000's
	2019	*2018*
Capital commitments and others	**356,144**	294,675

26 CURRENCY SWAPS, PROFIT RATE SWAPS, FORWARD FOREIGN EXCHANGE AND FORWARD COMMODITY CONTRACTS ("ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS")

In the ordinary course of business the Group enters into currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts ("Islamic derivative financial instruments") to mitigate foreign currency and profit rate risk. Currency swaps and forward commodity contracts are based on Wa'ad (promise) structure between two parties to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through unilateral purchase undertaking. For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments based on a notional value in a single currency. For currency swaps, fixed or floating payments as well as notional amounts are exchanged in different currencies.

The currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts are being used for hedging purpose.

Embedded swaps and profit rate contracts are balances with banks and financial institutions with rates of return tied to changes in value of precious metals.

The table below shows the positive and negative fair values of these instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of currency swap instruments' underlying asset, reference rate or index and is the basis upon which changes in the value of these instruments are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

			KD 000's
	Positive fair value	***Negative fair value***	***Notional amount***
31 December 2019			
Forward contracts	1,165	1,966	670,811
Profit rate swaps	-	14,402	227,378
Currency swaps	12,083	15,157	1,810,765
Embedded precious metals	-	444	231,950
	13,248	**31,969**	**2,940,904**

			KD 000's
	Positive fair value	*Negative fair value*	*Notional amount*
31 December 2018			
Forward contracts	2,568	3,733	336,980
Profit rate swaps	73	3,289	224,633
Currency swaps	895	8,372	792,523
Embedded precious metals	-	459	132,457
	3,536	15,853	1,486,593

26 CURRENCY SWAPS, PROFIT RATE SWAPS, FORWARD FOREIGN EXCHANGE AND FORWARD COMMODITY CONTRACTS ("ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS") (continued)

In respect of currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts the notional amount represents the gross cash flows. However, the amounts may be settled net. The following table shows the gross and net cash flows:

	Notional amount	*Within 3 months*	*3 to 12 months*	*More than 12 months*
				KD 000's
31 December 2019				
Cash inflows	2,940,904	1,108,385	1,190,769	641,750
Cash outflows	(2,702,252)	(1,111,384)	(1,062,126)	(528,742)
Net cash flows	**238,652**	**(2,999)**	**128,643**	**113,008**
31 December 2018				
Cash inflows	1,486,593	631,157	407,268	448,168
Cash outflows	(1,360,223)	(630,044)	(339,358)	(390,821)
Net cash flows	126,370	1,113	67,910	57,347

27 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.

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

	Major shareholders	*Associates and joint ventures*	*Board Members and executive Officers*	*Other related party*	***KD 000's*** ***Total*** ***2019***	*2018*
Financing income	-	**7,689**	**188**	**387**	**8,264**	6,721
Fee and commission income	-	**29**	**185**	**86**	**300**	730
Finance costs and distribution to depositors	**31,323**	**2,260**	**111**	**946**	**34,640**	33,474

Balances with related parties included in the consolidated statement of financial position are as follows:

	Major shareholders	*Associates and joint ventures*	*Board Members and executive Officers*	*Other related party*	***KD 000's*** ***Total*** ***2019***	*2018*
Financing receivables	-	**246,486**	**3,566**	**945**	**250,997**	263,176
Due to banks and financial institutions	**854,478**	**45,627**	-	-	**900,105**	1,416,143
Depositors' accounts	-	**88,650**	**10,262**	**19,814**	**118,726**	85,182
Contingencies and commitments	**486**	**9,363**	-	**4,332**	**14,181**	16,321

27 RELATED PARTY TRANSACTIONS (continued)

Details of the interests of Board Members and Executive Officers are as follows:

	The number of Board Members or Executive Officers		*The number of related parties (Relatives of board members or executive officers)*		*KD 000's*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
Board Members						
Finance facilities	**24**	29	**10**	16	**2,296**	2,119
Depositors' accounts	**47**	57	**75**	87	**12,387**	16,889
Collateral against financing facilities	**4**	4	**1**	3	**2,624**	1,950
Executive officers						
Finance facilities	**70**	69	**21**	16	**1,927**	2,456
Depositors' accounts	**79**	76	**108**	78	**11,138**	7,627
Collateral against financing facilities	**8**	8	**4**	4	**2,815**	4,920

Salaries, allowances and bonuses of key management personnel and remuneration of chairman and board members are as follows:

	KD 000's *Total* ***2019***	*2018*
Salaries, allowances and bonuses of key management personnel	**16,625**	17,207
Termination and long-term benefits of key management personnel	**1,079**	1,228
Board of directors remuneration *	**1,858**	1,729
	19,562	20,164

* Board of director's remuneration include amount of KD 942 thousand (2018: KD 942 thousand) related to the Bank. The board of director's remuneration is subject to the approval of the Annual General Assembly (Note:23).

28 SEGMENTAL ANALYSIS

Primary segment information

For management purposes, the Group is organized into four major business segments. The principal activities and services under these segments are as follows:

Treasury: Liquidity management, murabaha investments, investment in Sukuk, exchange of deposits with banks and financial institutions and international banking relationships.

Retail and Private Banking: Consumer banking provides a diversified range of products and services to individual. Private banking provides comprehensive range of customised and innovative banking services to high net worth individuals

Corporates Banking: Providing a range of banking services and investment products to corporates, providing commodity and real estate murabaha finance, local leasing, wakala and istisna'a facilities.

Investment: Managing direct equity and real estate investments, non-banking Group entities, associates and Joint ventures.

28 SEGMENTAL ANALYSIS (continued)

31 December 2019	*Treasury*	*Retail and private Banking*	*Corporate Banking*	*Investment*	*Total*
					KD 000's
Total assets	**6,433,023**	**6,085,972**	**4,978,542**	**1,893,321**	**19,390,858**
Total liabilities	**2,990,037**	**10,836,616**	**2,624,440**	**696,390**	**17,147,483**
Operating income	**100,119**	**301,044**	**230,580**	**182,659**	**814,402**
Provisions and impairment	**(1,935)**	**(15,113)**	**(78,810)**	**(101,050)**	**(196,908)**
Profit (loss) for the year	**83,244**	**114,756**	**79,610**	**(15,789)**	**261,821**

31 December 2018	*Treasury*	*Retail and private Banking*	*Corporate Banking*	*Investment*	*Total*
					KD 000's
Total assets	4,963,624	5,813,751	4,931,364	2,061,539	17,770,278
Total liabilities	3,500,725	9,467,206	2,142,414	585,763	15,696,108
Operating income	60,165	296,190	246,740	142,913	746,008
Provisions and impairment	(1,979)	(17,864)	(39,827)	(102,840)	(162,510)
Profit (loss) for the year	45,608	103,742	140,070	(25,896)	263,524

Secondary segment information

The Group operates in different geographical areas. A geographical analysis is as follows:

	Assets		*Contingencies and capital commitments*	
	2019	*2018*	***2019***	*2018*
				KD 000's
Geographical areas:				
Middle East	**12,838,248**	12,175,300	**663,574**	669,317
Europe	**5,360,817**	4,586,413	**1,278,971**	1,363,275
Other	**1,191,793**	1,008,565	**110,563**	125,886
	19,390,858	17,770,278	**2,053,108**	2,158,478

	Local		*International*		*Total*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
						KD 000's
Operating income	**368,953**	371,711	**445,449**	374,297	**814,402**	746,008
Profit for the year	**191,671**	162,130	**70,150**	101,394	**261,821**	263,524

29 RISK MANAGEMENT

Risk management is an integral part of Group decision-making processes. It is implemented through a governance process that emphasizes on independent risk assessment, control and monitoring, overseen directly by the Board and senior management.

KFH continues to upgrade its risk management capabilities in the light of developments in the business, banking and market regulations and risk management best practices. KFH operates a "three lines of defence" system for managing risk.

The first line of defence recognizes that risks are raised by the business units and within their business. In KFH, all employees (credit officers, dealers, operations, etc.) are required to ensure the effective management of risks within their organizational responsibilities.

The second line of defence comprises the Risk Management Department and the Financial Control Department, which are responsible for ensuring that the risks are managed in accordance within the stated risk appetite.

The third line of defence is the independent assurance provided by the Internal Audit function. Its role is defined and overseen by the Audit Committee. The findings from the Internal Audit audits are reported to all relevant management and governance bodies. The Internal Audit function provides assurance that the overall system of control effectiveness is working as required within the risk management framework.

The risk management department is responsible for managing and monitoring risk exposures. It also, measures risk using risk models and presents reports to the Board Risk Committee and the Board of Directors. The models use probabilities based on historical experiences adjusted to reflect the current economic environment.

Monitoring and controlling risks are managed through limits set by the Board of Directors. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Bank's Board of Directors are willing to accept.

Risk mitigation
As part of its overall risk management, the Group uses currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts (within accepted Shari'a products) to manage exposures and emerging risks resulting from changes in yields, foreign currencies and, equity risks. The Group actively uses collateral to reduce its credit risks.

Excessive risk concentration
In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging (Shari'a compliance) is used within the Bank to manage risk concentrations at both the relationship and industry levels.

In addition, each of the banking subsidiaries of the Group has similar risk management structures, policies and procedures as overseen by the Bank's Board of Directors.

30 CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has process to review credit quality to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by using credit risk rating model, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which is exposed to and take corrective actions.

Assessment of expected credit losses

Definition of default and cure
The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as releasing security (if any is held);
- the customer is past due more than 90 days on any material credit obligation to the Group; or
- customer is considered as credit impaired based on qualitative assessment for internal credit risk management purposes

The Group considers externally-rated exposures with ratings 'D' for S&P and Fitch, and 'C' for Moody's as defaulted.

The Group considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:
- breaches of covenants
- customer having past due liabilities to public creditors or employees
- customer is deceased

Significant increase in credit risk
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess whether there has been a significant increase in credit risk since initial recognition. The Group applies a consistent quantitative criterion for internally and externally rated portfolio to assess significant increase in credit risk.

Internal rating and PD estimation process
In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses Moody's Risk Analyst (MRA) as its internal credit-rating engine. The MRA tool provides the ability to analyze a business and produce risk ratings. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group' rating policy. The attributable risk ratings are assessed and updated regularly.

The group uses of PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. The through the cycle (TTC) PDs are generated from MRA based on the internal credit ratings. or from external credit rating by recognised rating agencies for externally rated portfolios.
The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques.

30 CREDIT RISK (continued)

Assessment of expected credit losses *(continued)*

The Group assesses the PD for its retail portfolio through application scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions.. The Group employs statistical models to incorporate macro-economic factors impact on ECL. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Maximum exposure to credit risk without taking account of any collateral

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown (before impairment, net of deferred and suspended profit), before the effect of mitigation through the use of master netting and collateral agreements.

		KD 000's	
	Notes	***2019***	*2018*
Balances with banks and financial institutions	8	**1,687,769**	1,162,424
Due from banks	9	**3,782,828**	3,443,689
Financing receivables	10	**9,809,700**	9,564,418
Investment in Sukuk	11	**2,296,204**	1,570,550
Trade and other receivables		**281,752**	296,304
Total		**17,858,253**	16,037,385
Contingencies	25	**1,696,964**	1,863,803
Commitments	25	**356,144**	294,675
Total		**2,053,108**	2,158,478
Total credit risk exposure		**19,911,361**	18,195,863

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by counterparty by geographical region and by industry sector. The maximum credit exposure to a single counterparty as of 31 December 2019 was KD 240,031 thousand (2018: KD 275,392 thousand) before taking account of any collaterals.

The Group's financial assets, before taking into account any collateral held can be analysed by the following geographical regions:

	KD 000's	
	2019	*2018*
Middle East	**11,649,002**	10,979,525
Europe	**5,227,580**	4,187,448
Other	**981,671**	870,412
	17,858,253	16,037,385

30 CREDIT RISK (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets, before taking into account collateral held is as follows:

	KD 000's	
	2019	*2018*
Trading and manufacturing	**4,383,273**	4,210,042
Banks and financial institutions	**7,651,507**	6,207,407
Construction and real estate	**2,797,710**	2,760,204
Other	**3,025,763**	2,859,732
	17,858,253	16,037,385

Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets before impairment for consolidated statement of financial position lines:

	Neither past due nor impaired			***KD 000's***
	High grade	*Standard grade*	*Past due or impaired*	*Total*
31 December 2019				
Balances with banks and financial institutions	**1,687,769**	-	-	**1,687,769**
Due from banks	**3,782,828**	-	-	**3,782,828**
Financing receivables (Note 10)	**7,877,748**	**1,156,628**	**775,324**	**9,809,700**
Investment in Sukuk	**1,723,362**	**572,842**	-	**2,296,204**
Trade and other receivables	**281,752**	-	-	**281,752**
	15,353,459	**1,729,470**	**775,324**	**17,858,253**

	Neither past due nor impaired			*KD 000's*
	High grade	*Standard grade*	*Past due or impaired*	*Total*
31 December 2018				
Balances with banks and financial institutions	1,162,424	-	-	1,162,424
Due from banks	3,443,689	-	-	3,443,689
Financing receivables (Note 10)	7,733,158	1,033,817	797,443	9,564,418
Investment in Sukuk	1,366,246	204,304	-	1,570,550
Trade and other receivables	296,304	-	-	296,304
	14,001,821	1,238,121	797,443	16,037,385

Aging analysis of past due but not impaired finance facilities by class of financial assets:

				KD 000's
	Less than 30 days	***31 to 60 days***	***61 to 90 days***	***Total***
31 December 2019				
Financing receivables	**318,362**	**113,611**	**132,267**	**564,240**
31 December 2018				
Financing receivables	352,908	134,551	92,226	579,685

30 CREDIT RISK (continued)

Collateral
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines initiated by the Group's risk management and credit committee are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral accepted include real estate, securities, cash and bank guarantees. The Group also obtains guarantees from parent companies for finance facilities extended to their subsidiaries.

Management monitors the fair value of collateral and requests additional collateral in accordance with the underlying agreements when necessary.

The fair value of collateral that the Group holds relating to past due or impaired finance facilities as at 31 December 2019 was KD 281,072 thousand (2018: KD 315,388 thousand). The collateral consists of cash, securities, sukuk, letters of guarantee and real estate assets.

31 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management arranges diversified funding sources in addition to its core deposit base while manages assets and monitors future cash flows with liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high quality liquid assets, which could be used to secure additional funding if required.

In addition, the Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year-end are based on contractual payment arrangement and planned exit dates.

The maturity profile of assets and undiscounted liabilities at 31 December 2019 is as follows:

				KD 000's
	Up to 3 months	*3 to 12 months*	*After one year*	***Total***
Assets				
Cash and balances with banks	**1,873,319**	**5,388**	**31,381**	**1,910,088**
Due from banks	**2,505,967**	**1,006,429**	**270,432**	**3,782,828**
Financing receivables	**2,239,235**	**2,302,324**	**4,794,996**	**9,336,555**
Investment in Sukuk	**33,020**	**278,823**	**1,964,589**	**2,276,432**
Trading properties	**9,301**	**8,477**	**89,835**	**107,613**
Investments	**5,934**	**19,352**	**185,238**	**210,524**
Investment in associates and joint ventures	-	-	**504,343**	**504,343**
Investment properties	**2,627**	**10,706**	**442,073**	**455,406**
Other assets	**132,657**	**46,529**	**367,596**	**546,782**
Intangible assets and goodwill	-	-	**31,329**	**31,329**
Property and equipment	-	-	**228,958**	**228,958**
	6,802,060	**3,678,028**	**8,910,770**	**19,390,858**
Liabilities				
Due to banks and financial institutions	**1,342,297**	**703,667**	**381,202**	**2,427,166**
Sukuk payables	**38,916**	**59,599**	**221,450**	**319,965**
Depositors' accounts	**9,493,294**	**901,524**	**3,157,827**	**13,552,645**
Other liabilities	**148,997**	**123,603**	**575,107**	**847,707**
	11,023,504	**1,788,393**	**4,335,586**	**17,147,483**

31 LIQUIDITY RISK (continued)

The maturity profile of assets and undiscounted liabilities at 31 December 2018 is as follows:

	Up to 3 months	*3 to 12 months*	*After one year*	*Total*
				KD 000's
Assets				
Cash and balances with banks	1,350,439	1,387	29,344	1,381,170
Due from banks	2,011,981	1,236,469	195,239	3,443,689
Financing receivables	2,139,513	2,397,779	4,652,943	9,190,235
Investment in Sukuk	59,240	197,141	1,306,980	1,563,361
Trading properties	7,136	18,065	122,438	147,639
Investments	13,654	26,741	244,488	284,883
Investment in associates and joint ventures	-	-	499,179	499,179
Investment properties	-	14,877	474,732	489,609
Other assets	174,327	40,788	329,301	544,416
Intangible assets and goodwill	-	-	31,180	31,180
Property and equipment	-	-	194,917	194,917
	5,756,290	3,933,247	8,080,741	17,770,278
Liabilities				
Due to banks and financial institutions	1,472,236	618,414	598,429	2,689,079
Sukuk payables	33,580	143,840	321,168	498,588
Depositors' accounts	7,860,098	594,454	3,325,758	11,780,310
Other liabilities	182,433	117,863	427,835	728,131
	9,548,347	1,474,571	4,673,190	15,696,108

The table below shows the contractual expiry by maturity of the Group's contingencies and commitments:

	Up to 3 months	*3 to 12 months*	*Over 1 year*	*Total*
				KD 000's
2019				
Contingencies (Note 25)	**556,954**	**361,616**	**778,394**	**1,696,964**
Capital commitments (Note 25)	**38,091**	**92,808**	**225,245**	**356,144**
Total	**595,045**	**454,424**	**1,003,639**	**2,053,108**

	Up to 3 months	*3 to 12 months*	*Over 1 year*	*Total*
				KD 000's
2018				
Contingencies (Note 25)	**621,770**	**306,739**	**935,294**	**1,863,803**
Capital commitments (Note 25)	**58,690**	**41,544**	**194,441**	**294,675**
Total	**680,460**	**348,283**	**1,129,735**	**2,158,478**

The Group expects that not all of the contingencies or capital commitments will be drawn before expiry of the commitments.

32 MARKET RISK

Market risk is defined as the risk that arises from the Group's investments transactions, including investments in equity shares (both listed and unlisted), Sukuk, real estate and others. These risks are classified into three main areas through which the market risk is being measured and managed, as it directly impact the performance of the Group's investment portfolio, they are as follows:

Profit rate risk
In accordance with the provisions of Islamic Shari'a, the Group generates assets and liabilities that have cash inflows and outflows, or fair values and their profitability and performance is evaluated through the sensitivity of profit rates fluctuations. The group manages the risk arising from these exposures to maximize profit for shareholders and depositors.

Currency risk
This is the risk of incurring losses due to changes in currency exchange rates.

Currency risk is managed based on limits determined by the Bank's Board of Directors and a continuous assessment of the Group open positions, and current and expected exchange rate movements. The Group, wherever necessary, matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency. The Group also uses currency swap and forward foreign exchange contracts (within Shari'a complaint products) to mitigate foreign currency risk.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2019 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinar, with all other variables held constant on the profit and the fair value reserve (due to the change in fair value of equity investments at FVOCI).

KD 000's

	31 December 2019			*31 December 2018*		
Currency	***Change in currency rate %***	***Effect on profit***	***Effect on fair value reserve***	*Change in currency rate %*	*Effect on profit*	*Effect on fair value reserve*
U.S. Dollars	**+1**	**1,212**	**45**	+1	589	50
Bahraini Dinar	**+1**	**(1,001)**	**125**	+1	(930)	156

Price risk
This is the risk arising from the changes in the market value of investments in equity, Sukuk, and real estate.

The effect on fair value reserve (as a result of a change in the fair value of equity investments at FVOCI at 31 December) due to a reasonably possible change in equity indices, with all other variables held constant is as follows:

KD 000's

	2019		*2018*	
	Change in equity price %	***Effect on fair value reserve***	*Change in equity price %*	*Effect on fair value reserve*
Market indices				
Boursa Kuwait	**+1**	**85**	+1	87
Other GCC indices	**+1**	**161**	+1	153

32 MARKET RISK (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, processes or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Group has a set of policies and procedures, which is approved by its Board of Directors and applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk managed by the Operational Risk Management, which reviews policies, procedures, products, services and support business lines in managing and monitoring operational risks as part of overall Group-wide risk management.

Operational Risk Management of the Group is in line with the CBK instructions concerning the general guidelines for internal controls and the sound practices for managing and monitoring operational risks in Group.

Country risk

Country risk is the risk that incidents within a country could have an adverse effect on the Group directly in impairing the value of the Group or indirectly through an obligor's inability to meet its obligations to the Group. Generally, these occurrences relate, but are not limited to: sovereign events such as defaults or restructuring; political events such as contested elections; restrictions on currency movements; non–market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

33 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group actively manages its capital base in order to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Kuwait in supervising the Group.

The Group's regulatory capital and capital adequacy ratios are calculated in accordance with CBK circular number 2/RB, RBA/336/2014 dated 24 June 2014 (Basel III) and its amendments are shown below:

		KD 000's
Capital adequacy	*2019*	*2018*
Risk Weighted Assets	**13,192,800**	12,201,132
Capital required	**1,978,920**	1,830,170
Capital available		
Tier 1 capital	**2,124,702**	1,941,387
Tier 2 capital	**206,905**	190,477
Total capital	**2,331,607**	2,131,864
Tier 1 capital adequacy ratio	**16.11 %**	15.91%
Total capital adequacy ratio	**17.67 %**	17.47%

33 CAPITAL MANAGEMENT (continued)

The Group's financial leverage ratio for the year ended 31 December 2019 is calculated in accordance with CBK circular number 2/RBA/343/2014 dated 21 October 2014 is shown below:

	KD 000's	
	2019	*2018*
Tier 1 capital	**2,124,702**	1,941,387
Total exposure	**22,279,223**	20,157,606
Financial leverage ratio	**9.54%**	9.63%

34 MANAGEMENT OF PURCHASED DEBTS

In accordance with Decree 32/92 and Law 41/93 in respect of the financial and banking sector, the Bank is required to manage the purchased debts without remuneration in conformity with the terms of the debt purchase agreement.

35 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 December 2019 amounted to KD 1,042,413 thousand (2018: KD 1,110,608 thousand).

Fees and commission income include fees of KD 4,313 thousand (2018: KD 4,226 thousand) arising from trust and fiduciary activities.

36 FAIR VALUES

The Group uses the following hierarchy for determining and disclosing the fair value 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 assets and liabilities as at 31 December 2019.

				KD 000's
Financial assets measured at fair value:	*(Level 1)*	*(Level 2)*	*(Level 3)*	*Total*
Venture capital at fair value through statement of income (Note 12)	-	**21,057**	-	**21,057**
Equities at FVTPL (Note 12)	**22,496**	**50,858**	**27,420**	**100,774**
Equities at FVOCI (Note 12)	**29,330**	-	**59,363**	**88,693**
Investment in Sukuk (Note 11)	**2,161,416**	-	**115,016**	**2,276,432**
Derivative financial assets:				
Forward contracts	-	**1,165**	-	**1,165**
Profit rate swaps	-	-	-	-
Currency swaps	-	**12,083**	-	**12,083**
Non-financial assets:				
Investment properties	-	**535,375**	-	**535,375**
	2,213,242	**620,538**	**201,799**	**3,035,579**

36 FAIR VALUES (continued)

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

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

Financial assets measured at fair value:	*(Level 1)*	*(Level 2)*	*(Level 3)*	*KD 000's* *Total*
Venture capital at fair value through statement of income (Note 12)	-	29,932	-	29,932
Investments at FVTPL (Note 12)	52,258	52,252	57,396	161,906
Investments at FVOCI (Note 12)	29,022		64,023	93,045
Investment in Sukuk (Note 11)	1,291,591	-	271,770	1,563,361
Derivative financial assets:				
Forward contracts	-	2,568	-	2,568
Profit rate swaps	-	73	-	73
Currency swaps	-	895	-	895
Non-financial assets:				
Investment properties	-	647,569	-	647,569
	1,372,871	733,289	393,189	2,499,349

Financial liabilities measured at fair value:	*(Level 1)*	*(Level 2)*	*(Level 3)*	*KD 000's* *Total*
Derivative financial liabilities:				
Forward contracts	-	3,733	-	3,733
Profit rate swaps		3,289		3,289
Currency swaps	-	8,372	-	8,372
Embedded precious metals	-	459	-	459
	-	15,853	-	15,853

Investments classified under level 1 are valued based on the quoted bid price. Investments classified under level 2 are valued based on the reported NAVs.

Level 3 investments included unquoted Sukuk of KD 115,016 thousand (2018: KD 271,770 thousand) and unquoted equity investments of KD 86,783 thousand (2018: KD 121,419 thousand). Investment in Sukuk included in this category represent Investment in Sukuk issued by sovereign entities, financial institutions and corporates. The fair values of unquoted Investment in Sukuk are estimated using discounted cash flow method using discount rate (ranging from 2.1% to 7.8%). Unquoted equity investments are fair valued using valuation technique that is appropriate in the circumstances. Valuation techniques include discounted cash flow models, observable market information of comparable companies, recent transaction information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue and profit estimates. The impact on the consolidated statement of financial position or the consolidated statement of income or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used for fair value estimates to fair value the unquoted equity investments were altered by 5%.

36 FAIR VALUES (continued)

Instruments disclosed in note 26 are valued by discounting all future expected cash-flows using directly observable and quoted rate curves and spot/forward FX rates from recognised market sources (i.e. Reuters, Bloomberg, FinCAD, etc).

Investment properties have been valued based on valuations by valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued. The valuation reflects market conditions at the reporting date.

All investment properties are valued using observable market inputs. Market comparable approach is used for all investment properties, where market price per square meter and annual income are significant inputs to the valuation.

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

		KD 000's
	2019	*2018*
As at 1 January	**393,189**	324,499
IFRS 9 impact	-	100,676
	393,189	425,175
Re-measurement recognised in other comprehensive income	**(10,900)**	(3,405)
Disposal, net	**(180,490)**	(28,581)
As at 31 December	**201,799**	393,189

بيت التمويل الكويتي
Kuwait Finance House

AlMirqab Area, Abdulla Al-Mubarak Street
Kuwait City, Kuwait
PO Box 24989 Safat 13110 Kuwait
Telephone: + (965) 22445050
Fax: + (965) 22409414