



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 up to 100% of the issued ordinary shares of Ahli United Bank B.S.C. by way of a share swap at an exchange ratio of 0.371 New KFH Share for each 1 AUB Share or 2.695 AUB Shares for 1 New KFH Share

Important: If you are in doubt about any aspect of this Offer Document and/or the Offer, 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 and Commerce 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 25 July 2022

Offeror		
<p>Kuwait Finance House K.S.C.P.</p> <p>بيت التمويل الكويتي Kuwait Finance House</p> 		
Financial Advisor to the Offeror	Legal Advisor to the Offeror	Bahrain Receiving Agent
<p>Goldman Sachs International, Dubai International Financial Centre (DIFC) Branch</p> 	<p>Freshfields Bruckhaus Deringer LLP</p>  <p>Freshfields Bruckhaus Deringer</p>	<p>Bahrain Clear B.S.C.(c)</p> 
Bahrain Receiving Agent, Bahrain Execution Advisor and Cross Listing Advisor		Kuwait Receiving Agent and Allotment Agent
<p>SICO B.S.C.(c)</p> 		<p>Kuwait Clearing Company K.S.C</p> 


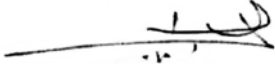



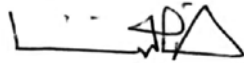






DIRECTORS' DECLARATION

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 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	
Mohammed Naser Al-Fouzan	Director	
Muad Saud Al Osaimi	Director	
Khaled Salem Al Nisf	Director	
Noorur Rahman Abid	Independent Director	
Hanan Yousef Ali Yousef	Director	
Motlaq Mubarak Al-Sanei	Director	
Salah Abdulaziz Al-Muraikhi	Director	
Ahmad Meshari Al-Faris	Independent Director	
Hamad Abdellatif Al-Barjas	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 up to 100% of the issued 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 another 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 Offer 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 Offer 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 this 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. An electronic copy of this Offer Document can be located at the following website: www.bahrainbourse.com or www.sicobank.com. 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 as well as the following website: www.ipo.com.kw; (ii) in Kuwait, provided and completed electronically at www.ipo.com.kw. 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.

NOTICE TO SHAREHOLDERS LOCATED IN THE UNITED STATES

This Offer is made for the securities of a foreign company pursuant to a takeover offer under Bahraini law. Accordingly, the Acquisition will be made in the US pursuant to Section 14(e) and Regulation 14E under the U.S. Securities Exchange Act of 1934 as a “Tier I” tender offer, and otherwise in accordance with the requirements of Bahraini law. The Offer is therefore subject to procedural and disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in this Offer Document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the United States federal securities laws, since KFH is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court’s judgment.

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

This Offer Document does not constitute an offer of securities for sale in the United States. The New KFH Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (the **U.S. Securities Act**) or with any securities regulatory authority of any state of the United States. The New KFH Shares may not be offered, sold, pledged or otherwise transferred in the United States, except to persons reasonably believed to be qualified institutional buyers (**QIBs**), as defined in, and in reliance on, the exemption from the registration requirements of the U.S. Securities Act provided in Rule 144A under the U.S. Securities Act (**Rule 144A**) or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Such shareholders will be required to make such acknowledgements and representations to, and agreements with, KFH as KFH may require to establish that they are entitled to receive New KFH Shares. A person who receives New KFH Shares pursuant to the Offer may not resell such securities in the U.S. without registration under the U.S. Securities Act or without an applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the U.S. Securities Act).

The receipt of New KFH Shares pursuant to the Acquisition by a US AUB Shareholder may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each AUB Shareholder is urged to consult an independent professional adviser immediately regarding applicable tax consequences of the Acquisition.

Table of Contents

1. Glossary	4	11.2 AUB Current Employees and Organizational Structure	53
2. Letter from the KFH Board of Directors	8	11.3 Conversion of AUB'S Business to be Sharia'a Compliant	53
3. Expected Timetable of Principal Events	10	11.4 Mandatory Tender Offer for the Shares of AUB Kuwait	53
4. Resolutions and Approvals	11	11.5 Conversion of AUB Kuwait to a Digital Bank	54
4.1 COVID-19 postponement	11	11.6 Statutory Merger in Bahrain	54
4.2 Board of Directors	11	11.7 KFH Dividends Policy Post-Offer	54
4.3 KFH General Assembly of Shareholders	11	11.8 Strategic Plans for the Offeree Company	54
4.4 CBB – Capital Market Supervision Directorate	11	11.9 KFH Group Structure Following Successful Completion of the Offer	55
5. The Offer	12	11.10 Long Term Commercial Justification for the Offer	55
5.1 Securities for which the Offer is Made	12	12. Share Ownership in KFH and AUB	57
5.2 The Offeree	12	13. The Offeror's Confirmatory Statements	58
5.3 The Offeror	12	14. Market Price and Historical Stock Trading Summary	59
5.4 Consideration for the Offer	12	14.1 Trading Price of the Offeree	59
5.5 Shareholders Eligible for the Offer	13	14.2 Trading Price of the Offeror	61
5.6 Suspension of Trading	13	15. Effect of the Acquisition	63
5.7 Conditions Precedent to the Offer	13	15.1 Legal Consequences of the Acquisition	63
5.8 Offer Acceptance Procedures	14	15.2 No Special Benefits to Executives, Managers and Directors	63
5.9 Acceptance Irrevocable	14	15.3 The Effect of the Offer on the Directors of the Offeror	63
5.10 Compulsory Acquisitions (Squeeze-Out)	15	15.4 Impact on Offeree's Employees	63
5.11 Issuance of the New KFH Shares	16	16. Risk Factors	64
5.12 Rights of the New KFH Shares	17	16.1 Risks Relating to the Offer and the acquisition	64
5.13 Delisting of AUB	17	16.2 Risks Relating to the KFH Shares	65
6. Procedures for Accepting the Offer	18	16.3 Risks Relating to the KFH Group's Business	65
6.1 Form Submission	18	16.4 Risks Relating to the MENA Region, Kuwait and Bahrain	67
6.2 The Receiving Agents and the Participating Branches	24	16.5 Risks relating to the global economy	68
6.3 General Information	25	17. Additional Information	70
6.4 Purchase of AUB Shares Outside the Offer	25	17.1 Arrangements	70
6.5 Tax	25	17.2 Significant Accounting Policies	70
6.6 Prior Contacts	25	17.3 Shareholding and Dealings in Offeree Company	70
7. The Offeror	27	17.4 Material Litigation	70
7.1 Kuwait Finance House K.S.C.P.	27	17.5 No Material Liability	70
7.2 Capital and Major Shareholders	27	17.6 Documents on Display	70
7.3 Board of Directors	27	18. Key Parties	71
7.4 Fatwa and Sharia'a Supervisory Board	32	19. Annexures	72
7.5 Management Team	34	19.1 Audited Financial Statements for the year ended 31 December 2021	72
7.6 Corporate Structure	38		
7.7 Related Party and Business Model	38		
7.8 Registered Addresses and Contact Information	38		
8. Report of the Independent Auditor on the Summary Consolidated Financial Statements of Kuwait Finance House K.S.C.P.	39		
9. Overview of Kuwait's Banking Sector	48		
10. Cross Shareholdings by the Offeror and its Directors in AUB	52		
11. KFH Post-Acquisition Strategy	53		
11.1 AUB – Commercial Registration, Legal Status and Trade Name	53		

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, Accounting and Auditing and Governance standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions from time to time
Acceptance	the valid acceptance of this Offer by an AUB Shareholder by indicating such acceptance on the Acceptance and Transfer Form and submitting the same to any of the Receiving Agents or electronically at www.ipo.com.kw within the Offer Period as per the procedures prescribed in this Offer Document, and which shall only be deemed validly received by the Offeror upon the Offer being declared unconditional in all respects
Acceptance and Transfer Form	the form (electronic or paper) to be prepared by the Receiving Agents and available: (i) for the AUB Shareholders of AUB BB Shares, from the Participating Branches and/or the Bahrain Receiving Agent and/or at the following website: www.ipo.com.kw ; and (ii) for AUB Shareholders of AUB BK Shares, at the following website: www.ipo.com.kw , in each case for the AUB Shareholders to accept the Offer
Acquisition	the acquisition by KFH of up to 100% of the issued ordinary shares of AUB by way of a share swap at the Exchange Ratio
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 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 Shareholders	holders of AUB Shares
AUB Shares	11,147,931,458 outstanding issued shares of AUB with a nominal value of USD 0.25 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, after the date of this Offer Document, but before the Effective Date
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 holding 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 or KFH Board	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 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 by any of the following from a GCC or FATF member state indicating that the 'original was sighted' or a combination of words that give the same effect: (i) a lawyer; (ii) a notary; (iii) a chartered/certified accountant; (iv) an official of a government ministry; (v) an official of an embassy or consulate; or (vi) an official of the Offeror, Offeree, or another licensed financial institution. The individual certifying the Certified Copy must provide clear contact details that allow the recipient of the Certified Copy to check and confirm the authenticity of the document if required
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
Cross Listing Agent	SICO B.S.C(c)
Demat	dematerialized
Dissenting Shareholders	AUB Shareholders who appear on the shareholder register of AUB as at the Record Date and who do not deliver valid Acceptances prior to the Final Offer Closing Date
Dissenting Shareholder Effective Date	if the Offeror receives the Requisite Acceptances and exercises its compulsory acquisition rights, the date on which New KFH Shares are successfully issued at the Exchange Ratio as fully paid-up to the Dissenting Shareholders (excluding any Dissenting Shareholders subject to a legal binding order of a competent court which would prevent the transfer of their AUB Shares to KFH), which date shall be no earlier than 60 days from the date of the Squeeze-Out Notice but no later than three months after the day on which KFH received the Requisite Acceptances
Effective Date	if the Offer is successful, the date on which New KFH Shares are successfully issued at the Exchange Ratio as fully paid-up to the AUB Shareholders who appear on the shareholder register of AUB as at the Record Date and who accepted the Offer in accordance with the terms of this Offer Document, which date shall be no later than 10 calendar days from: (i) the Final Offer Closing Date; or (ii) the date on which the general assembly of AUB (convened in accordance with section 5.7) is validly held (and subject to the consent of the CBB)
Exchange Ratio	the exchange ratio set out in section 5.4 (Consideration for the Offer) of this Offer Document
External Advisors	the Legal Advisor and the Financial Advisor
FATF	the Financial Action Task Force
Final Offer Closing Date	the date falling not less than the 15th calendar day from the date of announcement of the Offer having become unconditional in all respects
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 AUB Board of Directors on 25 July 2022
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
Islamic Financial Institutions	financial institutions whose financial transactions are conducted according to, and who adhere to, Islamic Sharia'a / Islamic precepts and principles
Initial Offer Closing Date	the date falling on the 15th 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, which will be announced by KFH and AUB in due course.
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, after completion of the Acquisition, the AUB Group
KFH Shares	9,285,707,127 outstanding issued and paid-up shares of KFH with a nominal value of KWD0.100 each in the capital of KFH
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 holding 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 21 July 2022
Last Trading Date	the date falling one (1) Business Day prior to the Suspension Date
Legal Advisor	Freshfields Bruckhaus Deringer LLP
Material Adverse Effect	means any event, occurrence or change in circumstances which individually, or when aggregated with all such other events, occurrences or changes, has or could reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial position, profitability or prospects of either of the KFH Group or the AUB Group (in each case taken as a whole), provided that in no event shall a deterioration of the economic, political or market conditions in the industry globally, in the Middle East, in Kuwait, in Bahrain or in general be treated as a 'Material Adverse Effect' except to the extent that such effect disproportionately adversely affects the KFH Group or the AUB Group (as the case may be) compared to other businesses or participants in the industry. The occurrence of a Material Adverse Effect shall be: (i) determined by KFH Board or AUB Board of Directors (acting reasonably) and (ii) subject to the consent of the CBB
Minor	a person who is below 21 years of age
MOCI	the Ministry of Commerce and Industry in the State of Kuwait
MOIC	the Ministry of Industry and Commerce 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 up to 100% of the issued and paid-up ordinary shares of AUB by way of a share swap at the Exchange Ratio
Offer Document	this offer document, which is prepared in relation to the Offer, dated 25 July 2022
Offer Opening Date	the date from which the completed Acceptance and Transfer Forms will be received by the Receiving Agents, which shall be announced by KFH and AUB
Offer Period	the period beginning on the Offer Opening Date and ending on the Final Offer Closing Date
Offeree	AUB
Offeror	KFH
Participating Branches	the branches of AUB in Bahrain listed in section 6.2 (The Receiving Agents and the Participating Branches) of the Offer Document that will be receiving Acceptance and Transfer Forms during the Offer Period
PRA	the Prudential Regulation Authority in the United Kingdom
RCB	Regulation on Control in Banks in Bahrain, issued by virtue of Resolution No. 16 of 2021
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, which shall be announced by KFH and AUB
Requisite Acceptances	valid Acceptances which are received in respect of AUB Shares, representing at least 90% or more of the total outstanding share capital of AUB and which remain unwithdrawn until the day on which the Offer is declared unconditional in all respects (excluding, for the avoidance of doubt, AUB shares which are owned by KFH or persons acting in concert as at the date of this Offer Document)
SICO	SICO B.S.C(c)
Squeeze-Out	the acquisition of the AUB Shares held by Dissenting Shareholders in accordance with article 319 bis I of the Commercial Companies Law and article TMA-3.4.4. of the TMA Module
Squeeze-Out Notice	the notification to be issued by the Offeror, within 15 days from the date on which the Offer is declared unconditional in all respects, to the Dissenting Shareholders to inform them of its intention to exercise its power of compulsory acquisition and the date for executing such acquisition as per articles TMA-3.4.4, TMA-3.4.7 and TMA-3.4.8 of the TMA Module, in the form prescribed in Appendix TMA-E
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 to be drawn up, which shall be announced by KFH and AUB
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; and (iii) the Effective Date (provided that in case the Offeror receives the Requisite Acceptances and exercises its right to Squeeze Out, the Suspension Period shall be automatically extended until the Dissenting Shareholder 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

25 July 2022

Dear AUB Shareholders,

On 1 December and 9 October 2019, the KFH Board announced receipt of the CBB's conditional approval to commence acquisition procedures of AUB and the receipt of the conditional approval of CBK on the proposed acquisition of AUB, respectively.

Due to the consequences of the outbreak of the COVID-19 pandemic late in 2019, KFH and AUB announced, on 12 April 2020 and again on 29 December 2020, that it was agreed to postpone the procedures of the proposed Acquisition.

On 1 December 2021 and with reference to the previous disclosures concerning KFH's acquisition of AUB, KFH have announced that, following coordination with AUB, and in compliance with the instructions of the regulators in Kuwait and Bahrain, KFH's Board approved to update the acquisition studies and identify their expected effects on the exchange ratio and its subsequent update.

On 6 July 2022, the KFH Board approved the new revised final share exchange ratio of 2.695AUB Shares for each New KFH Share after the review and evaluation of the top-up due diligence findings (the new **Exchange Ratio**). On 6 July 2022, AUB announced that the AUB Board of Directors has resolved to accept the revised share exchange ratio of 2.695 AUB shares for each KFH share as proposed by KFH, subject to (i) the fairness opinion of the independent professional advisor to be appointed by the AUB Board of Directors and (ii) the aggregate ownership of the AUB Shareholders in KFH immediately following completion of a full acquisition of all AUB Shares being not less than 31% of the total outstanding and paid up shares of KFH at such time. On 25 July 2022, 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 receipt of valid Acceptances representing at least 90% or more of the total outstanding share capital of AUB, KFH intends to exercise its right of compulsory acquisition and acquire AUB Shares which are owned by Dissenting Shareholders (pursuant to Article 319 bis I of the Commercial Companies Law, and Article TMA-3.4.4 of the TMA Module), as detailed in 5.10 below. Subject to the satisfaction or, where applicable, waiver of the Conditions Precedent set out in this Offer Document, upon the Effective Date, New KFH Shares will be issued to existing AUB Shareholders who accept the Offer in consideration for the Acquisition. Prior to the Effective Date, KFH shall take all steps, and obtain all regulatory approvals, required to complete a cross-listing of the KFH Shares on Bahrain Bourse as at the Effective Date in line with the applicable rules and regulations of the CBB and BB.

Upon the Offer becoming effective, AUB will become a subsidiary of KFH, subsidiaries of AUB will become subsidiaries of KFH and the AUB Shareholders will become shareholders in the KFH Group. Upon completion of the Squeeze Out, KFH will acquire 100% of the issued share capital of AUB, AUB will become a wholly owned subsidiary of KFH and AUB will apply to the CBB to delist AUB from the BB in accordance with the terms of the TMA Module.

As set out in section 5.7 (Conditions Precedent to the Offer), in the event KFH waives the Condition Precedent in respect of Requisite Acceptances, KFH may request that the AUB Board of Directors invites the shareholders of AUB (after obtaining the approval of the CBB and other competent regulatory authorities in Bahrain), after the Final Offer Closing Date, to convene a general meeting of AUB in order to consider and approve the delisting of AUB from the BB and the BK. In this scenario, all AUB Shareholders, other than the Offeror and persons acting in concert with the Offeror, including AUB Shareholders who accept the Offer, shall be eligible to vote their shares in such general meeting.

In addition, AUB Shareholders who have accepted the Offer may experience a slight delay in receiving their New KFH Shares as such AUB Shareholders will only receive their New KFH Shares after the general meeting of AUB, to consider and approve the delisting of AUB from the BB and the BK, is validly held.

The proposed Acquisition, will, if effected, create a leading Islamic financial institution with robust financial strength and a global network. In addition, it will strengthen KFH's position among global Islamic Financial Institutions, as the undisputed Islamic banking leader supplemented by a presence in nine additional countries through subsidiaries.

KFH's strategy for AUB post-Acquisition will commence with the process of converting the subsidiaries of AUB in the Kingdom of Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant units, offering a 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 the transformation of AUB Kuwait into a digital bank, 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 was approved by the shareholders of KFH in the general assembly meeting of KFH held on 25 July 2022. 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, as applicable, of the Conditions Precedent set out in this Offer Document.

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

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 will be announced by AUB and KFH in due course and will depend, among other things, on whether (and the dates on which) the Conditions Precedent are satisfied or waived (where applicable).

Event	Time and/or Date
Last Trading Date	To be announced
Suspension Date	To be announced
Record Date for AUB BB Shares	To be announced
Record Date for AUB BK Shares	To be announced
Offer Opening Date	To be announced
Initial Offer Closing Date	To be announced
Offer to be declared unconditional in all respects	To be announced
Squeeze-Out Notice to Dissenting Shareholders sent / published ⁽¹⁾	To be announced
Final Offer Closing Date	To be announced
Release of the New KFH Shares to accepting AUB Shareholders ⁽²⁾	Effective Date
Effective Date ⁽³⁾	To be announced
End of Dissenting Shareholders 60-day objection period	To be announced
Release of the New KFH Shares to Dissenting Shareholders	To be announced

Notes:

- (1) KFH will deliver the Squeeze-Out Notice in the manner described in section 5.10 (Compulsory Acquisitions(Squeeze-Out)).
- (2) 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.
- (3) Subject to the Conditions Precedent of the Offer having been satisfied or (where applicable) waived and, where applicable, after the general assembly, described in section 5.7 (Conditions Precedent to the Offer), is held.

4. Resolutions and Approvals

4.1 COVID-19 POSTPONEMENT

Due to the consequences of the outbreak of the COVID-19 pandemic late in 2019, KFH and AUB announced, on 12 April 2020 and again on 29 December 2020, that it was agreed to postpone the procedures of the proposed Acquisition.

On 1 December 2021 and with reference to the previous disclosures concerning KFH's acquisition of AUB, KFH have announced that, following coordination with AUB, and in compliance with the instructions of the regulators in Kuwait and Bahrain, KFH's Board approved to update the acquisition studies and identify their expected effects on the exchange ratio and its subsequent update.

On 6 July 2022, KFH announced that it has received approval from the CBK to acquire 100% of the capital shares of AUB.

On 6 July 2022, the KFH Board approved the new revised final share exchange ratio of 2.695 AUB Shares for each New KFH Share after the review and evaluation of the top-up due diligence findings (the new **Exchange Ratio**). On 6 July 2022, AUB announced that the AUB Board of Directors has resolved to accept the revised share exchange ratio of 2.695 AUB shares for each KFH share as proposed by KFH, subject to (i) the fairness opinion of the independent professional advisor to be appointed by the AUB Board of Directors and (ii) the aggregate ownership of the AUB Shareholders in KFH immediately following completion of a full acquisition of all AUB shares being not less than 31% of the total outstanding and paid up shares of KFH at such time.

On 17 July 2022, KFH received a letter from the CBB providing its no objection for KFH to proceed with the Acquisition of up to 100% of AUB's issued and paid-up shares subject to the satisfaction of all applicable conditions and in accordance with the Commercial Companies Law.

4.2 BOARD OF DIRECTORS

This Offer is made pursuant to the resolutions adopted by the Board of Directors at their meeting held on 6 July 2022. 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 6 July 2022, approve the final Exchange Ratio of 0.371 New KFH Share for each 1 AUB Share or 2.695 AUB Shares for 1 New KFH Share to acquire up to 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.

4.3 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 25 July 2022. The results of KFH's General Assembly meeting have been disclosed on 25 July 2022 in accordance with the laws and regulations of Kuwait and are available on the website of BK at <https://www.boursakuwait.com.kw>.

4.4 CBB – CAPITAL MARKET SUPERVISION DIRECTORATE

KFH have received from the Capital Market Supervision Directorate of the CBB a no objection letter dated 25 July 2022 on the use of and dispatch of this Offer Document.

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 refers to the Firm Intention dated 25 July 2022 whereby the AUB Board of Directors 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 follow:

5.1 SECURITIES FOR WHICH THE OFFER IS MADE

The Offer is to acquire AUB Shares that comprise up to 100% of AUB's issued share capital. That is inclusive (as of the date of this Offer Document) of 11,147,931,458 (eleven billion, one hundred and forty-seven million, nine hundred and thirty-one thousand and four hundred fifty-eight) AUB Shares of a nominal value of USD 0.25 each and any AUB shares that are issued, whether as dividends shares, shares issued pursuant to AUB's employee stock option plan, after the date of this Offer Document, but before the Effective Date.

5.2 THE OFFEREE

AUB is registered with the MOIC 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 USD 2,786,982,864.50 divided into 11,147,931,458 ordinary shares with a nominal value of USD 0.25 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 KWD 1,348,570,712.700 and an issued and paid-up share capital of KWD 928,570,712.700 divided into 9,285,707,127 ordinary shares with a nominal value of KWD0.100 each and 9,207,101,211 outstanding 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 1 AUB Share: 0.371 New KFH Share

or

for each 2.695 AUB Share: 1 New KFH Share

In the event that the Exchange Ratio calculation set out above produces fractional New KFH Shares, the resulting figure will be rounded up to the nearest number of New KFH Share(s).

The new Exchange Ratio (which determines the number of KFH shares that will be issued to AUB Shareholders as a result of the Acquisition) was considered by the KFH Board and AUB Board of Directors following commercial negotiations between the two banks, with reference to advice and assistance from their respective advisers. The KFH Board, following its review of due diligence information on AUB's businesses, approved the Exchange Ratio. The AUB Board of Directors resolved to accept the Exchange Ratio as proposed by KFH subject to (i) the fairness opinion of the independent professional advisor to be appointed by the AUB Board of Directors and (ii) the aggregate ownership of the AUB Shareholders in KFH immediately following completion of a full acquisition of all AUB shares being not less than 31% of the total outstanding and paid-up shares of KFH at such time.

The Exchange Ratio and the KFH Shares will not be subject to any amendment or variation which would result in the aggregate ownership of the AUB Shareholders in KFH immediately following completion of a full acquisition of all AUB Shares being less than 31% of the total outstanding and paid up shares of KFH at such time (unless such amendment or variation is agreed, evidenced in writing, and signed by the parties and included in a Revised Offer Document (as approved by the CBB and published to the AUB Shareholders)).

The following table summarizes the new exchange ratio and total number of KFH shares expected post the Acquisition:

New Exchange Ratio	2.695 AUB Shares for one New KFH Share or 0.371 New KFH Shares for one AUB share
Total number of KFH Shares – post Acquisition (and assuming acquisition of 100% of the AUB Shares)	13,422,230,859 shares, fully paid-up

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, by KFH 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, where applicable, by KFH:

- (a) KFH having received acceptances in respect of AUB Shares representing at least 90% of the total outstanding share capital of AUB, which would result in total ownership by KFH of at least 90% of the total outstanding share capital of AUB.
- (b) Receipt of all regulatory and statutory approvals, exemptions and/or waivers from the CBB and the Kuwait Capital Markets Authority as may be determined to be required in connection with the Offer, the acquisition of up to 100% of the issued ordinary shares of AUB and the issuance of new KFH shares.
- (c) Receipt of all regulatory and statutory approvals, exemptions and/or waivers from any other regulatory or statutory authority as may be determined to be required in connection with the Offer and the acquisition of up to 100% of the issued ordinary shares of AUB.
- (d) KFH completing all the steps required, and obtaining all regulatory approvals required to, complete a cross-listing of the KFH shares on BB as at the Effective Date in line with the applicable rules and regulations of the CBB and BB.

- (e) No material breach of the warranties given by AUB in the implementation agreement (to be entered into between KFH and AUB in respect of this Offer) having occurred during the period up to (and inclusive of) the Initial Offer Closing Date (provided, however, that if such breach is capable of remedy, and is remedied to the reasonable satisfaction of the non-breaching party prior to such date, this Condition Precedent shall not be deemed unsatisfied as a result solely of such breach).
- (f) No Material Adverse Effect having occurred prior to, and being continued as at, the date on which the Offer would have been declared unconditional in all respects but for the occurrence of a Material Adverse Effect.

AUB Shareholders and/or potential investors of AUB should note that the Offer is subject to the satisfaction or, with the exception of the Condition Precedent at (b) and (d) above, waiver by KFH (where applicable), of the Conditions Precedent¹, and is 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.

In the event the Requisite Acceptances are not received by the Initial Offer Closing Date, KFH reserves the right to waive condition (a) above and proceed to declaring the offer unconditional in all respects (subject to the satisfaction or, where applicable, waiver of the other conditions), in which case KFH may either (i) proceed to settlement of the Offer after the Final Offer Closing Date; or (ii) announce that it intends to seek the delisting of AUB from BB and BK, and request that the AUB Board (subject to the approval of the CBB and other competent regulatory authorities in Bahrain), after the Final Offer Closing Date, invites the shareholders of AUB to convene a general meeting in order to consider and approve the delisting of AUB from the BB and the BK. All AUB Shareholders, other than the Offeror and persons acting in concert with the Offeror, including shareholders who Accept the Offer, shall be eligible to vote their shares in such general meeting.

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. However, an AUB Shareholder will be entitled to withdraw his acceptance within 14 days from the Initial Offer Closing Date if the Offer has not become unconditional as to Requisite Acceptances by that date.

¹ KFH shall not waive the condition set out in Clause 5.7(a) unless, as at the Initial Offer Closing Date, KFH has received Acceptances which represent at least 50% of the total outstanding share capital of AUB.

In accordance with TMA-2.18.11 if the Offer has been declared unconditional as to the Requisite Acceptances, but KFH fails to comply with any of the requirements of the section titled “Announcement of Result of Offer” of the TMA Module by close of trading at the licensed exchange in Bahrain on the relevant day, the CBB shall have the right to grant the AUB Shareholders who have accepted the Offer with the right to withdraw their Acceptance.

5.10 COMPULSORY ACQUISITIONS (SQUEEZE-OUT)

Subject to receipt of valid Acceptances in respect of AUB Shares representing at least 90% or more of the total outstanding share capital of AUB and the satisfaction of the requirements under Article 319 bis I of the Commercial Companies Law and requirements under the TMA Module, KFH intends to exercise its right to compulsorily acquire all AUB Shares which are owned by the Dissenting Shareholders (pursuant to Article 319 bis I of the Commercial Companies Law, and article TMA-3.4.4 of the TMA Module), within three months from the date of receipt of the Requisite Acceptances, being the period prescribed for compulsory acquisition under the Commercial Companies Law and the TMA Module. AUB Shareholders should note that the Requisite Acceptances shall not be deemed to have been received before the date on which the Offer is declared unconditional in all respects (and not any prior date).

The Dissenting Shareholders shall receive a number of New KFH Shares which depends on the number of AUB Shares which they own at the Record Date and calculated at the Exchange Ratio (i.e. each Dissenting Shareholder will receive one New KFH Share against each 2.695 AUB Shares which they own as at the Record Date).

No later than 15 calendar days from the date on which the Offer is declared unconditional in all respects (and provided that KFH received the Requisite Acceptance prior to such date), KFH will issue to the Dissenting Shareholders the Squeeze-Out Notice in the form prescribed in Appendix TMA-E of the TMA Module. The Squeeze-Out Notice will be accompanied by a declaration from KFH confirming that the Requisite Acceptances have been received.

The Squeeze-Out Notice will be issued by KFH to the Dissenting Shareholders in the following manner:

The notice will be sent by registered mail to the address registered with the Central Registry of BB as at the Initial Closing Date in respect of those Dissenting Shareholders whose details registered with the Central Registry of BB are up-to-date.

AUB Shareholders are encouraged to update their details (including their registered address) with the Central Registry of BB as soon as possible and prior to the Initial Offer Closing Date.

Untraceable Shareholders

KFH will fulfil its obligation to exercise best efforts to deliver the Squeeze-Out Notice by completion of serving the Squeeze-Out Notice in accordance with the manner prescribed above. KFH has discussed with the CBB, the following alternative methods for serving the notice, in case KFH, despite best efforts fails to deliver the Squeeze-Out Notice to the Dissenting Shareholders, pursuant to TMA-3.4.8 of the TMA Module:

- (a) the dedication of an email address for any AUB Shareholder who would like to receive the Offer documentation and announcements (including the Squeeze-Out Notice). Any AUB Shareholder who would like to receive the Offer documentation and announcements (including the Squeeze-Out Notice) which is made available to the AUB Shareholders at any point in time shall send a request to the following email address: agent@sicobank.com.
- (b) the Squeeze-Out Notice will be announced through a market announcement in the BB and through a newspaper publication in two official newspapers in circulation in the Kingdom of Bahrain and such announcement shall be deemed to be a valid and effective notice issued by KFH.

Dissenting Shareholders have the right to make an application to the court to object to such compulsory acquisition and such application shall be made by the Dissenting Shareholders within 60 calendar days from the date of the Squeeze-Out Notice.

Dissenting Shareholders who wish to object to the Squeeze-Out shall be entitled to make an application to a competent court in accordance with the provisions of the TMA Module and Bahrain Commercial Companies Law.

Unless otherwise ordered by a competent court, Dissenting Shareholders shall receive the New KFH Shares on the Dissenting Shareholder Effective Date which will be set out in the Squeeze-Out Notice, and such Dissenting Shareholders will, as at such date, cease to own their respective AUB Shares which will be transferred to, and registered in the name of, KFH. It should therefore be noted that, in the event KFH exercises its right to compulsory acquisition under the Commercial Companies Law and TMA Module, receipt of the New KFH Shares by Dissenting Shareholders will be delayed compared to AUB Shareholders who have accepted the Offer and submitted a valid Acceptance and Transfer Form.

Upon completion of the compulsory acquisition, KFH will acquire 100% of the share capital of AUB, AUB will become a wholly owned subsidiary of KFH and AUB will apply to the CBB to delist AUB from the BB in accordance with the terms of the TMA Module.

5.11 ISSUANCE OF THE NEW KFH SHARES

The process for issuing 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 to the AUB Shareholders holding the AUB BK Shares who have submitted a valid Acceptance and Transfer Form, 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 holding AUB BB Shares to BB. For the avoidance of doubt, the Acquisition will be effected by way of an off-market trade through the KCC or the BC (as applicable) and not through a licensed exchange.

On the Effective Date the KCC or BC, as the case may be, will release the New KFH Shares and the AUB Shareholders holding the AUB BK Shares and who have submitted a valid Acceptance and Transfer Form will receive their New KFH Shares listed on BK, and the AUB Shareholders holding AUB BB Shares will receive their New KFH Shares listed on BB. Each such AUB Shareholder will be added to the register of shareholders of KFH in respect of the New KFH Shares to which they are eligible. However, AUB Shareholders who accepted the Offer will not be able to trade the New KFH Shares allotted to them until five (5) business days after (and excluding) the Effective Date.

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 holding the AUB BK Shares and those holding the AUB BB Shares who have submitted a valid Acceptance and Transfer Form. Actual ownership of the New KFH Shares and the attached entitlements will be effected for both AUB Shareholders holding AUB BK Shares and AUB BB Shares who have submitted a valid Acceptance and Transfer Form on the Effective Date.

Unless otherwise ordered by a competent court, Dissenting Shareholders shall receive the New KFH Shares after 60 days from the date of the Squeeze-Out Notice but before the end of the three months after the day on which the Requisite Acceptances have been received and such Dissenting Shareholders will, as at such date, cease to own their respective AUB Shares which will be transferred to, and registered in the name of, KFH. The share register of KFH will be further updated to reflect the ownership of Dissenting Shareholders, however such Dissenting Shareholders will not be able to trade the New KFH Shares allotted to them until (5) five business days after (and excluding) the Dissenting Shareholder Effective Date. Actual ownership of the New KFH Shares and the attached entitlements will be effected for any Dissenting Shareholder on the Dissenting Shareholder Effective Date.

AUB Shareholders should note that the process for issuing the New KFH Shares 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.

5.12 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 or waiver (where applicable) of the Conditions Precedent, AUB Shareholders of the New KFH Shares who have submitted a valid Acceptance and Transfer Form will be entitled to any dividends declared by KFH from the Effective Date and for subsequent years on a pari passu basis with other holders of shares in KFH. Unless otherwise ordered by a competent court, Dissenting Shareholders shall be entitled to any dividends declared by KFH from the Dissenting Shareholder Effective Date 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.

5.13 DELISTING OF AUB

Upon completion of the Squeeze Out, KFH will acquire 100% of the issued share capital of AUB, AUB will become a wholly owned subsidiary of KFH and AUB will apply to the CBB to delist AUB from the BB and the BK in accordance with the terms of the TMA Module. As set out in section 5.7 (Conditions Precedent to the Offer), in the event KFH waives the Condition Precedent in respect of Requisite Acceptances, KFH may announce that it intends to seek the delisting of AUB from BB and BK and request that the AUB Board invites the shareholders of AUB (after obtaining the approval of the CBB and other competent regulatory authorities in Bahrain), after the Final Offer Closing Date, to convene a general meeting in order to consider and approve the delisting of AUB from the BB and the BK. All AUB Shareholders, other than the Offeror and persons acting in concert with the Offeror, including shareholders who Accept the Offer, shall be eligible to vote their shares in such general meeting.

6. Procedures for Accepting the Offer

6.1 FORM SUBMISSION

A. Acceptance submission procedures pertaining to AUB Shareholders holding AUB BB Shares

All AUB Shareholders holding AUB BB Shares who are willing to accept the Offer will be required to forward the following documentation to the Bahrain Receiving Agent or submit them at the following website: www.ipo.com.kw under the tab titled "Current IPOs and CI". AUB BB Shareholders may opt to submit their Acceptances in either detail form or simplified form as set out below:

Certain AUB Shareholders who are located in the United States will not be able to participate in the Offer. AUB Shareholders located in the United States must complete and return an executed US Investor Letter (as such term is defined in the Acceptance and Transfer Form) to the Bahrain Receiving Agent alongside their Acceptance and Transfer Form. The form of US Investor Letter can be requested from the Bahrain Receiving Agent by contacting agent@sciobank.com.

For detailed 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 together with a copy, or Certified 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) signature verification of the signature on the application (with a passport copy showing the specimen of the person signing the application form to suffice);
- (e) proof of 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 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;
- (g) a statement of account from BC or a BB registered broker in respect of AUB Shares held in electronic form;
- (h) 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;

- (i) the following additional documents are required for applications on behalf of Minors²:
 - (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 detailed submissions by institutions

All institutions must submit 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 together with a copy, or Certified 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) signature verification of the signature on the application (with a passport copy showing the specimen of the person signing the application form to suffice);
- (f) proof of 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;
- (g) 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;
- (h) a statement of account from BC or a BB registered broker in respect of their AUB Shares held in electronic form;
- (i) 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; and
- (j) if located in the United States, a completed and executed US Investor Letter.

All completed Acceptance and Transfer Forms, together with the required documentation, may be submitted electronically at the following website: www.ipo.com.kw under the table titled "Current IPOs and Cis" or physically at:

- (a) the desk of the Bahrain Receiving Agent listed in section 6.2 (The Receiving Agents and the Participating Branches) during the Offer Period; or
- (b) the Participating Branches listed in section 6.2 (The Receiving Agents and the Participating Branches) during the Offer Period.

² Guardians of Minors to ensure compliance with the Legislative Decree no. (7) of 1986 promulgating the Guardianship of Money Law and the Minor Fund Directorate (as defined in the law) document booklet and user guidelines, and to submit any consents required under such law.

The documents should be submitted no later than the close of business on the Initial Offer Closing Date. The Bahrain Receiving Agent may accept couriered applications that have been pre-agreed and pre-arranged with the Bahrain Receiving Agent with Certified Copies and on the basis of receipt of such Acceptances by the Bahrain Receiving Agent prior to the Initial Offer Closing Date.

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.

Following the electronic submission of a completed Acceptance and Transfer Form, the Bahrain Receiving Agent shall verify the validity of the submission and a notification shall be sent to the AUB Shareholder confirming receipt of the submission. Any AUB Shareholder holding BB Shares who has electronically submitted a completed Acceptance and Transfer Form but has not received such notification should contact the Bahrain Receiving Agent. All AUB Shareholders holding BB Shares and who make physical submissions will receive a copy of their Acceptance and Transfer Form at the time of application.

AUB Shareholders intending to accept the Offer and who hold AUB BB 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 clearance must acknowledge that such AUB Shares shall be transferred to KFH pursuant to the Offer free from any and all charges, liens and other encumbrances, and that any encumbrances (including mortgages and 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.

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

- (a) Only the prescribed Acceptance and Transfer Form made available on the prescribed electronic platform 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.

For simplified submissions by institutions and/or individuals

All institutions and individuals holding AUB BB Shares and a valid IN may opt to submit their Acceptance in a simplified manner without requiring the documents set out above by submitting their Acceptance and Transfer Form electronically or physically in a simplified manner together with (i) two copies of valid identification (passport and National ID/CPR) and (ii) signature verification of the signature on the Acceptance and Transfer Form (passport signature page or equivalent). Simplified submissions made by institutions should also provide proof of authority pertaining to the authorised signatory and a copy of the commercial registration certificate.

However, should institutions and individuals holding AUB BB Shares opt to submit their Acceptance in a simplified manner, upon receipt by such AUB BB Shareholders of the New KFH Shares, their New KFH Shares will not be available for trading until the rest of the documents listed above (as applicable to individuals or institutions) are submitted to the BC.

The Offeror and the Bahrain Receiving Agent reserve the right to reject any Acceptance and Transfer Form if:

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

- (b) if it receives an Acceptance and Transfer Form from an AUB Shareholder located in the United States and such Acceptance and Transfer Form is not accompanied by a completed, accurate and executed US Investor Letter or the Bahrain Receiving Agent has reason to believe that any of the acknowledgements, representations, agreements and warranties contained in the US Investor Letter are inaccurate;
- (c) any of the information stated in this section 6.1 (Form Submission) is not included in or with the Acceptance and Transfer Form; or
- (d) 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 this section 6.1 (Form Submission) 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. 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. 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.

AUB Shareholders holding AUB Shares in physical form must first submit the original share certificates and obtain an IN.

The AUB Shareholder holding AUB BB Shares who accepts the Offer shall:

- (a) consent to the passing on of any information about the AUB Shareholder to any relevant regulatory authorities (including but not limited to the KCC) 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 indicating acceptance 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;
- (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); and
- (e) consent to the deposit of any New KFH Shares to the brokerage account where their AUB shares were held prior to the Acquisition.

B. Acceptance submission procedures pertaining to AUB Shareholders holding AUB BK Shares

All AUB Shareholders holding AUB BK Shares who are willing to accept the Offer will be required to submit the following documentation at the following website: www.ipo.com.kw under the tab titled "Current IPOS and CIS". AUB Shareholders holding AUB BK Shares who require assistance may approach the offices of the Kuwait Receiving Agent.

Certain AUB Shareholders who are located in the United States will not be able to participate in the Offer. AUB Shareholders located in the United States must complete and return an executed US Investor Letter alongside their Acceptance and Transfer Form. The form of US Investor Letter can be requested from the Bahrain Receiving Agent by contacting agent@sciobank.com.

All institutions and individuals holding AUB BK Shares may submit their Acceptance and Transfer Form electronically together with:

- (a) the original signed Acceptance and Transfer Form;
- (b) 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) signature verification of the signature on the application (with a passport copy showing the specimen of the person signing the application form to suffice);
- (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;

In addition to the above, all institutions must also submit:

- (i) 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; and
- (ii) signature verification of the signature on the application (with a passport copy showing the specimen of the person signing the application form to suffice); and
- (iii) if located in the United States, a completed and executed US Investor Letter

The following additional documents are required for applications on behalf of Minors:

- (i) copy of the valid passport or valid international travel document or valid national identification card of the legal guardian (being the Minor's father) applying and signing on behalf of the Minor; and
- (ii) 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.

Any other legal guardianship arrangements should approach the Kuwait Receiving Agent to assist with the application.

All signed Acceptance and Transfer Forms should be submitted electronically through the following website: www.ipo.com.kw under the tab titled "Current IPOs and Cis" during the Offer Period.

The documents should be submitted no later than the close of business on the Initial Offer Closing Date.

Following the electronic submission of a completed Acceptance and Transfer Form, the Kuwait Receiving Agent shall verify the validity of the submission and a notification shall be sent to the AUB Shareholder confirming receipt of the submission. Any AUB Shareholder holding BK Shares who has electronically submitted a completed an Acceptance and Transfer Form but has not received such notification should contact the Kuwait Receiving Agent.

AUB Shareholders intending to accept the Offer and who hold AUB BK 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. The clearance must acknowledge that such AUB Shares shall be transferred to KFH pursuant to the Offer free from any and all charges, liens and other encumbrances, and that any encumbrances (including mortgages and 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.

Noting that the Acceptance and Transfer Form will be submitted electronically through the electronic platform made available by 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 made available on the prescribed electronic platform 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 Acceptance and Transfer Form if:

- (a) the Acceptance and Transfer Form is not completed in all respects or is completed with incorrect information;
- (b) if it receives an Acceptance and Transfer Form from an AUB Shareholder located in the United States and such Acceptance and Transfer Form is not accompanied by a completed, accurate and executed US Investor Letter or the Kuwait Receiving Agent has reason to believe that any of the acknowledgements, representations, agreements and warranties contained in the US Investor Letter are inaccurate;
- (c) any of the information stated in this section 6.1 (Form Submission) is not included in or with the Acceptance and Transfer Form; or
- (d) 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 this section 6.1 (Form Submission) 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 Shareholders holding AUB Shares in physical form with original share certificates shall deliver the original share certificate to the BK or the Receiving Agent and receive an IN prior to their submission of the Acceptance and Transfer Form.

The AUB Shareholder holding AUB BK Shares 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 (Form Submission) (as applicable):

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.	AUB Branch name	Address	Telephone No.	Opening days	Operating hours
1	Seef Headquarters	Building 2495, Road 2832, Al Seef District 428	(973) 17585539 /5813 / 5514	Sunday to Thursday	8:00am – 3:30pm
2	Central Manama	Bahrain Car Park Commercial Center, Manama, Building #126, Road 383, Block 316	(973) 17221855 /1736 / 1807	Saturday to Thursday	8:00am – 2:00pm
3	Seef Mall Muharraq	Seef Mall Muharraq in Arad Block 240	(973) 17562720	Saturday to Wednesday	9:00am – 4.30pm
4	Mercado Mall	Unit 112, Building 108, Road #79 Avenue 79, Block 575 Janabiyah	(973) 17562749	Saturday to Wednesday	9:00am – 4.30pm
5	Juffair Oasis Mall	Building 304, Road 2929, Block 341, Oasis Mall, Juffair	(973) 17579354	Saturday to Wednesday	9:00am – 4:30pm
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, where applicable, 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 holding AUB BK Shares and the BC for AUB Shareholders holding AUB BB Shares, during normal working hours starting from the Effective Date. Allotment notices will also be sent to the e-mail address provided by the AUB Shareholder in the Acceptance and Transfer Form.

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 Acquisition 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 assessment 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 their 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.

Due to the consequences of the outbreak of the COVID-19 pandemic late in 2019, KFH and AUB announced, on 12 April 2020 and again on 29 December 2020, that it was agreed to be postponed the procedures of the proposed Acquisition.

On 1 December 2021 and with reference to the previous disclosures concerning KFH's acquisition of AUB, KFH have announced that, following coordination with AUB, and in compliance with the instructions of the regulators in Kuwait and Bahrain, KFH's Board approved to update the acquisition studies and identify their expected effects on the exchange ratio and its subsequent update.

On 24 March 2022, AUB announced that the professional advisers appointed by AUB have completed their due diligence work on KFH, that KFH has communicated to the AUB Board of Directors a revised share exchange ratio and that the AUB Board of Directors and KFH Board are in discussions regarding the share exchange ratio and potential alternatives.

On 6 July 2022, the KFH Board approved the new revised final share exchange ratio of 2.695AUB Shares for each New KFH Share after the review and evaluation of the top-up due diligence findings.

On 6 July 2022, AUB announced that the AUB Board of Directors has resolved to accept the revised share exchange ratio of 2.695 AUB shares for each KFH share as proposed by KFH, subject to (i) the fairness opinion of the independent professional advisor to be appointed by the AUB Board of Directors and (ii) the aggregate ownership of the AUB Shareholders in KFH immediately following completion of a full acquisition of all AUB shares being not less than 31% of the total outstanding and paid up shares of KFH at such time.

KFH and AUB intend to enter into an Implementation Agreement (a copy of which will be on display, once signed, as referred to in section 17.6 (Documents on Display)) to set out, among other matters, their rights and obligations in respect of, and the process for, the implementation of, the Acquisition.

On 25 July 2022, KFH has notified the AUB Board of Directors by way of a Firm Intention of its revised firm intention to make the Offer.

7. The Offeror

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

Kuwait Finance House K.S.C.P. (**KFH**) is considered a pioneer in Islamic Finance and Sharia'a compliant banking. KFH was the first Islamic bank established in 1977 in the State of Kuwait and today is one of the foremost Islamic Financial Institutions in the world.

KFH has steadily managed to expand its business to become a market leader both in the Islamic Finance and broader banking industry, being a recognized leader in both the Islamic banking industry and the banking sector as a whole. KFH is regarded as one of the biggest lenders in both the local and regional markets.

KFH 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 KWD 1,348,570,712.700 with an issued and paid-up capital of KWD 928,570,712.700 divided into 9,285,707,127 shares with a nominal value of KWD 0.100 each. KFH is currently listed and publicly traded on BK with the following shareholders owning more than 5% each:

Major Shareholders	Percentage Owned*
Kuwait Investment Authority	24.08%
Public Authority for Minors Affairs	10.48%
General Secretariat of Awqaf	7.30%

*As at 7 July 2022 based on the information disclosed by the shareholders to Bourse Kuwait on such date

7.3 BOARD OF DIRECTORS

KFH's Board currently comprises of 12 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	Independent Director
Hanan Yousef Ali Yousef	Director
Motlaq Mubarak Al-Sanei	Director
Salah Abdulaziz Al-Muraikhi	Director
Ahmed Meshari Al Faris	Independent Director
Hamad Abdullateef Al Barjas	Director
Mohammed Nasser Al Fouzan	Director

- **Hamad Abdul Mohsen Al Marzouq** – Chairman since 2014 - Chairman of the Board Executive Committee and Chairman of the Board Governance Committee

Mr. Al Marzouq received his Master's Degree in International Finance and Business Management from Claremont Graduate University in the U.S. in 1987. He received his Bachelor's Degree in Industrial Systems Engineering from the University of Southern California in the U.S. in 1985. Mr. Al Marzouq serves as a Board Member of Kuwait Banking Association (KBA) since 2002 and was appointed as Chairman of the Association from 2010 until 2016. Mr. Al Marzouq served as a Board Member of the Kuwait Institute of Banking Studies (KIBS) from 2003 to 2014 and the Public Authority for Applied Education and Training (PAAET) from 2007 until 2016. Mr. Al Marzouq served as a Member of the Board of Trustees of the Arab Academy for Financial and Banking Sciences from 2004 until 2009 and was a Board Member of the Union of Arab Banks from 2003 until 2010. Mr. Al Marzouq has a diverse professional experience in Banking and Finance both in Kuwait and abroad spanning more than 30 years as he has held many prominent positions in various banking, financial and regulatory institutions. Mr. Al Marzouq was Chairman and Managing Director of Ahli United Bank - Kuwait from 2002 until 2014 and was Vice Chairman of Ahli United Bank - U.K. from 1998 until 2014 and was Vice Chairman of Ahli United Bank - Egypt from 2006 until 2014. Mr. Al Marzouq served as Vice Chairman of Ahli United Bank – Bahrain from 2000 until 2014 and served as Vice Chairman of Ahli Bank - Oman from 2007 until 2014. Mr. Al Marzouq served as Vice Chairman of the Commercial Bank of Iraq from 2006 until 2014. Mr. Al Marzouq served as a Board Member, Vice Chairman, and Chairman of Kuwait & Middle East Financial Investment Company in Kuwait from 2002 until 2010. He held the position of Vice Chairman of Middle East Financial Investment Company in the Kingdom of Saudi Arabia from 2009 until 2013 and was Vice Chairman of Ahli Bank in Qatar from 2004 until 2013. Mr. Al Marzouq previously held several executive positions at the Central Bank of Kuwait including the position of Deputy Manager of the Technical Affairs Office in 1990. In addition, Mr. Al Marzouq served as the Deputy Manager of Financial Control Department from 1992 until 1996 and then served as Manager of Financial Control Department from 1996 until 1998. Mr. Al Marzouq commenced his professional career as an Investment Officer in the U.S. Equity Portfolios and Derivatives at the Investment Department at Kuwait Investment Company from 1987 until 1990.

- **Abdul Aziz Yacoub Alnafisi** – Vice Chairman since 2014 - Member of the Board Executive Committee and Member of the Board Nomination and Remuneration Committee

Mr. Alnafisi received his Bachelor's Degree in Economics from Whittier College in the U.S. in 1977. Mr. Alnafisi holds the position of General Manager of Abdul Aziz Alnafisi General Trading Company. Mr. Alnafisi has a wealth of experience in Kuwait and abroad as he has held many prominent leadership positions in companies within Banking, Financial, Real Estate and Telecommunication Sectors. Mr. Alnafisi was a Board Member in Mobile Telecommunications Company "Zain Group" from 2005 until 2017 where he held the position of Vice Chairman until 2013. In addition, he was a Board Member in Mobile Communication Company - Saudi Arabia "Zain KSA" from 2013 until 2019. Mr. Alnafisi held many positions in the Board of Directors of Zain Group MENA entities including Zain Iraq, Zain Jordan and Zain Sudan as well as many positions in the Board of Directors of Celtel - Zain Africa. Mr. Alnafisi was the Chairman of Mada Communication Company from 2001 until 2011 and assumed the position of the Chairman of Al Madar Finance and Investment Company from 1998 until 2004. Mr. Alnafisi was a Board Member of Wethaq Takaful Insurance Company from 2000 until 2004 and was a Board Member of Kuwait Investment Projects Company from 1993 until 1996. In addition, Mr. Alnafisi held the position of the Chairman of KFIC Brokerage Company from 1989 until 1992. Mr. Alnafisi previously held several executive positions including the position of CEO of Alnafisi National Real Estate Group from 1996 until 2010. In addition, Mr. Alnafisi held the position of Deputy General Manager of Yacoub Alnafisi General Trading and Contracting Establishment from 1984 until 1990 and Managing Director of KFIC Brokerage Company from 1989 until 1990. Mr. Alnafisi commenced his professional career as the Head of Banking Facilities Division at Burgan Bank from 1978 to 1981.

- **Fahad Ali AlGhanim** – Board Member since 2014 - Chairman of the Board Investment Committee, Member of the Board Executive Committee and Member of the Board Audit and Compliance Committee

Mr. AlGhanim received his Bachelor's Degree in Civil Engineering from Kuwait University in 2002. Mr. AlGhanim is the Chairman of Aayan Leasing and Investment Company since 2011. In addition, he is the Vice Chairman of AlAhlia Heavy Vehicles Selling and Import Company since 2011 and Board Member of Kuwait Building Materials Manufacturing Company since 2004. Mr. AlGhanim currently holds the position of CEO at Ali Mohammed Thunayan AlGhanim and Sons Automotive Group of Companies since 2005 and is a Board Member and Treasurer at Kuwait Sports Club since 2007. He is also a member of Kuwait Society of Engineers since 2003. Mr. AlGhanim has held many prominent leadership positions including the position of the Chairman and CEO of AlAhlia Heavy Vehicles Selling and Import Company from 2005 until 2011 and was the Chairman of the Restructuring Committee at Aayan Leasing and Investment Company from 2010 until 2011. He also held the position of Board Member of the Representatives Board of the World Agents of McLaren Motors Company (Representatives of the Middle East) from 2010 until 2015. Mr. AlGhanim assumed Board Member positions in numerous local companies including the International Company for Electronic Payment (UPS) from 2005 until 2010, Al-Oula Slaughter House Company from 2003 until 2005 and was the CEO of Ali AlGhanim and Sons Group of Companies – Contracting Sector from 2002 until 2005.

- **Muad Saud Al Osaimi** – Board Member since 2014 - Member of the Board Executive Committee, Member of the Board Risk Committee, and Member of the Board Investment Committee

Mr. Al Osaimi received his Bachelor's of Science Degree in Finance from George Mason University in the U.S. in 2001. Mr. Al Osaimi was appointed as the Chairman of Kuwait Finance House - Malaysia since 2017. He also served as a Board Member of numerous companies including Kuwait Gate Holding Company from 2004 until 2014, Kuwait Financial Center Company from 2008 until 2011 and Al Raya International Holding Company from 2005 until 2009. Mr. Al Osaimi is the CEO of Faiha International Real Estate Company since 2017. He previously held the position of Deputy General Manager of Global Retail Company from 2003 until 2020. In addition, Mr. Al Osaimi worked at the Investment Department of Aayan Leasing and Investment Company in 2002 and completed an 18-month specialized training program for graduates at Kuwait Investment Authority (KIA) in 2001.

- **Khaled Salem Al Nisf** – Board Member since 2014 - Member of the Board Risk Committee, Member of the Board Executive Committee, and Member of the Board Investment Committee

Mr. Al Nisf received his Bachelor's Degree in Finance from the College of Commerce, Economics and Political Sciences at Kuwait University in 1995. He also pursued specialized courses in Financial Statement Analysis from the Institute of International Research, in addition to several specialized courses in Islamic Banking. Mr. Al Nisf is a Board Member at the Kuwaiti Digital Computer Company since 2001. In addition, Mr. Al Nisf holds the position of Board Member at Al-Shamiya Holding Company since 2016 and is a Board Member at Al Tadamon Al Kuwaitiya Holding Company since 2016. Mr. Al Nisf held the position of Chairman of the Executive Board specialized in setting strategies and implementation at Al Nisf Group of Companies. Mr. Al Nisf has held the position of CEO at Mohamed Bin Yusuf Al Nisf & Partners Company, Al Tadamon Al Kuwaitiya Company, and Trading and Industrial Equipment Company since 2008. Mr. Al Nisf previously held several executive positions including the position of Investment and Finance Manager at Al Nisf Companies from 1997 until 2008 and was the Administration Manager of the Company from 1995 until 2007. In addition, Mr. Al Nisf previously held the position of Deputy Chairman at the Kuwaiti Digital Computer Company from 2016 until 2019.

- **Noorur Rahman Abid** – Board Member since 2014 - Chairman of the Board Audit and Compliance Committee and Chairman of the Board Nomination and Remuneration Committee

Mr. Abid has been a Fellow Chartered Accountant from Institute of Chartered Accountants in England and Wales (ICAEW) since 1976. Mr. Abid was appointed as Assurance Leader for Ernst & Young Middle East and North Africa in 1999 and has vast experience within the profession spanning more than 41 years. In 2012, Mr. Abid received the World Islamic Banking Conference Industry Leadership Award in recognition for his contribution to the Islamic Banking industry. Mr. Abid previously served as Chairman of the Accounting Standards Committee and Vice Chairman of Accounting and Auditing Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Mr. Abid is currently a member of the Board of Trustees of the (AAOIFI). Mr. Abid serves as the Chairman of the Audit Committee and the Chairman of Board Human Resources Committee at Meezan Bank, one of the largest Islamic Banks in Pakistan. In addition, Mr. Abid is a Board Member at Arcapita Company in the Kingdom of Bahrain and Chairman of its Audit Committee. Mr. Abid is a Board Member at Dr. Soliman Fakeeh Hospital in Jeddah in the Kingdom of Saudi Arabia, Chairman of its Audit Committee, and a member of its Nomination and Remuneration Committee.

- **Hanan Yousef Ali Yousef** – Board Member representing Kuwait Awqaf Public Foundation (KAPF) since 2019 - Member of the Board Governance Committee and Member of the Board Risk Committee

Ms. Hanan Yousef received her Bachelor's Degree in Business Administration in Finance and Banking from Kuwait University in 1996. Ms. Hanan Yousef is the Director of the Investments Management Department in Kuwait Awqaf Public Foundation since 2018. In addition, Ms. Hanan Yousef holds the position of Acting Deputy Secretary General for Investment since June 2021. Ms. Hanan Yousef commenced her professional career in the Investments Management Department at Kuwait Awqaf Public Foundation as a Financial Researcher in 2000. In addition, Ms. Hanan Yousef held the position of Head of Financial Investment Unit from 2004 until 2011, and the Investment Management Controller from 2011 until 2018. Furthermore, Ms. Hanan Yousef was a board member representing Kuwait Awqaf Public Foundation in Public Services Company from 2003 until 2006, Al Masar Leasing & Investment Company from 2005 until 2012, Al Madar Finance & Investment Company from 2006 until 2007, and Rasameel Investment Company since 2012 until 2021. In addition, Ms. Hanan Yousef is the Chairman of the Board Audit Committee and Board Risk Committee in Rasameel Investment Company since 2015 until 2021. Ms. Hanan Yousef possesses a vast financial experience. During her professional career, she held numerous prominent leadership roles at Kuwait Awqaf Public Foundation including the position of Member and Rapporteur of the Staff Social Committee from 2001 until 2003, Rapporteur of Waqf Resources Development and Investment Committee since 2010, Assistant Rapporteur of the Committee for responding to the Observations of the State Audit Bureau of Kuwait since 2010, a member of the Strategic Planning's Working Group in 2013, and a member of Awqaf Management System Implementation Committee in 2014. Ms. Hanan Yousef also served as the Rapporteur of the Doubtful Debt Reviewing Committee in 2015 and the Secretary of the Real Estate Investment Company (Al-Awadhi) Liquidation Committee from 2016 until 2018.

- **Motlaq Mubarak Al-Sanei** – Board Member representing Kuwait Investment Authority since 2017 - Member of the Board Executive Committee, Member of the Board Risk Committee, and Member of the Board Nomination and Remuneration Committee

Mr. Al-Sanei received his Bachelor's Degree in Economics from Kuwait University in 1983. Mr. Al-Sanei has a wealth of professional experience in the Economic and Investment field where he has held numerous prominent positions. He served as the Director General of Kuwait Authority for Partnership Projects from 2016 until 2020, and he served as the Chairman and Board Member for numerous leading companies in Kuwait including the role of Chairman of Kuwait Small Projects Development Company from 2005 until 2011. Mr. Al-Sanei has assumed overseas roles including the role of Chairman of the Tunisian Kuwaiti Bank from 2001 until 2011. Mr. Al-Sanei made efficient and effective contributions to the Board Committees he participated in. He headed the Privatization Committee of Kuwait Airways Corporation in 2010. In addition, Mr. Al-Sanei has a highly distinguished professional experience in the field of Islamic Banking and Capital

Markets as he headed the Founding Committee of Warba Bank. In addition, he was a member of the Privatization Committee of Kuwait Stock Exchange in 2011 and the Founding Committee of Media City Company in 2008. Mr. Al-Sanei was a Board Member in several leading companies in Kuwait including Tri International Consulting Group (TICG) from 2014 until 2016 and Bank of Bahrain and Kuwait from 2011 until 2017. He served as a Board Member in several companies abroad including Arab Investment Company in the Kingdom of Saudi Arabia from 2008 until 2015, Arab Authority for Investment and Agricultural Development in the Republic of Sudan from 2001 until 2008, and the Kuwaiti United Company in the Syrian Arab Republic for one year. Mr. Al Sanei was a member at Kuwait Economic Society from 2006 until 2014 and Board Member of Kuwait Airways Company during 2011. In addition, he assumed the role of Chairman and General Manager for the Kuwaiti Tunisian Development Group. Mr. Al Sanei served previously as the General Manager of the Kuwaiti Real Estate Investment Group Office in Tunisia until 2000.

- **Salah Abdulaziz Al-Muraikhi** – Board Member representing Kuwait Investment Authority since 2018 - Member of the Board Audit and Compliance Committee, Member of the Board Investment Committee, and Member of the Governance Committee

Mr. Al-Muraikhi received his Master's Degree in Business Management and Financial Accounting from Claremont Graduate University in the U.S. in 1987. He received his Bachelor's Degree in Finance from the Kuwait University in 1984. Mr. Al-Muraikhi joined Kuwait Investment Authority in 1996. He then worked in Kuwait Investment Office in London from 2000 until 2005. Mr. Al-Muraikhi currently holds the position of Manager of Hedge Fund Department in Kuwait Investment Authority. Mr. Al-Muraikhi has a wealth of professional experience in the Economic and Investment field where he held numerous prominent positions. He served as the Chairman of the Board of Farah Al-Maghreb Company (previously known as Moroccan Kuwaiti Development Group) from 2015 until 2018, Board Member of Kuwait Investment Company from 2012 until 2018, Chairman of the Board for Pakistan Kuwait Investment Company from 2007 until 2012, Board Member of Kuwaiti Egyptian Investment Company from 2007 until 2013, Board Member of Grupo Plastico Company in Spain from 2004 until 2005, and Vice Chairman for Kuwait Real Estate Investment Consortium from 1998 until 2000 where he held the position of Managing Director from 1999 until 2000. Mr. Al-Muraikhi served as Board Member of Housing Bank in Amman - Jordan from 1997 until 2001.

- **Ahmed Meshari Al Faris** – Board Member since 2020 - Chairman of the Board Risk Committee, and Member of the Board Governance Committee

Mr. Al Faris received his Higher Diploma in Islamic Finance from the College of Graduate Studies at Kuwait University in 2010. In addition, he received his Master of Business Administration in 2009 and Postgraduate Diploma in Business Administration in 2006 from Maastricht School of Management – Kuwait. Mr. Al Faris received his Bachelor's Degree in Accounting from the College of Business Administration at Kuwait University in 2000. Mr. Al Faris is currently the Board Secretary at Kuwait Telecommunication Company since 2019 and Board Treasurer in Kuwait Transparency Society. In addition, Mr. Al Faris was the Acting Chief of the Internal Audit Department at Kuwait Telecommunication Company from 2019 until 2020, the Assistant Under-Secretary for the Corporate Affairs and Commercial Licenses at the Ministry of Commerce and Industry from 2017 until 2018, Board Member at the Public Authority for Industry from 2017 until 2018, Board Member at the Central Bank of Kuwait in 2018, Board Secretary at the Kuwait Accountants and Auditors Association from 2017 until 2019, Chairman of the Kuwait Accountants and Auditors Association from 2015 until 2017 and a Board Member from 2007 until 2015. Mr. Al Faris holds many Professional Certificates such as Certified Compliance Officer (CCO) since 2019, Certified Merger & Acquisition Specialist (CMAS) since 2017, Certified Professional Internal Auditor (CPIA) since 2015 from the U.S., Certified Risk Based Auditor (CRBA) since 2015 and Certified Risk Analyst (CRA) since 2014 from Hong Kong.

- **Hamad Abdullateef Al Barjas** – Board Member since 2020 - Member of the Board Audit and Compliance Committee, Member of the Board Nomination and Remuneration Committee, and Member of the Board Governance Committee

Mr. Al Barjas received his Bachelor's Degree in Civil Engineering from the College of Engineering and Petroleum at Kuwait University in 1993. Mr. Al Barjas is a Board Member at El Durra Company since 2019, and the Deputy General Manager of Minors Affairs since 2018. Mr. Al Barjas previously held several executive positions including the Deputy General Manager for the Administrative and Financial Affairs in the Public Authority for Minors Affairs from 2017 until 2018 and Board Member at REAM Real Estate Company from 2007 until 2015.

- **Mohammed Nasser Al Fouzan** – Board Member since 2020 - Member of the Board Audit and Compliance Committee, and Member of the Board Investment Committee

Mr. Al Fouzan received his Bachelor's Degree in Business Administration from Kuwait University in 1986. He also received his Higher Banking Diploma from the Arab Institute for Banking Studies - Jordan in 1989. Mr. Al Fouzan has successfully completed many specialized training programs and he holds numerous specialized professional certificates such as the Executive Development Program from The Wharton School in the U.S. in 2001, and the Strategic Management Program from Harvard Business School in 2006. Currently, Mr. Al Fouzan is the Vice Chairman of Kuwait Finance House - Bahrain since 2012, and a Board Member in Kuwait Finance House - Malaysia since 2014. In addition, he previously held various positions in different companies such as the Chairman of K-Net Company from 2005 until 2008, and the Chairman of International Turnkey Systems Group (ITS) from 2008 until 2012. Mr. Al Fouzan previously held several executive positions at KFH Group including the Group CEO Office Consultant from 2014 until 2018, Acting CEO in 2014 and Chief Retail Banking Officer from 2012 until 2014.

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. Al-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. Al-Ghareeb received his Bachelor's Degree in Islamic Jurisprudence and Usul Al-Fiqh from Kuwait University in 1988. Dr. Al-Ghareeb is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2014. Dr. Al-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. Al-Ghareeb previously held the position of Assistant Dean at Shari'a and Islamic Studies College at Kuwait University. Dr. Al-Ghareeb previously held the position of member of the Supreme Committee for working on applying Islamic Shari'a Law.

- **Dr. Anwar Al-Abdulsalam** – Member

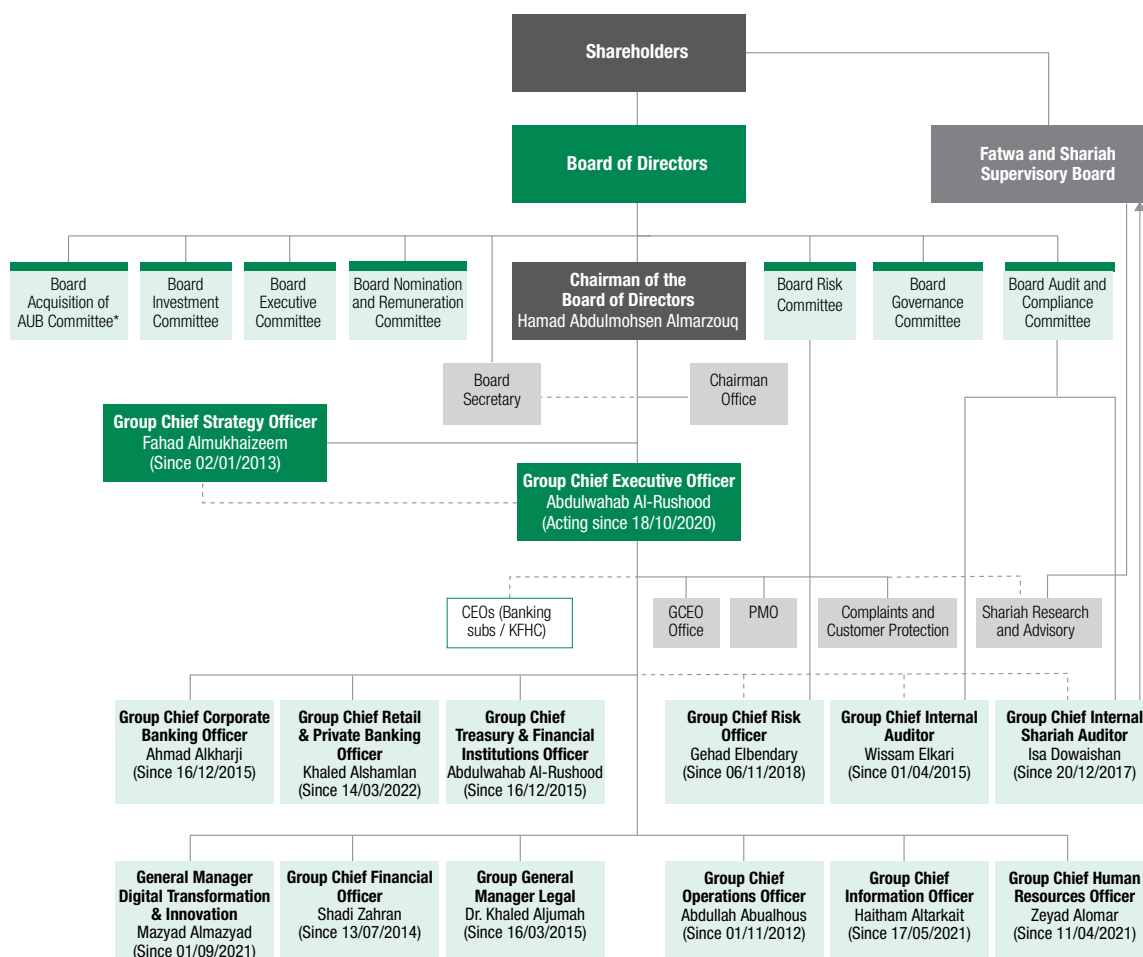
Dr. Al-Abdulsalam received his PhD in Islamic Jurisprudence and Usul Al-Fiqh from Al-Azhar University in Egypt in 1999. He received his Master's Degree in Islamic Jurisprudence and Usul Al-Fiqh from Al-Azhar University in Egypt in 1996. Dr. Al-Abdulsalam received his Bachelor's Degree in Shari'a from 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:



* this committee is a temporary committee.

- Abdulwahab Al-Rushood** – Acting Group Chief Executive Officer & Group Chief Treasury Officer
 Mr. Al-Rushood received his Bachelor's Degree in Mathematics and Computer Science from Western Oregon State College in the U.S in 1987. Mr. Al-Rushood successfully completed a specialized training course on Strategic Leadership at Harvard Business School. Mr. Al-Rushood is currently the Acting Group CEO and Group Chief Treasury and Financial Institutions Officer at Kuwait Finance House since 2015. In addition, Mr. Al-Rushood is the Chairman of KFH Capital Investment Company, Board Member at Kuwait Finance House - Bahrain and a Board Member of Aviation Lease & Finance Company (ALAFCO). Mr. Al-Rushood possesses a vast banking experience, spanning more than 32 years. During his professional career, he held numerous prominent leadership roles starting in the Treasury Department in Gulf Bank before moving to Kuwait Finance House where his roles included General Manager - Kuwait Treasury from 2013 until 2015. In addition, he was promoted to various leadership positions within the Treasury Department from 2002 until 2013. Mr. Al-Rushood served as Board Member for numerous leading companies including Kuwait Finance House - Malaysia from 2007 until 2013, Liquidity Management House (KFH Investment Company) from 2008 until 2013, Development Enterprises Holding Company (DEH) from 2014 until 2016 and Liquidity Management Centre - Bahrain (LMC) from 2006 until 2016.

- **Shadi Zahran** – Group Chief Financial Officer

Mr. Zahran received his Master of Business Administration (MBA) Degree in Finance from the University of Manchester in the U.K. in 2014. He received his Bachelor of Science Degree in Accounting from the University of Jordan in 1992. Mr. Zahran successfully completed the General Management Program at Harvard Business School in 2021. Mr. Zahran holds several specialized professional certificates including Certified Public Accountant (CPA) from the state of Illinois in the U.S. since 1996, an Auditing License from the Council of the Auditing Profession in Jordan 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. Mr. Zahran is currently the Group Chief Financial Officer at Kuwait Finance House since 2014. In addition, Mr. Zahran is the Vice Chairman of KFH Capital Investment Company and Board Member at Kuwait Finance House – Bahrain and Board Member of Kuveyt Turk Participation Bank. Mr. Zahran is a member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI), and Board Member of the General Council for Islamic Banks and Financial Institutions (CIBAFI). Mr. Zahran previously held several executive positions at Ahli United Bank Group including Chief Financial Officer in Kuwait from 2009 until 2014 and Head of Group Financial Controlling at Ahli United Bank in Bahrain from 2005 until 2009. Mr. Zahran previously held the position of Head of Financial Systems Management & Operations Department at Al Rajhi Bank in the Kingdom of Saudi Arabia from 2000 until 2005. In addition, Mr. Zahran previously worked as an External Auditor at international external audit firms including Ernst & Young.
- **Khaled Al-Shamlan** –Group Chief Retail, Private Banking Officer and Group General Manager Retail Banking

Mr. Al-Shamlan received his Bachelor's degree in Economics from Kuwait University in 1995. Mr. Al-Shamlan successfully completed a specialized training course on Managing Strategically and Leading for Results conducted by Harvard Business School and attended numerous professional courses in Leadership, Financial Analysis and Risk Management. Mr. Al-Shamlan is currently Acting Chief Retail & Private Banking Officer at Kuwait Finance House since April 2021 and Group General Manager Retail Banking since January 2021. In addition, Mr. Al-Shamlan is a Board Member of KFH Capital Investment Company. Mr. Al-Shamlan possesses a vast banking experience, spanning more than 23 years. During his professional career, he held numerous prominent leadership roles at Kuwait Finance House including General Manager Corporate Banking - Kuwait from 2018 until January 2021, Deputy General Manager Individual Financing from 2016 until 2017, Deputy General Manager Corporate Real Estate Financing from 2015 until 2016, Executive Manager Corporate Real Estate Financing in 2014 and Executive Manager Credit Analysis in 2013. In addition, Mr. Al-Shamlan completed a two-year specialized training program for graduates at Kuwait Investment Authority (KIA).
- **Ahmed AlKharji** – Group Chief Corporate Banking Officer

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 of Science Degree in Finance and Banking from Kuwait University in 1994. Mr. AlKharji successfully completed the Program for Leadership Development at Harvard Business School in 2008. In addition, Mr. AlKharji completed the Leading Change & Organizational Renewal Program at Harvard Business School in 2018 and the Leading Global Business Program at Harvard Business School in 2021. Mr. AlKharji is currently the Group Chief Corporate Banking Officer at Kuwait Finance House since 2016. In addition, Mr. AlKharji is a Board Member of Kuveyt Turk Participation Bank, Board Member of Kuwait Finance House - Malaysia, Board Member of KFH Capital Investment Company and a Board Member of The Shared Electronic Banking Company (KNET). Mr. AlKharji was seconded to Kuveyt Turk Participation Bank from 2006 until 2008 to revamp and enhance the Investment Banking Division. Mr. AlKharji previously held the position of CEO and Managing Director at Kuwait Finance House - Malaysia from 2015 until 2016.

- **Fahad Al-Mukhaizeem** – Group Chief Strategy Officer

Mr. Al-Mukhaizeem 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 of Science Degree in Engineering and Bachelor's Degree in Economics from Tufts University in the U.S. in 1996. Mr. Al-Mukhaizeem successfully completed many training programs in addition to the Leadership Development Program at Harvard Business School in 2008. Mr. Al-Mukhaizeem is currently the Group Chief Strategy Officer at Kuwait Finance House since 2015. In addition, Mr. Al-Mukhaizeem is the Chairman of International Turnkey Systems Group (ITS). Mr. Al-Mukhaizeem also supervises some of the duties related to the Head of GCEO Office Support and provides the required assistance. Mr. Al-Mukhaizeem possesses a vast banking experience, spanning more than 20 years. During his professional career, he held numerous prominent leadership roles at Kuwait Finance House including Group General Manager - Strategy & Corporate Affairs from 2013 until 2015. Mr. Al-Mukhaizeem previously held several executive positions within Retail Banking and other areas at Kuwait Finance House. Mr. Al-Mukhaizeem successfully supervised the execution of several initiatives concerning the bank's business development in addition to being an effective member in several Restructuring Programs at Kuwait Finance House during his career in addition to establishing many departments within different areas at Kuwait Finance House.

- **Gehad El-Bendary** – Group Chief Risk Officer

Mr. El-Bendary received his Finance & Risk Management Diploma from the University of Wales in the U.K. in 2014. He received his Bachelor of Commerce Degree in Accounting from Tanta University in Egypt in 1996. Mr. El-Bendary has successfully completed specialized training programs in Enterprise Leadership from INSEAD University, Network Leadership Program from IMD University, and Advanced Risk Management from Wharton School. Mr. El-Bendary holds numerous specialized professional certificates including the International Certificate in Banking Risk and Regulation (ICBRR) from the Global Association of Risk Professionals (GARP) in 2009. Mr. El-Bendary is currently the Group Chief Risk Officer at Kuwait Finance House since 2018. Mr. El-Bendary has over 22 years of experience in Risk Management, Auditing, and Internal Control Systems in Financial Institutions. Mr. El-Bendary previously held several executive positions at Kuwait Finance House including the position of General Manager Risk Management from 2016 until 2018, Deputy General Manager - Portfolio & Enterprise Risk Management from 2013 until 2016, Head of Enterprise Risk Management Unit from 2012 until 2013, and Head of Risk Unit from 2007 until 2012.

- **Zeyad Alomar** – Group Chief Human Resources Officer

Mr. Alomar received his Bachelor's Degree in English Language & Literature from Kuwait University in 1986. Mr. Alomar is currently the Group Chief Human Resources Officer at Kuwait Finance House since April 2021. Mr. Alomar possesses a vast Human Resources experience, spanning more than 30 years. During his professional career, he held numerous prominent leadership roles at Kuwait Finance House including General Manager Human Resources from 2013 until 2015. Mr. Alomar previously held several executive positions including Group Human Resources Director at Zain Group from 2012 until 2013, Corporate Affairs Director at Zain Group from 2011 until 2012, Chief Regulatory Officer at Wataniya Telecom from 2009 until 2011 and Human Resources Director at Wataniya Telecom from 2002 until 2009.

- **Haitham Alterkait** – Group Chief Information Technology Officer

Mr. Alterkait received his Bachelor's Degree in Mechanical Engineering Technology from Metropolitan State Colleague in U.S in 1989. Mr. Alterkait is currently the Group Chief Information Officer at Kuwait Finance House since May 2021. In addition, Mr. Alterkait is a Board Member of International Turnkey Systems Group (ITS). Mr. Alterkait possesses a vast Information Technology experience, spanning more than 30 years. During his professional career, he held numerous prominent leadership roles including Chief Technology Officer at Warba Bank from 2012 until May 2021 and Infrastructure Services Department Manager at Kuwait Finance House from 2002 until 2012.

- **Abdullah Abu Alhous** – Group Chief Operations Officer

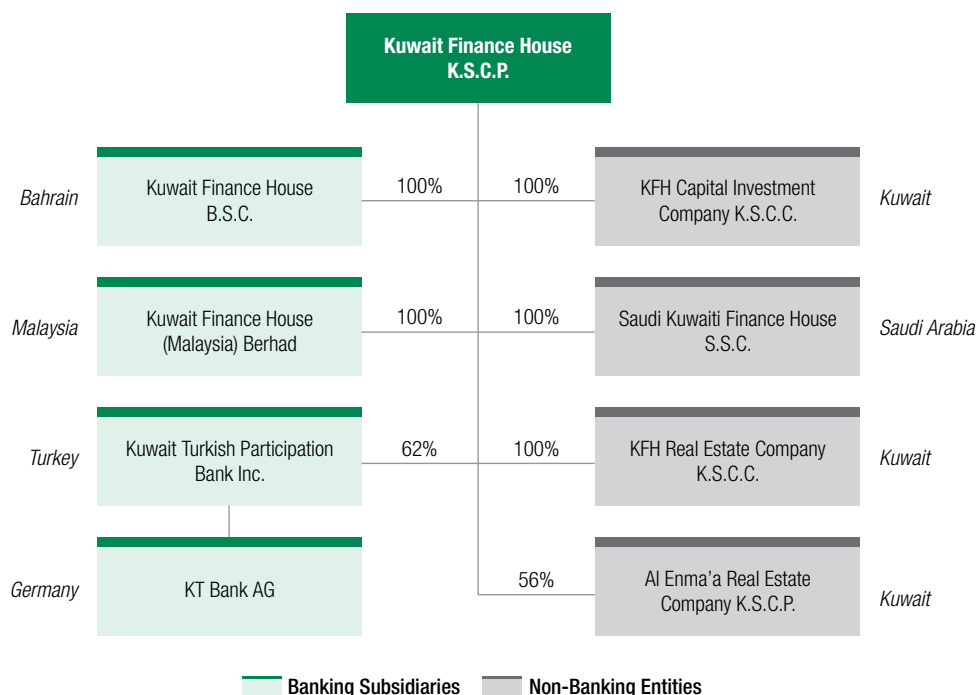
Mr. Abu Alhous received his Bachelor's Degree in Business Administration in Finance and Banking from Kuwait University in 1987. He attended numerous specialized Executive Programs including the Senior Executive Leadership Program at Harvard Business School in the U.S. in 2008 in addition to attending numerous professional courses and executive programs from world's most reputable business schools like London Business School, INSEAD and Wharton School and some prestigious institutions such as JP Morgan in 2019. Mr. Abu Alhous is currently the Group Chief Operations Officer at Kuwait Finance House since 2015. In addition, Mr. Abu Alhous is a Board Member of International Turnkey Systems Group (ITS). Mr. Abu Alhous previously held several executive positions including Group General Manager Operations at Kuwait Finance House from 2012 until 2015, Chief Operations Officer at Warba Bank from 2011 until 2012 and Deputy General Manager of Operation Group at the National Bank of Kuwait from 2005 until 2011.
- **Wissam El-Kari** – Group Chief Internal Auditor

Mr. El-Kari received his Master of Applied Finance Degree from the University of Melbourne in Australia in 2002. He received his Bachelor's Degree in Business Administration from the American University of Beirut, Lebanon in 1996. Mr. El-Kari holds many specialized professional certificates including Certified Information Systems Auditor (CISA) from the U.S in 2020, Certified Anti-Money Laundering Specialist (CAMS) from the U.S in 2020, Financial Risk Manager (FRM) from the U.S. in 2012, Certified Fraud Examiner (CFE) from the U.S. in 2008, Certified Internal Auditor (CIA) from the U.S. in 2001 and Certified Management Accountant (CMA) from the U.S. in 2001. Mr. El-Kari is currently the Group Chief Internal Auditor at Kuwait Finance House since 2017. Mr. El-Kari possesses a vast experience, spanning more than 22 years and a solid experience in assessing Internal Controls, Risk Management, and Governance Processes. During his professional career, he held numerous prominent leadership roles where he has been heading the Group Internal Audit Department at Kuwait Finance House since 2012. In addition, Mr. El-Kari served as Assistant General Manager Internal Audit, Banking Operations at Burgan Bank in Kuwait from 2005 until 2012.
- **Dr Khaled Al-Jumah** – Group General Manager Legal

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. Dr. Al-Jumah received his Bachelor's Degree in Law from Kuwait University in 1988. Dr. Al-Jumah is currently the Group General Manager Legal at Kuwait Finance House since 2015. Dr. Al-Jumah previously held several consultant positions including Legal Consultant at the Central Bank of Kuwait in 2012 and the Legal Consultant at the Office of Secretary General of the Organization of Arab Petroleum Exporting Countries "OAPEC" in 1999. In addition, Dr. Al-Jumah previously worked in the legal field at the Legal Consultancy Group Office in 1998. Prior to that, Dr. Al-Jumah held the position of Chief Legal Consultant at Kuwait Oil Company from 1988 until 1998.

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

Kuwait Finance House K.S.C.P.
 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

Goldman Sachs International (DIFC)
 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 2021, 31 December 2020 and 31 December 2019; 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 2021, 31 December 2020 and 31 December 2019 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 6 February 2022, 4 February 2021 and on 9 January 2020 respectively. These reports also include communication of key audit matters.

Management's Responsibility for the Summary Consolidated Financial Statements

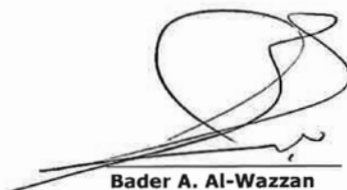
Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 2.

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, 26 June 2022

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

Consolidated Statement of Financial Position as at 31 December 2021, 2020 and 2019

	<i>KD 000's</i>		
	2021	2020	2019
Assets			
Cash and balances with banks and financial institutions	2,325,092	2,490,801	1,910,088
Due from banks	3,349,685	3,364,577	3,782,828
Financing receivables	11,355,363	10,747,536	9,336,555
Investments in Sukuk	2,734,922	2,742,100	2,276,432
Trading properties	96,304	102,395	107,613
Investments	218,754	192,347	210,524
Investments in associates and joint ventures	491,703	520,784	504,343
Investment properties	325,128	350,838	455,406
Other assets	654,468	728,059	546,782
Intangible assets and goodwill	32,351	32,390	31,329
Property and equipment	204,442	230,487	228,958
Total assets	21,788,212	21,502,314	19,390,858
Liabilities			
Due to banks and financial institutions	2,594,754	2,954,115	2,427,166
Sukuk payables	216,717	315,105	319,965
Depositors' accounts	15,866,901	15,317,335	13,552,645
Other liabilities	802,658	814,361	847,707
Total liabilities	19,481,030	19,400,916	17,147,483
Equity attributable to the shareholders of the bank			
Share capital	844,155	767,414	697,649
Share premium	720,333	720,333	720,333
Proposed issue of bonus shares	84,416	76,741	69,765
Treasury shares	(27,739)	(27,739)	(36,243)
Reserves	209,996	323,199	470,908
	1,831,161	1,859,948	1,922,412
Proposed cash dividend	100,442	76,093	137,980
Total equity attributable to the shareholders of the Bank	1,931,603	1,936,041	2,060,392
Perpetual Tier 1 Sukuk	226,875	-	-
Non-controlling interests	148,704	165,357	182,983
Total equity	2,307,182	2,101,398	2,243,375
Total liabilities and equity	21,788,212	21,502,314	19,390,858

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

Consolidated Statement of Income for the years ended 31 December 2021, 2020, and 2019

	<i>KD 000's</i>		
	2021	2020	2019
Income			
Financing Income	871,483	892,883	931,574
Finance cost and distribution to depositors	<u>(285,782)</u>	<u>(278,661)</u>	<u>(401,319)</u>
Net financing income	585,701	614,222	530,255
Investment Income / (loss)	16,359	(6,410)	130,249
Fees and commissions income	72,191	73,138	79,129
Net gain from foreign currencies	88,571	69,994	34,061
Other income	<u>48,189</u>	<u>44,652</u>	<u>40,708</u>
Total operating income	<u>811,011</u>	<u>795,596</u>	<u>814,402</u>
Operating Expenses			
Staff costs	(183,976)	(172,286)	(182,439)
General and administrative expenses	(82,181)	(81,155)	(78,843)
Depreciation and amortization	<u>(41,783)</u>	<u>(42,596)</u>	<u>(42,989)</u>
Total operating expenses	<u>(307,940)</u>	<u>(296,037)</u>	<u>(304,271)</u>
Net operating income before provision and impairment	503,071	499,559	510,131
Provisions and impairment	<u>(135,369)</u>	<u>(284,067)</u>	<u>(196,908)</u>
Operating Profit before taxation and proposed directors' fees	<u>367,702</u>	<u>215,492</u>	<u>313,223</u>
Taxation	(56,469)	(30,662)	(50,460)
Proposed directors' fees	<u>(1,096)</u>	<u>(608)</u>	<u>(942)</u>
Profit for the year	<u>310,137</u>	<u>184,222</u>	<u>261,821</u>
Attributable to:			
Shareholders of the Bank	243,414	148,399	251,023
Non-controlling interests	<u>66,723</u>	<u>35,823</u>	<u>10,798</u>
	<u>310,137</u>	<u>184,222</u>	<u>261,821</u>
Basic and diluted earnings per share attributable to the shareholders of the Bank	<u>28.59 Fils</u>	<u>19.52 Fils</u>	<u>36.45 Fils</u>

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

Consolidated Statement of Comprehensive Income for the years ended 31 December 2021, 2020 and 2019

	<i>KD 000's</i>		
	2021	2020	2019
Profit for the year	<u>310,137</u>	<u>184,222</u>	<u>261,821</u>
<i>Items that will not be reclassified to consolidated statement of income in subsequent periods:</i>			
Revaluation gain / (loss) on equity instrumenting at fair value through other comprehensive income	13,206	(1,989)	(1,280)
<i>Items that are or may be reclassified to consolidated statement of income in subsequent periods:</i>			
Investments in Sukuk at fair value through other comprehensive income:			
Net change in fair value during the year	(6,893)	589	65,253
Net transfer to consolidated statement of income	<u>(18,845)</u>	<u>21,420</u>	<u>10,802</u>
Net gain / (loss) on investments in sukuk at fair value through other comprehensive income	<u>(25,738)</u>	<u>22,009</u>	<u>76,055</u>
Share of other comprehensive(loss)/ income of associate and joint venture	(537)	(346)	1,430
Exchange differences on translation of foreign operations	<u>(205,274)</u>	<u>(69,438)</u>	<u>(42,008)</u>
Other comprehensive (loss)/ income for the year	<u>(218,343)</u>	<u>(49,764)</u>	<u>34,197</u>
Total comprehensive income	<u>91,794</u>	<u>134,458</u>	<u>296,018</u>
Attributable to:			
Shareholders of the Bank	99,642	123,363	292,056
Non-controlling interests	<u>(7,848)</u>	<u>11,095</u>	<u>3,962</u>
	<u>91,794</u>	<u>134,458</u>	<u>296,018</u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves	Subtotal	Proposed dividend	Subtotal	Perpetual Tier 1 Sukuk	Non-Controlling interests	Total
	KD 000's										
Balance at 1 January 2021	767,414	720,333	76,741	(27,739)	323,199	1,859,948	76,093	1,936,041	-	165,357	2,101,398
Profit for the year	-	-	-	-	243,414	243,414	-	243,414	-	66,723	310,137
Other comprehensive loss	-	-	-	-	(143,772)	(143,772)	-	(143,772)	-	(74,571)	(218,343)
Total comprehensive income/(loss)	-	-	-	-	99,642	99,642	-	99,642	-	(7,848)	91,794
Issue of bonus shares	76,741	-	(76,741)	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	(20,508)	(20,508)	-	(20,508)	-	-	(20,508)
Cash dividends paid	-	-	-	-	-	-	(76,093)	(76,093)	-	-	(76,093)
Distribution of profit:											
Proposed issue of bonus shares	-	-	84,416	-	(84,416)	-	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(100,442)	(100,442)	100,442	-	-	-	-
Issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	-	225,788	-	225,788
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	(535)	(535)	-	(535)	-	-	(535)
Perpetual Tier 1 Sukuk Foreign Currency translation adjustment	-	-	-	-	(1,087)	(1,087)	-	(1,087)	1,087	-	-
Profit payment on Perpetual Tier 1 Sukuk	-	-	-	-	(4,084)	(4,084)	-	(4,084)	-	-	(4,084)
Group's share of associate adjustments	-	-	-	-	(2,366)	(2,366)	-	(2,366)	-	-	(2,366)
Acquisition of Non-controlling interest	-	-	-	-	593	593	-	593	-	(6,765)	(6,172)
Net other change in non-controlling interest	-	-	-	-	-	-	-	-	-	(2,040)	(2,040)
Balance as at 31 December 2021	844,155	720,333	84,416	(27,739)	209,996	1,831,161	100,442	1,931,603	226,875	148,704	2,307,182

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves	Subtotal	Proposed cash dividend	Subtotal	Non-Controlling interests	Total
	KD 000's									
Balance at 1 January 2020	697,649	720,333	69,765	(36,243)	470,908	1,922,412	137,980	2,060,392	182,983	2,243,375
Profit for the year	-	-	-	-	148,399	148,399	-	148,399	35,823	184,222
Other comprehensive loss	-	-	-	-	(25,036)	(25,036)	-	(25,036)	(24,728)	(49,764)
Total comprehensive income	-	-	-	-	123,363	123,363	-	123,363	11,095	134,458
Issue of bonus shares	69,765	-	(69,765)	-	-	-	-	-	-	-
Zakat	-	-	-	-	(19,943)	(19,943)	-	(19,943)	-	(19,943)
Share based payments	-	-	-	-	4	4	-	4	-	4
Cash dividends paid	-	-	-	-	-	-	(137,980)	(137,980)	-	(137,980)
Distribution of profit:										
Proposed issue of bonus shares	-	-	76,741	-	(76,741)	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(76,093)	(76,093)	76,093	-	-	-
Group share of distribution to Tier 1 Sukuk of an associate	-	-	-	-	(1,398)	(1,398)	-	(1,398)	-	(1,398)
Net movement in treasury shares	-	-	-	8,504	3,129	11,633	-	11,633	-	11,633
Modification loss on finance receivables	-	-	-	-	(95,631)	(95,631)	-	(95,631)	-	(95,631)
Gain on partial sale of subsidiary	-	-	-	-	234	234	-	234	795	1,029
Amount paid to non-controlling interest on capital redemption of a subsidiary	-	-	-	-	-	-	-	-	(14,960)	(14,960)
Acquisition of non-controlling interest	-	-	-	-	(4,633)	(4,633)	-	(4,633)	(11,663)	(16,296)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,975)	(1,975)
Net other change in non- controlling interests	-	-	-	-	-	-	-	-	(918)	(918)
Balance as at 31 December 2020	767,414	720,333	76,741	(27,739)	323,199	1,859,948	76,093	1,936,041	165,357	2,101,398

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

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

	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves	Subtotal	Proposed cash dividend	Subtotal	Non-controlling interests	Total
	KD,000's									
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	-	-	-	-	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 and Subsidiaries
Consolidated Statement of Cash Flows for the years ended 31 December 2021, 2020 and 2019

	<i>KD 000's</i>		
	2021	2020	2019
Operating activities			
Profit for the year	310,137	184,222	261,821
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization	41,783	42,596	42,989
Provisions and impairment	135,369	284,067	196,908
Dividend income	(2,621)	(2,459)	(4,845)
Loss/ (gain) on sale/liquidation of investments	(15,388)	6,119	(32,636)
Gain on sale of real estate investments	(14,022)	(12,619)	(17,900)
Share of result of investment in associates and joint venture	3,357	7,063	(22,408)
Other investment (income)/ loss	-	-	(41,281)
	<u>458,615</u>	<u>508,989</u>	<u>382,648</u>
Changes in operating assets and liabilities:			
<i>(Increase)/decrease in operating assets:</i>			
Financing receivables and due from banks	(594,207)	(915,093)	(169,588)
Investment in Sukuk	6,826	(478,505)	(718,465)
Trading properties	6,091	4,637	42,640
Other assets	73,591	(186,436)	(18,694)
Statuary deposit with Central Bank	(421,374)	(64,532)	(280,069)
<i>Increase / (decrease) in operating liabilities:</i>			
Due to banks and financial institutions	(359,361)	526,949	(440,536)
Depositors' accounts	549,566	1,764,690	1,772,335
Other liabilities	(245,542)	(164,201)	135,491
Net cash flows (used in) / from operating activities	<u>(525,795)</u>	<u>996,498</u>	<u>705,762</u>
Investing activities			
Investments, net	(17,146)	(3,463)	146,091
Purchase of investment properties	(1,914)	(574)	(1,406)
Proceeds from sale of investment properties	41,759	16,159	40,015
Purchase of property and equipment	(18,828)	(34,443)	(33,828)
Proceeds from sale of property and equipment	9,389	5,439	3,064
Intangible assets, net	39	(4,413)	(4,594)
Proceeds from sale/ redemption of investments in associates and joint venture	2,931	101	6,102
Proceed from disposal of subsidiaries	-	2,733	307
Dividend received	6,689	17,270	14,429
Net cash flows from / (used in) investing activities	<u>22,919</u>	<u>(1,191)</u>	<u>170,180</u>
Financing activities			
Net proceeds from Tier 1 Sukuk	225,788	-	-
Profit payments on Perpetual Tier 1 Sukuk	(4,084)	-	-
Cash dividends paid	(76,093)	(137,980)	(125,097)
Movement in Sukuk payable	(98,388)	(4,860)	-
Zakat paid	(7,738)	(1,287)	(13,236)
Net movement in treasury shares	-	11,633	13,161
Amounts paid to non-controlling interests on capital redemption of a subsidiary	-	(14,960)	-
Dividend paid to non-controlling interests	-	-	(1,047)
Acquisition of non-controlling interests	-	(16,296)	-
Net cash flows from / (used in) in financing activities	<u>39,485</u>	<u>(163,750)</u>	<u>(126,219)</u>
(Decrease) / Increase in cash and cash equivalents	<u>(463,391)</u>	<u>831,557</u>	<u>749,723</u>
Cash and cash equivalents at 1 January	<u>3,351,559</u>	<u>2,520,002</u>	<u>1,770,279</u>
Cash and cash equivalents at 31 December	<u>2,888,168</u>	<u>3,351,559</u>	<u>2,520,002</u>

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

Notes to the Summary Consolidated Financial Statements for the years ended 31 December 2020, 2019 and 2018

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 2021, 2020 and 2019.

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 2021, 31 December 2020 and 31 December 2019 were approved for issue by the shareholders of the Bank on 21 March 2022, 22 March 2021 and 13 April 2020 respectively.

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 2020 and 31 December 2019 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 2021 and 31 December 2020 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 economy³

Kuwait enjoys an open economy, dominated by the Government sector. It is primarily dependent on the oil industry, but the non-oil contribution to the economy has been growing in recent years.

Economic growth is expected to increase in the financial year 2022, spearheaded by robust consumer spending and, most notably, recovering oil production. High oil prices provide substantial support for the economy given its oil dependency. A large fiscal surplus – the first since 2014 – is expected in 2022, alleviating recent government liquidity constraints.

Non-oil GDP is expected to grow by 4.7% in 2022 as authorities eased restrictions for those without a vaccine, allowing them to enter shopping malls as well as entertainment facilities, with social distancing requirements also being scrapped. However, inflation is expected to average more than 4.0% in 2022.

Oil GDP is expected to grow by 6.6% in 2022 on the back of surging oil prices, with Brent crude price rising above USD 120 per barrel (in March 2022) due to supply concerns from Russia and rising demand.

Consequently, Kuwait real GDP is expected to grow by 6.3% in 2022, compared to 2.5% in 2021.

The announced infrastructure programme, part of the New Kuwait Vision 2035, seeks to diversify the Kuwaiti economy and boost the private sector participation. The objectives are six-fold: (i) increasing GDP growth, (ii) encouraging the private sector, (iii) supporting human and social development, (iv) promoting demographic policies, (v) enhancing and improving the effectiveness of government administration and (vi) consolidating the country's Islamic and Arab identity.

Overview of the Kuwaiti banking sector⁴

Sector overview

Kuwait plays a leading role in the Islamic banking sector. International financial institutions can also establish operations in Kuwait. The Central Bank of Kuwait regulates banks, investment and exchange companies. Legal, regulatory, and accounting systems in the financial sector are transparent and consistent with international norms.

The total amount of credit extended to the private sector (business and personal) by local banks witnessed a boost with a 7.2% YoY (in local currency) increase moving from USD 130.4 billion to USD 139.7 billion in 2021. The private sector deposit base experienced limited growth (+0.4% in local currency), reaching USD 122.9 billion in 2021. Personal loans and business loans (including Public Services and Other) experienced 12.6% and 1.5% YoY growth respectively.

The size of the assets of the banking sector in Kuwait was USD 254.7 billion as of 31 December 2021 (1.9 times of GDP), growing by 5.1% YoY (in local currency).

Figure 1: Evolution of the balance sheet of the banking sector in Kuwait

	2014	2015	2016	2017	2018	2019	2020	2021
Banking System (USD billion)	189.4	193.2	197.4	210.0	219.2	234.3	241.6	254.7
Times GDP	1.2 x	1.7 x	1.8 x	1.7 x	1.6 x	1.7 x	2.3 x	1.9 x

Sources: CBK Monthly and Quarterly Statistical Bulletins, World Bank, IMF

³ Sources: Oxford Economics – Country Economic Forecast | Kuwait – 25 February 2022; NBK – Macroeconomic Outlook 2022-2023 – Kuwait – 28 April 2022.

⁴ Based on following exchange rates: for 2020 at USD:KWD exchange rate of 0.3026; for 2021: At USD:KWD exchange rate of 0.3036.

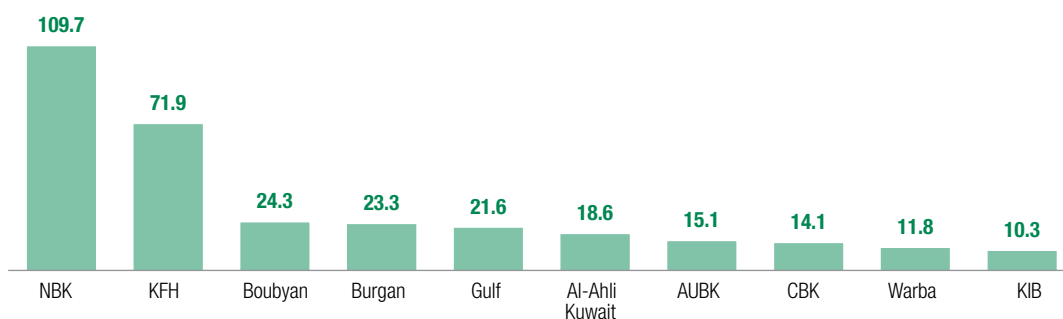
Competitive landscape

As of 2021, the Kuwait banking sector comprised 23 banking institutions⁵, consisting of:

- Five Islamic Banks
- Five Conventional Banks
- One Specialized Bank (i.e., Industrial Bank of Kuwait)
- Branches of 11 foreign banks
 - 10 conventional banks
 - One Islamic bank

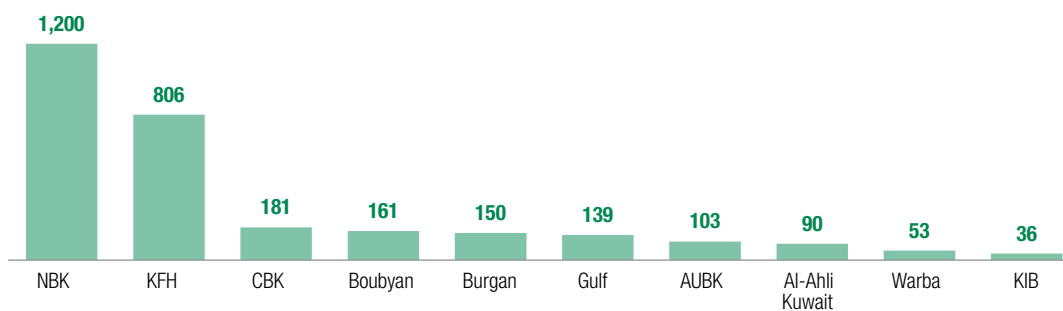
Furthermore, the CBK supervises Finance Companies, Exchange Companies and Investment Companies.

Figure 2: Ranking of main Kuwaiti banks by total assets 2021 (in USD billion, including foreign assets)



Source: SNL

Figure 3: Ranking of main Kuwaiti banks by net profit attributable to shareholders 2021 (in USD million)



Source: SNL

Deposits

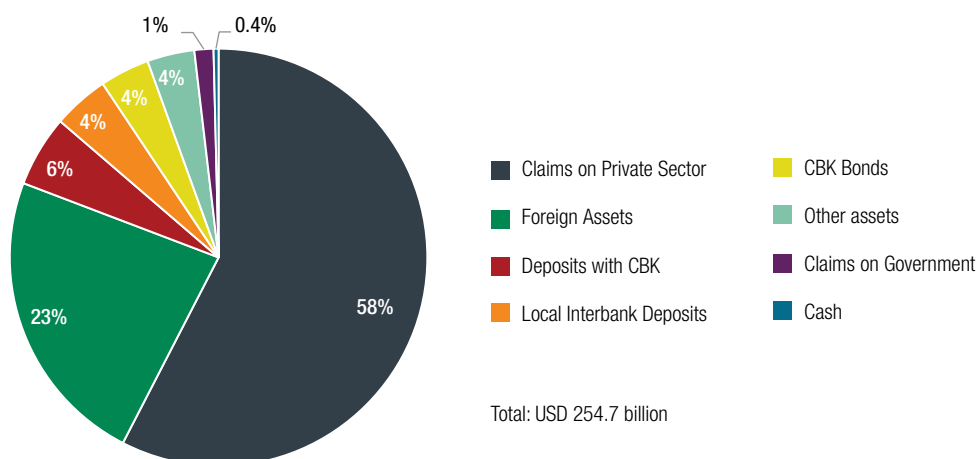
Total deposits in Kuwait (Private Sector and Government) amounted to USD 147.3 billion by the end of 2021, decreasing by (1.6)% YoY (based on local currency). Private Sector deposits amounted to USD 122.9 billion, mostly flat YoY in 2021. Government deposits decreased by (7.2)% YoY (based on local currency) to reach USD 24.4 billion in 2021, showcasing the decreasing need to support liquidity in the system.

⁵ Sources: CBK

Assets

Local banks assets grew from USD 242 billion in 2020 to USD 254.7 in 2021 (growing 5.1% YoY on a local currency basis). Around 58% of the assets were claims on the private sector, followed by foreign assets representing 23%.

Figure 4: Local banks 2021 assets break-down (in USD billion)

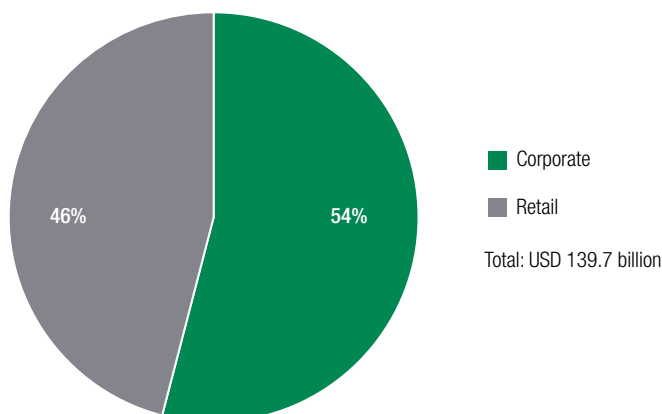


Source: CBK Monthly Statistical Bulletins

Lending

Total lending extended by local banks in 2021 amounted to USD 139.7 billion, growing by 6.3% YoY (on a local currency basis). Retail lending (i.e., personal facilities) amounted to USD 64.2 billion, representing 45% of total credit from local banks. Corporate lending (including Public Services) amounted to USD 75.5 billion, representing 54% of total credit from local banks.

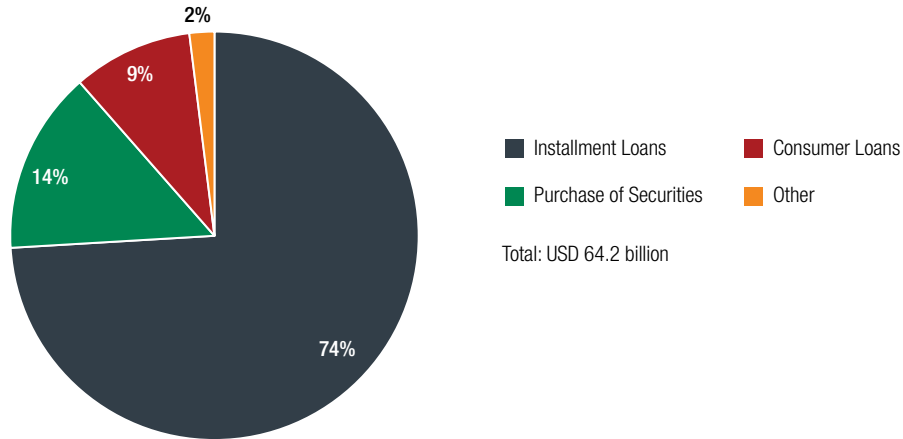
Figure 5: Local banks credit 2021 broken-down by segment (in USD billion)



Source: CBK Monthly Statistical Bulletins

Overall retail lending grew by 12.6% YoY (on local currency basis) to reach USD 64.2 billion in 2021. Within retail lending (i.e., personal facilities), instalment loans (mainly mortgages) are the main contributor with USD 47.6 billion of credit extended as of 2021, representing 74% of total personal facilities.

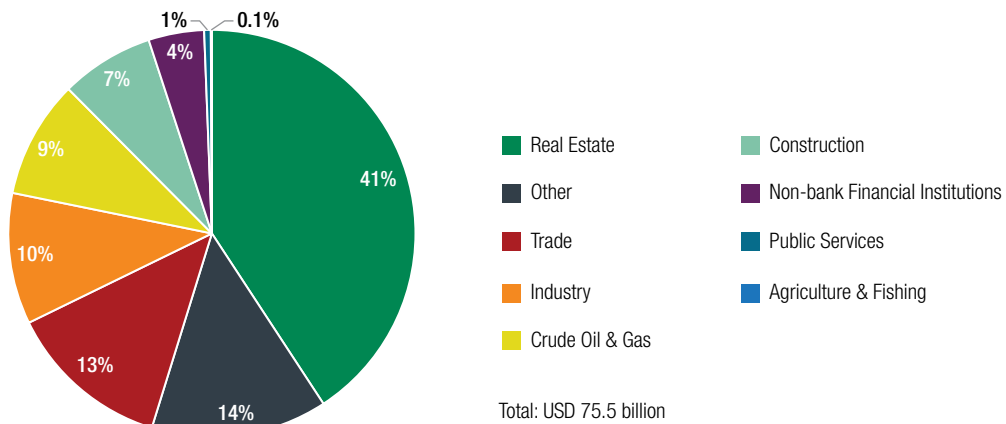
Figure 6: Local banks personal facilities 2021 broken-down by product (in USD billion)



Source: CBK Monthly Statistical Bulletins

Overall corporate lending (including public services) lending grew by 1.5% YoY (on local currency basis) to reach USD 75.5 billion in 2021. Within corporate lending (i.e., non-personal facilities), real estate sector is the main recipient of lending with USD 30.8 billion of credit extended as of 2021, representing 41% of total non-personal facilities.

Figure 7: Local non-personal facilities 2021 broken-down by sector (in USD billion)



Source: CBK Monthly Statistical Bulletins

Sector performance⁶

The banking sector has demonstrated strong resilience and continued to exhibit strong levels of financial soundness in 2021. The capital adequacy ratio (CAR) for the bank sector stood at 19.2%, vs. the required minimum of 10.5%. The NPL ratio remains low at 1.4% in 2021.

Return-on-assets reached 0.9% in 2021, compared to 0.6% in 2020. The return-on-equity reached 7.9% in 2021 respectively, compared to 5.0% in 2020. The regulatory liquidity ratio⁷ stood at 25% in Q1 2021, 7%-pts above the minimum requirement on a stand-alone basis.

Kuwaiti banks have also built ample provisions in light of CBK's conservative stance, with a NPLs coverage ratio standing at 310% as of Q4 2021.

⁶ Sources: NBK Investor Presentation 2021, CBK Monthly and Quarterly Statistical Bulletins, SNL.

⁷ Ratio of (balance with CBK (current and deposits), Government Treasury Bills and Bonds or any other financial institutions issued by CBK) to customers' KWD deposits.

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	0.153	14,176,478		
Abdul Aziz Yacoub Alnafisi	0.001	109,807		
Fahad Ali AlGhanim	0.002	160,766		
Mohammed Naser Al Fouzan	0.091	8,494,685		
Muad Saud Al Osaimi	0.003	242,223		
Khalid Salem Al Nisf	0.092	8,586,892		
Noorur Rahman Abid	0.002	181,665		
Hanan Yousef Ali Yousef	-	-		
Motlaq Mubarak Al-Sanei	-	-		
Salah Abdulaziz Al-Muraikhi	0.003	260,854		
Ahmed Meshari Al Faris	-	-		
Hamad Abdullateef Al Barjas	-	-		
Total	0.347	32,213,370		

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 the Acquisition, KFH intends to maintain AUB's commercial registration, however, KFH intends to change AUB's name in due course to reflect its acquisition by KFH.

Subject to KFH acquiring 100% of the total issued share capital of AUB, KFH will, in due course following the successful implementation of the Offer, convert AUB into a closed Bahrain shareholding company. In such case, 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 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 be 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 the other subsections of section 11 (KFH Post-Acquisition Strategy).

11.3 CONVERSION OF AUB'S BUSINESS TO BE 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 subsidiaries of AUB in the Kingdom of Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant entities.

The Fatwa and Sharia'a Supervisory Board of KFH, in its recommendation issued on 28 June 2022 (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 Acquisition, 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 this 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 to submit 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 were to acquire shares representing 100% of the issued and paid-up share capital of AUB Kuwait) will not have a material impact on its cash position or capital 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 11.4 (Mandatory Tender Offer for the Shares of Kuwait) 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 seek all the approvals required to commence the process of converting AUB Kuwait to a digital bank.

11.6 STATUTORY MERGER IN BAHRAIN

Immediately following the successful completion of converting AUB's business to be 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, to become "**Kuwait Finance House – 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 years:

	2021	2020	2019
Cash dividend – fils per share	12	10	20
Cash dividend – KWD 000	100,442	76,093	137,980
Profit attributable to shareholders (post Tier 1 sukuk cost) – KWD 000	239,330	148,399	251,023
Payout ratio (post Tier 1 sukuk cost)	42.0%	51.3%	55.0%
Bonus shares – per 100 shares	10	10	10
Bonus share Amount – KWD 000	84,416	76,741	69,765

11.8 STRATEGIC PLANS FOR THE OFFEREE COMPANY

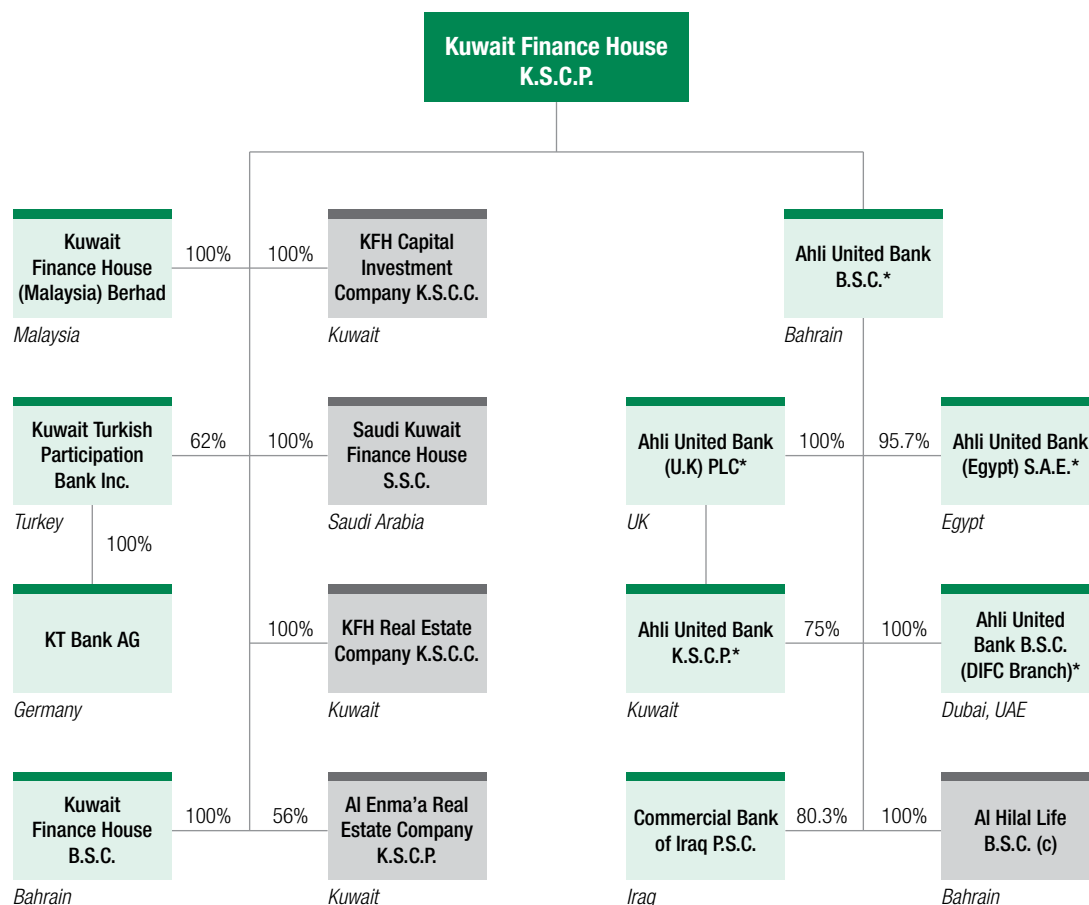
KFH intends to acquire up to 100% of the issued share capital of AUB. AUB operates regionally through its subsidiaries and associates in United Kingdom, United Arab Emirates, Egypt, Kuwait, Iraq, Libya and Oman. AUB also has a 100% stake in Al Hilal Life which provides life and health insurance products. 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 entities of AUB in the Kingdom of Bahrain, Egypt, Iraq and the United Kingdom to Sharia'a compliant entities 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. Immediately following the successful completion of converting AUB's business to be 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 chart⁸ 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

■ Banking Subsidiaries ■ Non-Banking Entities

11.10 LONG TERM COMMERCIAL JUSTIFICATION FOR THE OFFER

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

The Board of Directors believes that, on completion of the Acquisition, 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 drive international corporate relationships.

Furthermore, as mentioned above from KFH's strategic plans post-Acquisition, AUB will continue to operate as a subsidiary of KFH Group, however, the proposed Acquisition is expected to create a combined group with leading market share in the banking and Islamic banking industries.

⁸ Fractional percentages have been rounded up

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

- (a) Following the completion of the Offer, KFH Group will become the leading banking institution in both Kuwait and Bahrain, in terms of both total assets and deposits, with a combined USD 121 billion of total assets as at 31 December 2021, already considering the preliminary impact of acquisition accounting/goodwill. In Kuwait, KFH Group will have a 27% market share of total assets and in Bahrain, KFH Group will be more than four times larger than the second largest bank in Bahrain by assets.
- (b) In addition to market leadership in Kuwait and Bahrain, the Acquisition will create the sixth⁹ largest bank in the Middle East by total assets with a diversified footprint notably 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 Acquisition will reinforce KFH's position as the second largest Islamic bank (by total assets and customer deposits) in the world. 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 Acquisition 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 anticipated annual synergies are expected to be realized over three years post-completion, with estimated run-rate cost synergies of between 10% - 12% of the 2021 combined cost base¹⁰. 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 larger capital and liquidity bases, 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.

⁹ Total assets used for combined entity already reflect preliminary impact of acquisition accounting / goodwill.

¹⁰ Sum of KFH and AUB 2021 cost bases.

12. Share Ownership in KFH and AUB

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

Current and Pre-Offer Ownership Structure

Kuwait Finance House K.S.C.P.	% owned in KFH*	No. of Outstanding Shares
Kuwait Investment Authority	24.08%	2,235,931,828
Public Authority for Minors Affairs	10.48%	973,533,936
General Secretariat of Awqaf	7.30%	677,491,164
Other Public	53.34%	4,953,299,514
Total	100%	9,285,707,127

*As at 7 July 2022 based on the information disclosed by the shareholders to Bourse Kuwait on such date

Ahli United Bank B.S.C.	% owned in AUB*	No. Outstanding of Shares
The Public Institution for Social Security **	18.86%	2,102,445,127
Social Insurance Organization **	10.01%	1,115,637,140
Sheikh Salem Sabah Al-Naser **	5.88%	655,662,339
Tamdeen Investment Co. **	5.83%	650,080,797
Other Public	59.42%	6,624,106,055
Total	100%	11,147,931,458

*As at 30 June 2022

**As per shareholders declaration.

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 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 21 July 2022, the Last Practicable Date	AUB shares closing market price on BB on 21 July 2022 was USD 0.960 per share	AUB shares closing market price on BK on 21 July 2022 was KWD 0.294 per share (approximately USD 0.957)
On 6 July 2022, the last business day prior to the date of announcing the approved Exchange Ratio	AUB shares closing market price on BB on 6 July 2022 was USD 0.920 per share	AUB shares closing market price on BK on 6 July 2022 was KWD 0.278 per share (approximately USD 0.905)
On 23 March 2022, the last business day prior to the date of announcement of update of financial and legal due diligence studies	AUB shares closing market price on BB on 23 March 2022 was USD 0.914 per share	AUB shares closing market price on BK on 23 March 2022 was KWD 0.277 per share (approximately USD 0.912)
On 30 November 2021, the last business day prior to the December announcement regarding resumption of the transaction	AUB shares closing market price on BB on 30 November 2021 was USD 0.818 per share	AUB shares closing market price on BK on 30 November 2021 was KWD 0.240 per share (approximately USD 0.793)

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 46,272,363 shares in 1,004 transactions with a volume weighted average price of USD 0.946 per share with a total value traded of USD 43,756,436; and (ii) on BK stood at 2,725,921,868 shares in 56,408 transactions with an average closing price of KWD 0.281 (approximately USD 0.921) per share with a total value traded of KWD 765,568,614 (approximately USD 2,509,989,332). The lowest closing price (i) of USD 0.827 per share on BB was on 30 January 2022; and (ii) of KWD 0.249 (approximately USD 0.812) per share on BK was on 19 June 2022. The highest closing price (i) of USD 1.060 per share on BB was on 10 April 2022; and (ii) of KWD 0.329 (approximately USD 1.080) per share on BK was on 6 April 2022.

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)	Closing price per share on BK (USD approximate)
Last Practicable Date	0.960	0.294	0.957
June 2022	0.865	0.267	0.871
May 2022	0.915	0.274	0.896
April 2022	1.015	0.315	1.027
March 2022	1.000	0.302	0.993
February 2022	0.932	0.272	0.898
January 2022	0.835	0.255	0.843

¹¹ USD:KWD exchange rate of 0.3073 x

¹² USD:KWD exchange rate of 0.3072 x

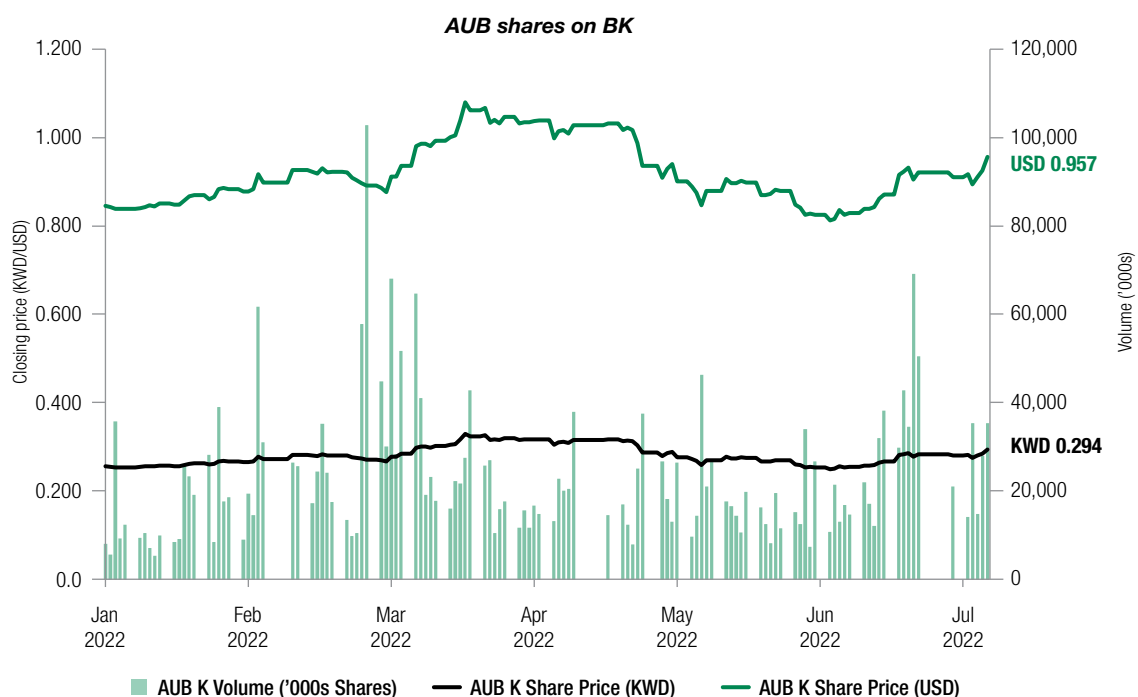
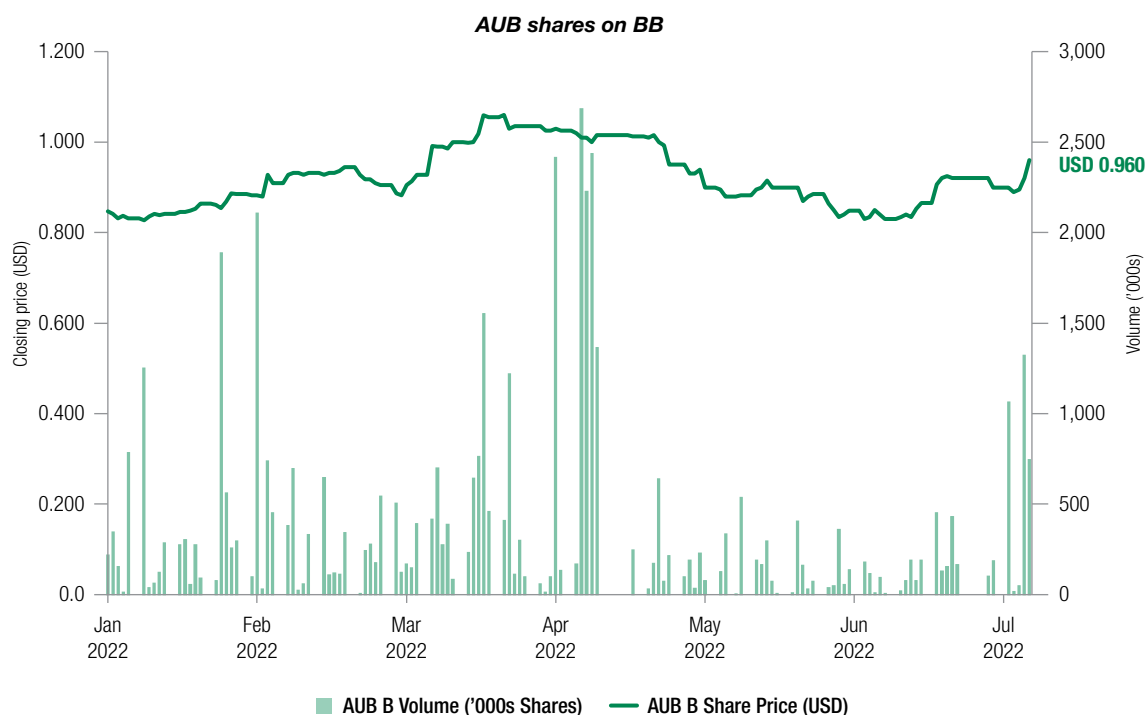
¹³ USD:KWD exchange rate of 0.3041 x

¹⁴ USD:KWD exchange rate of 0.3026 x

¹⁵ Value Traded in Money Terms is calculated as Volume Weighted Average Price per Share in the six-month period (prior to and including) the Last Practicable Date multiplied by the Total Number Of Shares Traded over the same period.

The volume weighted average price¹⁶ per AUB Share in the six-month period prior to and including the Last Practicable Date was USD 0.946 for BB and KWD 0.281 (approximately USD 0.921)for BK.

Market price movement of AUB Shares on BB and BK for the period from 23 January 2022 to 21 July 2022 is shown in the charts below:



¹⁶ Volume weighted average price is calculated using daily volumes and end-of-day prices over the last six-month period. For the last six months period, each end-of-day price is multiplied by the daily volume, the sum of which is then divided by the total volume traded in the same period.

The implied value of the Offer at the Exchange Ratio:

- (a) exceeds the market price per AUB BB Share of USD 0.960 on the Last Practicable Date by USD 0.117 per AUB BB Share (implying an Offer price of USD 1.077¹⁷ per AUB BB Share), and exceeds the market price per AUB BK Share of KWD 0.294¹⁸ (approximately USD 0.957) on the Last Practicable Date by KWD 0.037 (approximately USD 0.120) per AUB BK Share (implying an Offer price of KWD 0.331 (approximately USD 1.077) per AUB BK Share);
- (b) exceeds the volume weighted average price per AUB BB Share of USD 0.946 in the six-month period prior to and including the Last Practicable Date by USD 0.134 (implying an Offer price of USD 1.080¹⁹ per AUB BB Share), and exceeds the volume weighted average price per AUB BK Share of KWD 0.281 (approximately USD 0.921) in the six-month period prior to and including the Last Practicable Date by KWD 0.049 (approximately USD 0.159) per AUB BK Share (implying an Offer price of KWD 0.330²⁰ (approximately USD 1.080) per AUB BK Share); and
- (c) exceeds the market price per AUB BB Share of USD 0.845 six months prior to the Last Practicable Date, by USD 0.170 per AUB BB Share (implying an Offer price of USD 1.015²¹ per AUB share) and exceeds the market price per AUB BK Share of KWD 0.255 (approximately USD 0.845) six months prior to the Last Practicable Date, by KWD 0.052 (approximately USD 0.170) per AUB BK Share (implying an Offer price of KWD 0.307²² (approximately USD 1.015) 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 21 July 2022, the Last Practicable Date	KFH shares closing market price on BK on 21 July 2022 was approximately USD 2.903 per share	KFH shares closing market price on BK on 21 July 2022 was KWD 0.892 per share
On 6 July 2022, the last business day prior to the date of announcing the approved Exchange Ratio	KFH shares closing market price on BK on 6 July 2022 was approximately USD 2.803 per share	KFH shares closing market price on BK on 6 July 2022 was KWD 0.861 per share
On 23 March 2022, the last business day prior to the date of announcement of update of financial and legal due diligence studies	KFH shares closing market price on BK on 23 March 2022 was approximately USD 3.016 per share	KFH shares closing market price on BK on 23 March 2022 was KWD 0.917 per share
On 30 November 2021, the last business day prior to the announcement by KFH that is has resumed its consideration of the Acquisition.	KFH shares closing market price on BK 30 November 2022 was approximately USD 2.379 per share	KFH shares closing market price on BK on 30 November 2022 was KWD 0.720 per share

¹⁷ Calculated using KFH's market price on the Last Practicable Date multiplied by the agreed Exchange Ratio.

¹⁸ Calculated using KFH's market price (converted to USD) on the Last Practicable Date multiplied by the agreed Exchange Ratio.

¹⁹ Calculated using KFH's volume weighted average price in the six-month period prior to and including the Last Practicable Date, multiplied by the agreed Exchange Ratio.

²⁰ Calculated using KFH's volume weighted average price in the six-month period prior to and including the Last Practicable Date (converted to USD), multiplied by the agreed Exchange Ratio.

²¹ Calculated using KFH's market price six months prior to the Last Practicable Date multiplied by the agreed Exchange Ratio.

²² Calculated using KFH's market price six months prior to the Last Practicable Date (converted to USD) multiplied by the agreed Exchange Ratio.

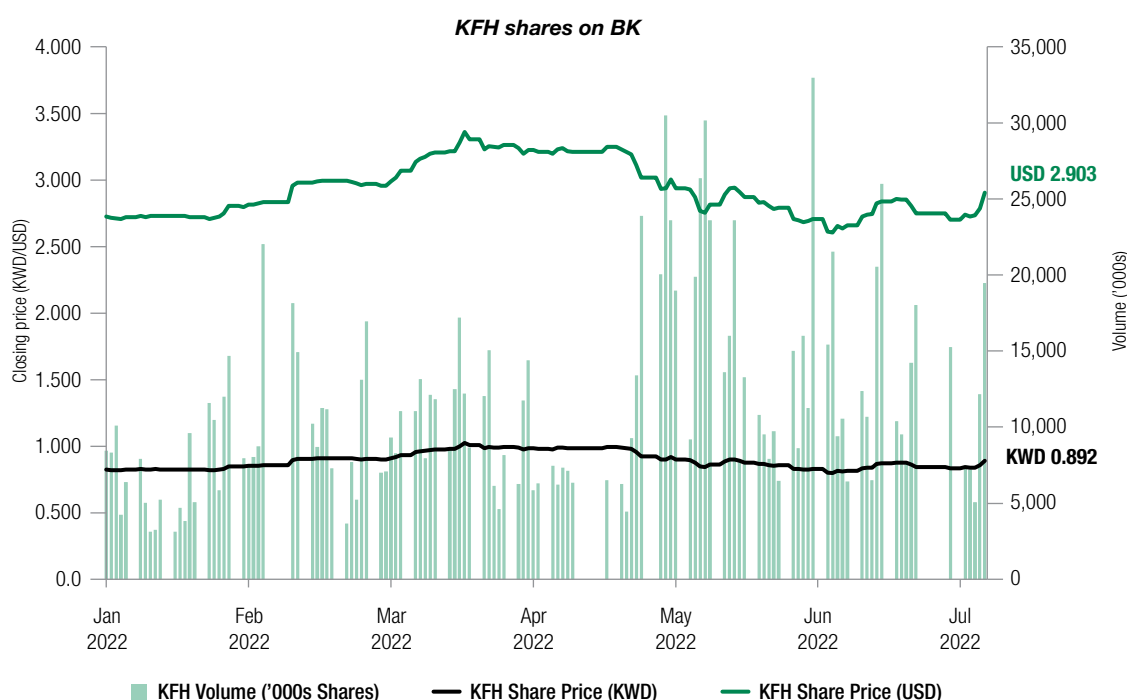
Over the six months prior to and including the Last Practicable Date, the total number of shares traded in KFH stood at 1,337,827,932 shares in 135,761 transactions with an average closing price of KWD 0.889 (approximately USD 2.911) per share with a total value traded²³ of KWD 1,188,737,863 (approximately USD 3,894,214,958). The lowest closing price of KWD 0.798 (approximately USD 2.604) per share was on 20 June 2022. The highest closing price of KWD 1.024 (approximately USD 3.360) per share was on 6 April 2022.

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 (USD approximate)	Closing price per share (KWD)
Last Practicable Date	2.903	0.892
June 2022	2.840	0.871
May 2022	2.941	0.899
April 2022	3.212	0.985
March 2022	3.204	0.974
February 2022	2.835	0.858
January 2022	2.718	0.824

The volume weighted average price²⁴ per KFH Share in the six-month period prior to and including the Last Practicable Date was KWD 0.889 (approximately USD 2.911).

Market price movement of KFH Shares on BK for the period from 23 January 2022 to 21 July 2022 is shown in the chart below:



²³ Value Traded in Money Terms is calculated as Volume Weighted Average Price per Share in the six-month period (prior to and including) the Last Practicable Date multiplied by the Total Number Of Shares Traded over the same period.

²⁴ Volume weighted average price is calculated using daily volumes and end-of-day prices over the last six-month period. For the last six months period, each end-of-day price is multiplied by the daily volume, the sum of which is then divided by the total volume traded in the same period.

15. Effect of the Acquisition

15.1 LEGAL CONSEQUENCES OF THE ACQUISITION

The Acquisition, if completed, will result in KFH becoming, directly and indirectly, the legal owner of up to 100% (but not less than 50% + 1 AUB Share) of 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.

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 or the Acquisition, 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 and the Acquisition will not have any material effect on the current directors of KFH and no change in the composition or the number of members of the AUB Board of Directors will be effected or triggered by the Offer or the Acquisition.

15.4 IMPACT ON OFFEREE'S EMPLOYEES

The successful completion of the Acquisition 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 16 (Risk Factors). Additional risks and uncertainties not presently known to KFH, or which KFH currently considers to be immaterial, may also have an adverse effect on the KFH Group.

16.1 RISKS RELATING TO THE OFFER AND THE ACQUISITION

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

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 and the Acquisition. Any delay in obtaining the required approvals may also postpone the execution of the Offer and the Acquisition, which KFH currently expects to take place over 2022. The failure to consummate the Offer as currently planned could result in KFH not obtaining the anticipated benefits of the Acquisition. 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 MOIC) and abroad including the Central Bank of Egypt, the Central Bank of Oman, the United Kingdom PRA 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 and the Acquisition 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 or waived (where applicable), the Acquisition 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 or waived (where applicable), 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 and the Acquisition 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 Acquisition

The KFH Group may fail to achieve the synergies that it anticipates will arise from the Acquisition. The success of the Acquisition 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 Acquisition 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 and the Acquisition are 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 Acquisition 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 Acquisition 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 sector 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 be 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 be 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

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 Acquisition

Some of the countries in which KFH and AUB currently operate (and where the KFH Group will operate after the Acquisition is completed) 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 shareholdings. 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.

16.5 RISKS RELATING TO THE GLOBAL ECONOMY

(a) Recovery from the COVID-19 impact

The outbreak of COVID-19 on a global scale had an effect on investment sentiment and resulted in sporadic volatility in global markets. COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019 and spread rapidly around the globe. This resulted in countries around the world, including Kuwait, imposing varying levels of restrictions, which aimed to reduce in-person interactions. These measures, designed to slow the spread of COVID-19, resulted in significant reductions in economic activity globally. It remains unclear how long existing restrictions will be in place, the duration of possible future restrictions and what their ultimate impact will be on global and local economies.

COVID-19 resulted in temporary closures of many businesses which led to a number of precautionary measures across the globe. The curfews and lockdown measures and slower economic activity in Kuwait, particularly during the second quarter of 2020, had a significant adverse impact on the banking sector, including on KFH. Lower transaction volumes resulted in lower fees and commission income while the impact of non-oil GDP contraction, lower oil prices and lockdown measures increased the level of uncertainty around cash flows for certain customers of KFH, which led to a significant increase in provision charges in 2020 compared to 2019.

Although the pandemic has slowed down, there remains to be a potential significant risk of future mutations of the virus that may lead to the reintroduction of precautionary measures and closures. The extent of COVID-19's impact on KFH's business, results of operations, and financial condition, as well as its regulatory capital and liquidity ratios, is difficult to quantify, however, KFH continues to closely monitor the impact of the pandemic on the global economy, on the countries in which KFH operates, on KFH's clients and on KFH itself. The pandemic led to a number of adjustments to specific elements of KFH's operations and customer exposures including loan tenor extensions and adjustments to loan and credit card instalments. The actual impacts will depend on future events that are highly uncertain, including the extent, severity, and duration of the COVID-19 pandemic, and on the effectiveness of actions and measures taken by governments, monetary authorities, and regulators over the long term.

(b) Russia / Ukraine War

In February 2022, Russia launched a large-scale invasion of Ukraine. The extent and duration of the military action, resulting sanctions and future market disruptions in the region are extremely difficult to predict, but could be significant and may have a severe adverse effect on the region. Among other things, the conflict has resulted in increased volatility in the markets for certain securities and commodities, including oil and natural gas, and other sectors.

Following the invasion of Ukraine, the EU and countries like the U.S., U.K., Switzerland, Canada, Japan, Australia and some other countries and international organizations have imposed broad-ranging economic sanctions on Russia and certain Russian individuals, banking entities and corporations as a response to Russia's invasion of Ukraine. In March 2022, the U.S. announced that it would ban imports of oil, natural gas and coal from Russia. The impact of this announcement on commodities and futures prices is difficult to predict and depends on a number of factors, including whether other countries act in the same manner, but such impact could be significant.

Actual and threatened responses to Russia's invasion, as well as a rapid peaceful resolution to the conflict, may also impact the markets for certain commodities, such as oil and natural gas, and may have collateral impacts, including increased volatility, and cause disruptions to availability of certain commodities, futures prices and the supply chain globally. At this time, the situation is rapidly evolving and may evolve in a way that could have a negative impact on KFH and the banking sector as a whole in the future.

(c) Global supply chain shortages

COVID-19 has severely affected economies and financial markets since 2020. The introduction of lockdown measures and other restrictions internationally has caused economies around the world to contract. This resulted in a decline in trade, production capabilities and caused disruptions to supply chains. An example of the supply chain disruption is the shortage of consumer goods such as semiconductors which caused delays in the production of telephones and automobiles. Furthermore, KFH's business, operations, and cash flows may be significantly affected by any negative impact on the global economy, capital markets, or supply chain resulting from the conflict in Ukraine or any other geopolitical tensions.

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 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 2021 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.

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, 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 2019, 2020 and 2021;
- (c) KFH's latest interim condensed consolidated financial statements, being for the three months ended 31 March 2022;
- (d) extract of the Board of Directors' resolutions dated 6 July 2022 ;
- (e) the KFH general assembly resolutions of the meeting held on 25 July 2022;
- (f) notice of Firm Intention from KFH to AUB dated 25 July 2022;
- (g) written consents of the Financial Advisor, the Legal Advisor and the Receiving Agents and the Cross-Listing Agent;
- (h) the recommendation of the KFH Fatwa and Sharia'a Supervisory Board dated 28 June 2022; and
- (i) Implementation Agreement once signed.

18. Key Parties

The Offeror

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

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



Freshfields Bruckhaus Deringer

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 2021



EY

Building a better
working world

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 2021, 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 2021, 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 by the Central Bank of Kuwait ("CBK") 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 Ethics Standards Board for Accountants' *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.

**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 financing receivables

The recognition of credit losses on financing receivables (“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 CBK guidelines, or the provision required by the CBK rules based on classification of financing facilities and calculation of their provision (the “CBK instructions”) as disclosed in the accounting policies in Note 2.6 and Note 10 to the consolidated financial statements.

The recognition of ECL under IFRS 9, determined in accordance with the 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 financing facilities into various stages; use of a large number of interrelated inputs and assumptions such as the financial asset’s probability of default, loss given default and exposure at default, which are modelled based on macroeconomic variables, and discounted to the reporting date. Furthermore, the COVID-19 global pandemic impacted management’s determination of the ECL as it required the application of unusually high level of judgment and estimation uncertainty, which may materially change the estimates in future periods.

The recognition of a specific provision on an 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 judgement in designing and forecasting macro-economic variables and application of probability weighted scenarios together with high degree of estimation uncertainty due to the economic impacts of COVID 19, we have considered credit losses on financing receivables as a key audit matter.

Our audit procedures included testing the effectiveness of controls over: management’s process of assessing the significant increase in credit risk and consequent classification of facilities into various stages; inputs and assumptions used in developing probability of default, loss given default and exposure at default models; their governance; the completeness and accuracy of data used and judgements and estimates applied by management including incorporation of the considerations of economic disruptions caused by COVID 19 including a focus on rescheduled financing facilities.

**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 financing receivables (continued)

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected a sample of financing facilities outstanding as at the reporting date, which included rescheduled financing facilities, 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. We involved our specialists to review the ECL model in terms of key data, methods and assumptions used to ensure they are in line with IFRS 9 requirements, determined in accordance with CBK guidelines. For a sample of financing facilities, we have evaluated 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, in order to determine ECL taking into consideration CBK guidelines. We have also assessed 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, which included rescheduled financing facilities, 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 reperformed the resultant provision calculations.

Impairment of investment in associates and joint ventures

The investment in associates and joint ventures are accounted for using the equity method of accounting and considered for impairment in case of indication of impairment. Significant management judgement is required in determining whether there are any indications of impairment and in estimating the recoverable amounts of the investment in associates and joint ventures based on the value in use, especially due to the ongoing Covid-19 pandemic. Accordingly, we considered this as a key audit matter.

We carried out procedures to understand and test management's process for identifying impairment triggers, by reference to various external and internal information, including available information in the relevant markets and industries, and assessing whether there were any 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 also included, amongst others, assessing the recoverable amounts determined by management and the valuation methods used. We evaluated the design and implementation of controls over management's process of impairment assessment, evaluated the key assumptions used by management in determining the value-in-use computation, including the impact of the Covid-19 pandemic on markets and businesses. We also assessed the adequacy of the Group's disclosure in Notes 13 and 14 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)

Impairment of investment properties

Management's assessment of impairment of investment properties was significant to our audit because this process is complex and requires judgement. Furthermore, impairment testing of investment properties can be inherently subjective, particularly given the number and diverse nature and location of the Group's real estate properties, and the impact of the on-going Covid-19 pandemic on the economy. Accordingly, we considered this a key audit matter.

We assessed the design and implementation of controls over the inputs and assumptions used in the valuation models, selected samples and considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties. Further, we used our internal specialists to assess the valuation of significant investment properties located outside the Middle East. 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 investment properties. The disclosure relating to the investment properties is given in Note 15 to the consolidated financial statements.

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 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 and will 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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 by CBK 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 the 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, actions taken to eliminate threats or safeguards applied.

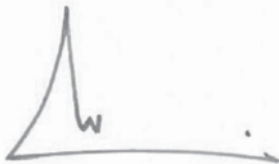
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 its amendments; and 2/I.B.S./343/2014 dated 21 October 2014 and its amendments, 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 its amendments, and 2/I.B.S./ 343/2014 dated 21 October 2014 and its amendments, 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 2021 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 2021 that might have had a material effect on the business of the Bank or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS



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

6 February 2022
Kuwait

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

		<i>KD 000's</i>	
	<i>Notes</i>	<u>2021</u>	<u>2020</u>
INCOME			
Financing income		871,483	892,883
Finance cost and distribution to depositors		(285,782)	(278,661)
Net financing income		585,701	614,222
Investment income (loss)	3	16,359	(6,410)
Fees and commission income		72,191	73,138
Net gain from foreign currencies		88,571	69,994
Other income	4	48,189	44,652
TOTAL OPERATING INCOME		811,011	795,596
OPERATING EXPENSES			
Staff costs		(183,976)	(172,286)
General and administrative expenses		(82,181)	(81,155)
Depreciation and amortisation		(41,783)	(42,596)
TOTAL OPERATING EXPENSES		(307,940)	(296,037)
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT			
Provisions and impairment	5	(135,369)	(284,067)
OPERATING PROFIT BEFORE TAXATION AND PROPOSED DIRECTORS' FEES			
		367,702	215,492
Taxation	6	(56,469)	(30,662)
Proposed directors' fees	23	(1,096)	(608)
PROFIT FOR THE YEAR		310,137	184,222
Attributable to:			
Shareholders of the Bank		243,414	148,399
Non-controlling interests		66,723	35,823
		310,137	184,222
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK			
	7	28.59 fils	17.74 fils

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 COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>KD 000's</i>	
	<u>2021</u>	<u>2020</u>
Profit for the year	310,137	184,222
<i>Items that will not be reclassified to consolidated statement of income in subsequent periods:</i>		
Revaluation gain (loss) on equity investments at fair value through other comprehensive income	<u>13,206</u>	<u>(1,989)</u>
<i>Items that are or may be reclassified subsequently to consolidated statement of income:</i>		
Investments in Sukuk at fair value through other comprehensive income:		
Net change in fair value during the year	(6,893)	589
Net transfer to consolidated statement of income	<u>(18,845)</u>	<u>21,420</u>
Net (loss) gain on investments in sukuk at fair value through other comprehensive income	<u>(25,738)</u>	22,009
Share of other comprehensive loss of associates and joint ventures	(537)	(346)
Exchange differences on translation of foreign operations	<u>(205,274)</u>	<u>(69,438)</u>
Other comprehensive loss for the year	(218,343)	(49,764)
Total comprehensive income	<u>91,794</u>	<u>134,458</u>
Attributable to:		
Shareholders of the Bank	99,642	123,363
Non-controlling interests	<u>(7,848)</u>	<u>11,095</u>
	<u>91,794</u>	<u>134,458</u>

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 FINANCIAL POSITION

As at 31 December 2021

	Notes	<i>KD 000's</i>	
		2021	2020
ASSETS			
Cash and balances with banks and financial institutions	8	2,325,092	2,490,801
Due from banks	9	3,349,685	3,364,577
Financing receivables	10	11,355,363	10,747,536
Investment in Sukuk	11	2,734,922	2,742,100
Trading properties		96,304	102,395
Investments	12	218,754	192,347
Investment in associates and joint ventures	13,14	491,703	520,784
Investment properties	15	325,128	350,838
Other assets	16	654,468	728,059
Intangible assets	17	32,351	32,390
Property and equipment		204,442	230,487
TOTAL ASSETS		21,788,212	21,502,314
LIABILITIES			
Due to banks and financial institutions		2,594,754	2,954,115
Sukuk payables		216,717	315,105
Depositors' accounts	19	15,866,901	15,317,335
Other liabilities	20	802,658	814,361
TOTAL LIABILITIES		19,481,030	19,400,916
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK			
Share capital	22	844,155	767,414
Share premium	21	720,333	720,333
Proposed issue of bonus shares	23	84,416	76,741
Treasury shares	22	(27,739)	(27,739)
Reserves	21	209,996	323,199
		1,831,161	1,859,948
Proposed cash dividends	23	100,442	76,093
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,931,603	1,936,041
Perpetual Tier 1 Sukuk	25	226,875	-
Non-controlling interests		148,704	165,357
TOTAL EQUITY		2,307,182	2,101,398
TOTAL LIABILITIES AND EQUITY		21,788,212	21,502,314



HAMAD ABDOUL MOHSEN AL-MARZOUQ
(CHAIRMAN)



ABDULWAHAB ISSA ALRUSHOOD
(ACTING GROUP CHIEF EXECUTIVE OFFICER)

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

For the year ended 31 December 2021

	Attributable to the shareholders of the Bank							Perpetual Tier 1 Sukuk	Non-controlling interests	Total equity
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 21)	Subtotal	Proposed cash dividends			
Balance as at 1 January 2021	767,414	720,333	76,741	(27,739)	323,199	1,859,948	76,093	1,936,041	165,357	2,101,398
Profit for the year	-	-	-	-	243,414	243,414	-	243,414	66,723	310,137
Other comprehensive loss	-	-	-	-	(143,772)	(143,772)	-	(143,772)	(74,571)	(218,343)
Total comprehensive income (loss)	-	-	-	-	99,642	99,642	-	99,642	(7,848)	91,794
Issue of bonus shares (Note 23)	76,741	-	(76,741)	-	-	-	-	-	-	-
Zakat	-	-	-	-	(20,508)	(20,508)	-	(20,508)	-	(20,508)
Cash dividends paid (Note 23)	-	-	-	-	-	-	(76,093)	(76,093)	-	(76,093)
Distribution of profit (Note 23):	-	-	-	-	(84,416)	(84,416)	-	(84,416)	-	(84,416)
Proposed issue of bonus shares	-	-	84,416	-	(100,442)	(100,442)	100,442	-	-	-
Proposed cash dividends	-	-	-	-	-	-	-	-	-	-
Issue of Perpetual Tier 1 Sukuk (Note 25)	-	-	-	-	-	-	-	225,788	-	225,788
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	(535)	(535)	-	(535)	-	(535)
Perpetual Tier 1 Sukuk Foreign Currency translation adjustment	-	-	-	-	(1,087)	(1,087)	-	(1,087)	1,087	-
Profit payment on Perpetual Tier 1 Sukuk	-	-	-	-	(4,084)	(4,084)	-	(4,084)	-	(4,084)
Group's share of associate adjustments	-	-	-	-	(2,366)	(2,366)	-	(2,366)	-	(2,366)
Acquisition of Non-controlling interest	-	-	-	-	593	593	-	593	(6,765)	(6,172)
Net other change in non-controlling interests	-	-	-	-	-	-	-	-	(2,040)	(2,040)
Balance as at 31 December 2021	844,155	720,333	84,416	(27,739)	209,996	1,831,161	100,442	1,931,603	148,704	2,307,182

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 2021

	Attributable to the shareholders of the Bank						Perpetual Tier 1 Sukuk	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 2020	697,649	720,333	69,765	(36,243)	470,908	1,922,412	137,980	2,060,392	-	182,983	2,243,375
Profit for the year	-	-	-	-	148,399	148,399	-	148,399	-	35,823	184,222
Other comprehensive loss	-	-	-	-	(25,036)	(25,036)	-	(25,036)	-	(24,728)	(49,764)
Total comprehensive income	-	-	-	-	123,363	123,363	-	123,363	-	11,095	134,458
Issue of bonus shares	69,765	-	(69,765)	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	(19,943)	(19,943)	-	(19,943)	-	-	(19,943)
Share based payments (Note 24)	-	-	-	-	4	4	-	4	-	-	4
Cash dividends paid	-	-	-	-	-	-	(137,980)	(137,980)	-	-	(137,980)
Distribution of profit (Note 23):	-	-	-	-	-	-	-	-	-	-	-
Proposed issue of bonus shares	-	-	76,741	-	(76,741)	-	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(76,093)	(76,093)	76,093	-	-	-	-
Group share of distribution to Tier 1	-	-	-	-	-	-	-	-	-	-	-
Sukuk of an associate	-	-	-	-	(1,398)	(1,398)	-	(1,398)	-	-	(1,398)
Net movement in treasury shares	-	-	-	8,504	3,129	11,633	-	11,633	-	-	11,633
Modification loss on financing receivables (Note 21)	-	-	-	-	(95,631)	(95,631)	-	(95,631)	-	-	(95,631)
Gain on partial sale of subsidiary	-	-	-	-	234	234	-	234	-	795	1,029
Amounts paid to non-controlling interests on capital redemption of a subsidiary	-	-	-	-	-	-	-	-	-	(14,960)	(14,960)
Acquisition of non-controlling interest	-	-	-	-	(4,633)	(4,633)	-	(4,633)	-	(11,663)	(16,296)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(1,975)	(1,975)
Net other change in non-controlling interests	-	-	-	-	-	-	-	-	-	(918)	(918)
Balance as at 31 December 2020	767,414	720,333	76,741	(27,739)	323,199	1,859,948	76,093	1,936,041	-	165,357	2,101,398

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 2021

		<i>KD 000's</i>	
	<i>Notes</i>	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES			
Profit for the year		310,137	184,222
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		41,783	42,596
Provisions and impairment	5	135,369	284,067
Dividend income	3	(2,621)	(2,459)
(Gain)/ loss on sale/ liquidation of investments	3	(15,388)	6,119
Gain on sale of real estate investments	3	(14,022)	(12,619)
Share of results of investment in associates and joint ventures	3	3,357	7,063
		<u>458,615</u>	<u>508,989</u>
Changes in operating assets and liabilities:			
<i>(Increase) decrease in operating assets:</i>			
Financing receivables and due from banks		(594,207)	(915,093)
Investment in Sukuk		6,826	(478,505)
Trading properties		6,091	4,637
Other assets		73,591	(186,436)
Statutory deposit with Central Banks		(421,374)	(64,532)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(359,361)	526,949
Depositors' accounts		549,566	1,764,690
Other liabilities		(245,542)	(164,201)
Net cash flows (used in) from operating activities		<u>(525,795)</u>	<u>996,498</u>
INVESTING ACTIVITIES			
Investments, net		(17,146)	(3,463)
Purchase of investment properties		(1,914)	(574)
Proceeds from sale of investment properties		41,759	16,159
Purchase of property and equipment		(18,828)	(34,443)
Proceeds from sale of property and equipment		9,389	5,439
Intangible assets, net		39	(4,413)
Proceeds from sale/redemption of investments in associates and joint ventures		2,931	101
Proceed from disposal of subsidiaries		-	2,733
Dividend received and capital redemption		6,689	17,270
Net cash flows from (used in) investing activities		<u>22,919</u>	<u>(1,191)</u>
FINANCING ACTIVITIES			
Net proceeds from Tier 1 Sukuk		225,788	-
Profit payment on Perpetual Tier 1 Sukuk		(4,084)	-
Cash dividends paid		(76,093)	(137,980)
Movement in Sukuk payable		(98,388)	(4,860)
Zakat paid		(7,738)	(1,287)
Net movement in treasury shares		-	11,633
Amounts paid to non-controlling interests on capital redemption of a subsidiary		-	(14,960)
Acquisition of non-controlling interests		-	(16,296)
Net cash flows from (used in) financing activities		<u>39,485</u>	<u>(163,750)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(463,391)	831,557
Cash and cash equivalents as at 1 January		<u>3,351,559</u>	<u>2,520,002</u>
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	8	<u>2,888,168</u>	<u>3,351,559</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

1 CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 10 January 2022. 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 ("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 banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) with the following amendments:

- ▶ Expected credit loss ("ECL") to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 – Financial Instruments ("IFRS 9") in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
- ▶ Recognition of modification losses on financial assets arising from payment holidays to customers as a result of COVID during the financial year ended 31 December 2020, as required by CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020. Modification losses referred to in the circular, should be recognised in retained earnings instead of profit or loss as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognised in profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognised in the consolidated statement of income. The application of the policy will result in application of different accounting presentation for modification loss in 2020 compared to 2021.

The above framework is hereinafter referred to as "IFRS as adopted by CBK for use by the State of Kuwait".

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 profit or loss, 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.

2.3 CHANGES IN ACCOUNTING POLICIES

New standards, interpretations, and amendments adopted by the Group

IBOR reform Phase 2

The Bank has adopted the requirements of 'Profit Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) which is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

New standards, interpretations, and amendments adopted by the Group (continued)

IBOR reform Phase 2 (continued)

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). Changes to the basis for determining contractual cash flows as a result of profit rate benchmark reform are required as a practical expedient to be treated as changes to a floating profit rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing profit rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The Group is currently in the process of running a project on the Group's transition activities and prepared for adopting alternate reference rates and continues to engage with various stakeholders to support the orderly transition and to mitigate the risks resulting from the transition.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2021 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 significant 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.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Financing contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such financings – e.g. a financing with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

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 profit or loss 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 material 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

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.

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.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decision of the investee but is not control or joint control over those policies.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation (continued)

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. 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 are 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 of investment properties and 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 off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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 as gain of sale of real estate investment.

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 become 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.

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.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at initial recognition 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

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 consolidated statement of income on derecognition
- ▶ Equity instruments at FVOCI, with no recycling of gains or losses to consolidated statement of income on derecognition
- ▶ Financial assets carried at fair value through profit or loss (FVTPL)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

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, certain investment in sukuk 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.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

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 (fair value reserve). 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial asset at FVTPL: (continued)

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 Sukuks, equities and derivatives that are not designated as hedging instruments in a hedge relationship.

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.

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 in sukuk

Sukuk are classified at FVOCI, FVTPL and amortized cost based on the business model in which these securities are managed.

v. Investments

Group's financial investments consists of investment in equity instruments and investment in funds. Investment in equity instruments are carried at FVTPL or FVOCI based on the business model in which these securities are managed. Investment in funds are carried at FVTPL.

vi. Venture capital at fair value through profit or loss

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 profit or loss in accordance with IFRS 9, using the exemption of IAS 28: Investments in associates and joint ventures.

Venture capital at fair value through profit or loss 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

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, depositors' accounts and Sukuk payable
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 consolidated 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.

Derecognition 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition 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 statement of 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.

Derivatives 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. Any gains or losses arising from changes in the fair value of these instruments are taken directly to the consolidated statement of income as investment 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 the 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)

Derivatives financial instruments and hedge accounting

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.

The Bank applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing profit rate benchmark with an alternative risk-free rate (RFR). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

IBOR reform Phase 1 also requires that for hedging relationships affected by IBOR reform, the Bank must assume that for the purpose of assessing expected future hedge effectiveness, the profit rate is not altered as a result of IBOR reform. Further, the Bank is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivatives financial instruments and hedge accounting (continued)

Hedges of a net investment: (continued)

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

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 and amortised cost.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected Credit Losses (continued)

Any subsequent recoveries are credited to credit loss expense.

When estimating 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 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.

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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected Credit Losses (continued)

Determining the stage of impairment (continued)

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.

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 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected Credit Losses (continued)

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.

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. Derecognition decisions are determined on a case-by-case basis.

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.

<i>Category</i>	<i>Criteria</i>	<i>Specific provisions</i>
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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	up to 20 years
▶ Furniture, fixtures and equipment	3 to 5 years
▶ Motor vehicles	3 years

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, and is included under 'property and equipment' in the consolidated statement of financial position. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Lease liabilities (continued)

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.

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. Rental income is recognised in 'other income' in the consolidated statement of income.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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.

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 Sharee'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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

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).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments (continued)

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.

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 recorded in the consolidated statement of income net of any reimbursement.

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.

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits are charged to the consolidated statement of income in the year to which they relate.

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.

Significant 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant 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 (Group as lessee)

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

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Bank based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Bank operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 36.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

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.

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 criteria 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
- ▶ 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.

Impairment losses on financing receivables – as per CBK guidelines

The Group reviews its financing receivables on a regular basis to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

Uncertainty relating to COVID-19

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

Leases - Estimating the incremental financing rate

The Group cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental financing rate (IBR) to measure lease liabilities. The IBR is the rate that the Group would have to pay to get funding over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Bank estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates.

3 INVESTMENT INCOME / (LOSS)

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Gain on sale of real estate investments	14,022	12,619
Rental income from investment properties	8,476	8,915
Dividend income	2,621	2,459
Gain (Loss) on sale / liquidation of investments	15,388	(6,119)
Share of results of investment in associates and joint ventures (Note 13 and Note 14)	(3,357)	(7,063)
Others	(20,791)	(17,221)
	16,359	(6,410)

4 OTHER INCOME

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Income from sale of property and equipment	6,358	2,596
Real estate trading, development and construction income	9,695	4,753
Income from maintenance, services, and consultancy	16,011	10,687
Rental income from lease contracts	5,338	6,548
Other income	10,787	20,068
	48,189	44,652

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

5 PROVISIONS AND IMPAIRMENT

	<i>KD 000's</i>	
	<u>2021</u>	<u>2020</u>
(Reversal of) expected credit losses for investment in Sukuk (Note 11)	(10,007)	28,378
Expected credit losses for other financial assets	4,089	4,931
Impairment on financing receivables (Note 10)	147,699	183,667
Recovery of written-off debts	(22,716)	(26,010)
Impairment of investment properties (Note 15)	1,566	26,512
Impairment of investment in associates	2,000	30,895
Impairment of property and equipment	337	-
(Reversal) impairment of non-cash facilities (Note 10)	(455)	1,311
Impairment of trading properties	-	581
Other provisions and impairment	12,856	33,802
	<u>135,369</u>	<u>284,067</u>

6 TAXATION

	<i>KD 000's</i>	
	<u>2021</u>	<u>2020</u>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	1,907	1,365
National Labour Support Tax (NLST)	4,514	2,577
Zakat	2,450	1,547
Taxation related to subsidiaries	47,598	25,173
	<u>56,469</u>	<u>30,662</u>

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 after profit payment on Perpetual Tier 1 Sukuk, 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:	<i>2021</i>	<i>2020</i>
Profit for the year attributable to shareholders of the Bank (thousand KD)	243,414	148,399
Less: Profit payment on Perpetual Tier 1 Sukuk	(4,084)	-
Profit for the year attributable to shareholders of the Bank after profit payment on Perpetual Tier 1 Sukuk (thousand KD)	<u>239,330</u>	<u>148,399</u>
Weighted average number of shares outstanding during the year, net of treasury shares (thousands share)	<u>8,370,182</u>	<u>8,365,025</u>
Basic and diluted earnings per share attributable to the shareholders of the Bank	<u>28.59 fils</u>	<u>17.74 fils</u>

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

8 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Cash	204,187	222,389
Balances with Central Banks	1,566,773	1,761,063
Balances with banks and financial institutions – current accounts	554,132	507,349
	<hr/>	<hr/>
Cash and balance with banks and financial institutions	2,325,092	2,490,801
Due from banks within 3 months of contract date	1,805,566	1,681,874
Less: Statutory deposits with Central Banks	(1,242,490)	(821,116)
	<hr/>	<hr/>
Cash and cash equivalents	2,888,168	3,351,559
	<hr/> <hr/>	<hr/> <hr/>

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

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Due from banks	1,527,454	1,351,362
Due from Central Banks	1,822,231	2,013,215
	<hr/>	<hr/>
	3,349,685	3,364,577
	<hr/> <hr/>	<hr/> <hr/>

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

10 FINANCING RECEIVABLES

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

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Financing receivables		
Murabaha and wakala	11,087,730	10,477,176
Leased assets	2,210,437	2,138,729
Istisna'a and other receivables	84,566	88,407
	<hr/>	<hr/>
	13,382,733	12,704,312
Less: deferred and suspended profit	(1,375,988)	(1,385,793)
	<hr/>	<hr/>
Net financing receivables	12,006,745	11,318,519
Less: impairment	(651,382)	(570,983)
	<hr/>	<hr/>
	11,355,363	10,747,536
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

10 FINANCING RECEIVABLES (continued)

Movement in provision for impairment as per CBK instructions is as follows:

	<i>KD 000's</i>					
	<i>Specific</i>		<i>General</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Balance as at beginning of year	164,843	123,773	406,140	349,372	570,983	473,145
Provided during the year (Note 5)	44,451	120,519	103,248	63,148	147,699	183,667
Amounts written off and foreign currency translation	(59,110)	(79,449)	(8,190)	(6,380)	(67,300)	(85,829)
Balance as at end of year	150,184	164,843	501,198	406,140	651,382	570,983

Reversal of provision for the year on non-cash facilities is KD 455 thousand (2020: provision charge of KD 1,311 thousand) (Note 5). The available provision balance on non-cash facilities of KD 14,684 thousand (2020: KD 16,138 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:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Within one year	961,612	967,765
One to five years	433,815	372,922
More than five years	815,010	798,042
	2,210,437	2,138,729

Non-performing financing facilities

As at 31 December 2021, non-performing cash finance facilities before impairment and collateral (net of deferred profit and suspended profit) amounted to KD 204,408 thousand (2020: KD 263,153 thousand).

Total provision for ECL is accounted as per CBK regulation which require ECL to be measured at higher of the ECL computed under IFRS 9 in accordance with CBK or the provision required by CBK instructions. Total provision for credit losses recorded as per CBK instructions for utilized and unutilized cash and non-cash financing facilities as at 31 December 2021 is KD 666,066 thousand (2020: KD 587,121 thousand) which exceeds the ECL for financing receivables under IFRS 9 by KD 367,231 thousand (2020: KD 227,587 thousand).

An analysis of the carrying amounts of financing receivables (cash facilities), and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations.

An analysis of the carrying amounts of contingent liabilities and commitments, the amounts in the table represent the amounts committed or guaranteed (Non-cash facilities), and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

10 FINANCING RECEIVABLES (continued)

Non-performing financing facilities (continued)

<i>31 December 2021</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
High	7,981,234	334,881	-	8,316,115
Standard	1,245,773	1,258,991	177,793	2,682,557
Past due or impaired	653,073	150,592	204,408	1,008,073
	<u>9,880,080</u>	<u>1,744,464</u>	<u>382,201</u>	<u>12,006,745</u>
Financing commitments and contingent liabilities (Note 26)	<u>1,075,925</u>	<u>265,574</u>	<u>21,156</u>	<u>1,362,655</u>
ECL provision for credit facilities	<u>31,495</u>	<u>120,110</u>	<u>147,230</u>	<u>298,835</u>
<i>31 December 2020</i>				
High	7,399,930	607,903	-	8,007,833
Standard	1,009,749	1,120,630	165,561	2,295,940
Past due or impaired	537,157	214,436	263,153	1,014,746
	<u>8,946,836</u>	<u>1,942,969</u>	<u>428,714</u>	<u>11,318,519</u>
Financing commitments and contingent liabilities (Note 26)	<u>1,201,200</u>	<u>340,774</u>	<u>19,381</u>	<u>1,561,355</u>
ECL provision for credit facilities	<u>35,381</u>	<u>162,964</u>	<u>161,189</u>	<u>359,534</u>

Aging analysis of past due but not impaired finance facilities by class of financial assets:

	<i>KD 000's</i>			
	<i>Less than 30 days</i>	<i>31 to 60 days</i>	<i>61 to 90 days</i>	<i>Total</i>
<i>31 December 2021</i>				
Financing receivables	<u>653,073</u>	<u>67,468</u>	<u>83,124</u>	<u>803,665</u>
<i>31 December 2020</i>				
Financing receivables	<u>537,157</u>	<u>93,942</u>	<u>120,494</u>	<u>751,593</u>

An analysis of the changes in the ECL in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines is as follows:

	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
ECL allowance as at 1 January 2021	35,381	162,964	161,189	359,534
Impact due to transfer between stages	4,433	(8,899)	4,466	-
Net increase (decrease) in ECL for the year	(2,933)	(254)	42,489	39,302
Amounts written off	-	-	(33,155)	(33,155)
Foreign exchange adjustments	(5,386)	(33,701)	(27,759)	(66,846)
At 31 December 2021	<u>31,495</u>	<u>120,110</u>	<u>147,230</u>	<u>298,835</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

10 FINANCING RECEIVABLES (continued)

ECL allowance as at 1 January 2020	45,037	157,919	160,118	363,074
Impact due to transfer between stages	2,652	(17,649)	14,997	-
Net increase (decrease) in ECL for the year	(8,330)	45,710	47,106	84,486
Amounts written off	-	-	(45,271)	(45,271)
Foreign exchange adjustments	(3,978)	(23,016)	(15,761)	(42,755)
At 31 December 2020	<u>35,381</u>	<u>162,964</u>	<u>161,189</u>	<u>359,534</u>

Sensitivity

For measuring the overall sensitivity of the forward-looking information and key economic variables on the Group's ECL on financing receivables, the Group conducts stress tests by allocating a higher weightage to the downside scenario which results in an increase in the Bank's ECL allowance for financing receivables in Stage 1 and Stage 2. However, the ECL so determined after incorporating the aggregate impact of these sensitivity adjustments, continues to remain lower than the total provision for credit losses recorded as per CBK instructions, and accordingly will not have an impact on the Group's consolidated statement of income as well as on the carrying value of these assets.

Modification loss on deferral of consumer and housing financing by six months and related government grant income

During the year, the Bank has recognised a modification loss of KD 65,293 thousand arising from the deferral of consumer and housing financing instalments for a period of six months, computed in accordance with IFRS 9, in accordance with CBK circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementation of the provisions of Article No. (2) of Law No. (3) of 2021 ('the Law'). According to the Law, the modification loss arising on the deferral of the financing instalments will be fully borne by the Kuwait government. Therefore, the Bank has recognised this income in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and set it off against the modification loss. The Government grant receivable is included in 'other assets' in the consolidated statement of financial position.

11 INVESTMENT IN SUKUK

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
FVOCI	2,307,963	2,191,508
Amortised cost	127,650	257,297
FVTPL	299,309	293,295
	<u>2,734,922</u>	<u>2,742,100</u>

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 (excluding sukuk carried at FVTPL).

	<i>KD 000's</i>			
<i>2021</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
High grade	1,392,857	649,726	-	2,042,583
Standard grade	431,173	-	-	431,173
Gross carrying amount	<u>1,824,030</u>	<u>649,726</u>	<u>-</u>	<u>2,473,756</u>
ECL allowance	<u>(21,019)</u>	<u>(17,124)</u>	<u>-</u>	<u>(38,143)</u>
Carrying value	<u>1,803,011</u>	<u>632,602</u>	<u>-</u>	<u>2,435,613</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

11 INVESTMENT IN SUKUK (continued)

2020	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
High grade	1,147,233	883,080	-	2,030,313
Standard grade	466,642	-	-	466,642
Gross carrying amount	<u>1,613,875</u>	<u>883,080</u>	<u>-</u>	<u>2,496,955</u>
ECL allowance	<u>(10,609)</u>	<u>(37,541)</u>	<u>-</u>	<u>(48,150)</u>
Carrying value	<u>1,603,266</u>	<u>845,539</u>	<u>-</u>	<u>2,448,805</u>

Movement in the gross carrying amount and the corresponding expected credit losses in relation to the Group's investment in Sukuk (excluding sukuk carried at FVTPL) is as follows:

2021	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount as at 1 January 2021	1,613,875	883,080	-	2,496,955
Net movement during the year	210,155	(233,354)	-	(23,199)
At 31 December 2021	<u>1,824,030</u>	<u>649,726</u>	<u>-</u>	<u>2,473,756</u>

2021	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2021	10,609	37,541	-	48,150
Re-measurements during the year (Note 5)	10,410	(20,417)	-	(10,007)
At 31 December 2021	<u>21,019</u>	<u>17,124</u>	<u>-</u>	<u>38,143</u>

2020	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount as at 1 January 2020	2,096,685	-	-	2,096,685
Net movement during the year	(482,810)	883,080	-	400,270
At 31 December 2020	<u>1,613,875</u>	<u>883,080</u>	<u>-</u>	<u>2,496,955</u>

2020	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2020	19,772	-	-	19,772
Re-measurements during the year (Note 5)	(9,163)	37,541	-	28,378
At 31 December 2020	<u>10,609</u>	<u>37,541</u>	<u>-</u>	<u>48,150</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

12 INVESTMENTS

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Equities and funds	202,585	176,279
Venture capital at fair value through profit or loss	16,169	16,068
	218,754	192,347
FVTPL	96,713	77,016
FVTOCI	105,872	99,263
Venture capital at fair value through profit or loss	16,169	16,068
	218,754	192,347

13 INVESTMENT IN ASSOCIATES

The major associates of the Group are as follows:

	<i>Interest in equity %</i>		<i>Country of registration</i>	<i>Principal activities</i>	<i>Financial statements reporting date</i>
	<i>2021</i>	<i>2020</i>			
Sharjah Islamic Bank P.J.S.C.	18	18	United Arab Emirates	Islamic banking services	30 September 2021
Ibdar Bank B.S.C.	35	35	Bahrain	Islamic banking services	30 September 2021
Aviation Lease and Finance Company K.S.C.P. (ALAFCO)	46	46	Kuwait	Aircraft leasing and financing services	30 September 2021

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

Summarised consolidated statement of financial position:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Assets	6,353,102	6,402,595
Liabilities	(5,403,632)	(5,388,623)
Equity	949,470	1,013,972
Carrying amount of the investment	225,866	251,195

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

13 INVESTMENT IN ASSOCIATES (continued)

Summarised consolidated statement of income:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Revenues	292,411	301,358
Expenses	(277,538)	(290,154)
Profit for the year	14,873	11,204
Group's share of loss for the year	(3,997)	(424)

Investments in associates with a carrying amount of KD 193,206 thousand (2020: KD 214,064 thousand) have a market value of KD 192,996 thousand at 31 December 2021 (2020: KD 166,325 thousand) based on published quotes. Dividends received from the associates during the current year amounted to KD 4,067 thousand (2020: KD 6,885 thousand).

14 INVESTMENT IN JOINT VENTURES

The major joint ventures of the Group are as follows:

	<i>Interest in equity %</i>		<i>Country of registration</i>	<i>Principal activities</i>	<i>Financial statements reporting date</i>
	<i>2021</i>	<i>2020</i>			
Diyar Homes Company W.L.L (Souq Al Muharraq)	50	50	Bahrain	Real estate development	31 October 2021
Al Durrat Al Tijaria Company W.L.L	50	50	Bahrain	Real estate development	31 October 2021
Diyar Al Muharraq Company W.L.L.	52	52	Bahrain	Real estate development	31 October 2021

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

Summarised consolidated statement of financial position:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Assets	1,001,446	1,171,977
Liabilities	(319,428)	(472,505)
Equity	682,018	699,472
Carrying amount of the investment	265,837	269,589

Summarised consolidated statement of income:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Revenues	91,806	144,415
Expenses	(96,069)	(168,885)
Loss for the year	(4,263)	(24,470)
Group's share of profit (loss) for the year	640	(6,639)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

15 INVESTMENT PROPERTIES

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
As at 1 January	350,838	455,406
Additions	5,071	574
Transfer from/to other assets	2,181	(3,766)
Disposals	(25,558)	(68,534)
Depreciation charge for the year	(5,838)	(6,330)
Impairment (Note 5)	(1,566)	(26,512)
As at 31 December	325,128	350,838

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Developed properties	235,803	244,632
Properties under construction	89,325	106,206
	325,128	350,838

16 OTHER ASSETS

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Precious metals inventory	134,605	33,545
Trade receivable, net	54,995	48,006
Clearing accounts	161,917	410,922
Receivables on sale of investment	10,194	1,631
Deferred tax	48,312	43,935
Advances and prepayments	23,529	26,103
Other miscellaneous assets	220,916	163,917
	654,468	728,059

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

17 INTANGIBLE ASSETS

Movement of intangible assets is as follows:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Cost		
As at 1 January	73,640	77,091
Additions	6,363	6,874
Disposal	(78)	(6,977)
Foreign exchange translation	(9,977)	(3,348)
As at 31 December	69,948	73,640
Accumulated amortization		
As at 1 January	41,250	46,054
Charge for the year	3,369	2,311
Disposals	(5)	(5,157)
Foreign exchange translation	(7,017)	(1,958)
As at 31 December	37,597	41,250
Net book value		
As at 31 December	32,351	32,390

Intangible asset includes license of an Islamic brokerage company amounting to KD 14,671 thousand (2020: 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 8.7% (2020: 9.3%) and a terminal growth rate of 2.7% (2020: 2.5%). As a result, the management believes there are no indications of any impairment in value. Other intangible assets amounting to KD 17,680 thousand (2020: KD 17,719 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

18 SUBSIDIARIES

18.1 Details of principal operating material subsidiaries

Name	Country of registration	Interest in equity %		Principal activity	Financial statements reporting date
		2021	2020		
Kuwait Turkish Participation Bank	Turkey	62	62	Islamic banking services	31 December 2021
Kuwait Finance House B.S.C.	Bahrain	100	100	Islamic banking services	31 December 2021
Kuwait Finance House (Malaysia) Berhad	Malaysia	100	100	Islamic banking services	31 December 2021
Saudi Kuwait Finance House S.S.C. (Closed)	Saudi Arabia	100	100	Islamic investment	31 December 2021
KFH Capital Investments Company K.S.C. (Closed) *	Kuwait Cayman Islands	99.9	99.9	Islamic finance and investments	31 October 2021
KFH Private Equity Ltd	Islands	100	100	Islamic investments	31 December 2021
KFH Real Estate Company K.S.C. (Closed) *	Kuwait	99.9	99.9	Real estate development and leasing	31 October 2021
Al Enma'a Real Estate Company K.S.C.P.	Kuwait	56	56	Real estate, investment, trading and real estate management	31 October 2021
Development Enterprises Holding Company K.S.C. (Closed) *	Kuwait	99.9	99.9	Infrastructure and industrial investment	31 December 2021
Baitak Real Estate Investment Company S.S.C.	Saudi Arabia	100	100	Real estate development and investment	30 September 2021
International Turnkey Systems Company K.S.C. (Closed)	Kuwait	98	97	Computer maintenance, consultancy and software services	30 September 2021
Gulf International Automobile Trading Company K.S.C. (Closed) *	Kuwait Cayman Islands	99.6	99.6	Trading, import and export of used cars	30 September 2021
E'amar Al Salam Hospital K.S.C. (Closed)	Islands	100	100	Islamic investments	31 December 2021
Muthana GCC Islamic Banks Fund	Kuwait	76	76	Healthcare services	30 September 2021
Turkapital Holding B.S.C.(C)	Kuwait	83	88	Islamic equity investments	30 September 2021
	Bahrain	51	51	Real estate, auto leasing and insurance	30 September 2021

* Effective ownership percentage is 100% (2020: 100%).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

18 SUBSIDIARIES (continued)

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	
		2021	2020
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	
	2021	2020
Revenues	517,213	498,934
Expenses	(362,149)	(373,222)
Profit for the year	155,064	125,712
Profit attributable to non-controlling interest	58,552	47,469

Summarised consolidated statement of financial position as at:

	KD 000's	
	2021	2020
Total assets	6,319,636	6,423,374
Total liabilities	(5,917,524)	(5,992,945)
Total equity	402,112	430,429
Attributable to non-controlling interests	151,837	162,530

Summarised consolidated statement of cash flows for year ended:

	KD 000's	
	2021	2020
Operating	(41,749)	470,592
Investing	203,438	(419,929)
Financing	(121,055)	(13,238)
Net increase in cash and cash equivalents	40,634	37,425

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

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

	<i>KD 000's</i>	
	<u>2021</u>	<u>2020</u>
Trade payables	247,826	221,726
Accrued expenses	177,371	185,817
Certified cheques	72,946	66,934
Due to customers for contract work	34,309	34,223
Employees' end of service benefits	84,617	78,205
Refundable deposits	3,281	4,586
Provision on non-cash facilities (Note 10)	14,684	16,138
Other miscellaneous liabilities	167,624	206,732
	<u>802,658</u>	<u>814,361</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

21 RESERVES

	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance as at 1 January 2021	340,325	228,893	1,306	15,028	66,933	(305,515)	(23,771)	323,199
Profit for the year	-	-	243,414	-	-	-	-	243,414
Other comprehensive loss	-	-	-	-	(9,700)	(134,072)	-	(143,772)
Total comprehensive income (loss)	-	-	243,414	-	(9,700)	(134,072)	-	99,642
Zakat	-	(20,508)	-	-	-	-	-	(20,508)
Transfer to reserves	25,338	25,338	(50,676)	-	-	-	-	-
Proposed issuance of bonus shares (Note 23)	-	-	(84,416)	-	-	-	-	(84,416)
Proposed cash dividends (Note 23)	-	-	(100,442)	-	-	-	-	(100,442)
Transfer of fair value reserve of equity investment at FVOCI	-	-	232	-	(232)	-	-	-
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	(535)	-	-	-	-	(535)
Perpetual Tier 1 Sukuk Foreign Currency translation adjustment	-	-	(1,087)	-	-	-	-	(1,087)
Profit payment on Perpetual Tier 1 Sukuk	-	-	(4,084)	-	-	-	-	(4,084)
Acquisition of non-controlling interest	-	-	-	-	-	-	593	593
Group's share of associate adjustments	-	-	(2,366)	-	-	-	-	(2,366)
Balance as at 31 December 2021	365,663	233,723	1,346	15,028	57,001	(439,587)	(23,178)	209,996

KD 000's

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

21 RESERVES (continued)

	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance as at 1 January 2020	324,875	310,127	55,137	11,899	51,815	(263,569)	(19,376)	470,908
Profit for the year	-	-	148,399	-	-	-	-	148,399
Other comprehensive income (loss)	-	-	-	-	16,910	(41,946)	-	(25,036)
Total comprehensive income (loss)	-	-	148,399	-	16,910	(41,946)	-	123,363
Zakat	-	(19,943)	-	-	-	-	-	(19,943)
Transfer to reserves	15,450	15,450	(30,900)	-	-	-	-	-
Proposed issuance of bonus shares (Note 23)	-	(76,741)	-	-	-	-	-	(76,741)
Proposed cash dividends (Note 23)	-	-	(76,093)	-	-	-	-	(76,093)
Share based payments (Note 24)	-	-	-	-	-	-	4	4
Transfer of fair value reserve of equity investment at FVOCI	-	-	1,792	-	(1,792)	-	-	-
Gain on partial sale of subsidiary	-	-	-	-	-	-	234	234
Acquisition of non-controlling interest	-	-	-	-	-	-	(4,633)	(4,633)
Modification loss on financing receivables *	-	-	(95,631)	-	-	-	-	(95,631)
Group share of distribution to Tier 1 Sukuk of an associate	-	-	(1,398)	-	-	-	-	(1,398)
Net movement in treasury shares	-	-	-	3,129	-	-	-	3,129
Balance as at 31 December 2020	340,325	228,893	1,306	15,028	66,933	(305,515)	(23,771)	323,199

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

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 27,739 thousand (2020: KD 27,739 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 issued share capital.

Share premium

The share premium balance is not available for distribution.

Other reserves

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 Bank's shareholders held on 22 March 2021 approved to distribute bonus shares of 10% (2019: 10%) of the issued, and fully paid share capital, and cash dividends of 10 fils per share (2019: 20 fils per share) to the Bank's shareholders, for the year ended 31 December 2020 (Note 23).

The Extra-ordinary general assembly of the Bank's shareholders held on 22 March 2021 also approved to increase the authorised share capital to be comprised of 12,641,551,934 shares (31 December 2020: 11,874,138,122) shares of 100 fils each.

Share capital

	<i>KD 000's</i>	
	<u>2021</u>	<u>2020</u>
Issued and fully paid in cash and bonus shares:		
8,441,551,934 (2020: 7,674,138,122) shares of 100 fils each	<u>844,155</u>	<u>767,414</u>

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

	<u>2021</u>	<u>2020</u>
Number of shares in issue as at 1 January	7,674,138,122	6,976,489,202
Bonus shares issued	<u>767,413,812</u>	<u>697,648,920</u>
Number of shares in issue 31 December	<u>8,441,551,934</u>	<u>7,674,138,122</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

22 SHARE CAPITAL AND TREASURY SHARES (continued)

Treasury shares and treasury share reserve.

The Group held the following treasury shares at the year-end:

	2021	2020
Number of treasury shares	71,370,374	64,882,159
Treasury shares as a percentage of total shares in issue	0.8%	0.8%
Cost of treasury shares (KD thousand)	27,739	27,739
Market value of treasury shares (KD thousand)	59,380	43,860

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

The weighted average market price of the Bank's shares for the year ended 31 December 2021 was 771 fils (2020: 665 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 12% for the year ended 31 December 2021 (2020: 10%) and issuance of bonus shares of 10% (2020: 10%) of the paid up share capital as follows:

	2021		2020	
		<i>Total KD 000's</i>		<i>Total KD 000's</i>
Proposed cash dividends (per share)	12 fils	100,442	10 fils	76,093
Proposed issuance of bonus shares (per 100 shares)	10 shares	84,416	10 shares	76,741

This proposal is subject to the approval of the ordinary general assembly of the shareholders of the Bank and completion of legal formalities. Proposed cash dividends and proposed issued of bonus shares are shown separately within equity.

The Board of Directors of the Bank has proposed Directors' fees of KD 1,096 thousand (2020: KD 608 thousand), (Note 28) which is within the amount permissible under local regulations and subject to the approval of 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 PERPETUAL TIER 1 SUKUK

On 30 June 2021, the Bank through a Sharia's compliant Sukuk arrangement issued Perpetual Tier 1 Sukuk amounting to USD 750 million. The Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Perpetual Tier 1 Sukuk is listed on the London Stock Exchange and callable by the Bank after five-year period ending June 2026 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of the Perpetual Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Perpetual Tier 1 Sukuk bears an expected profit rate of 3.6% per annum to be paid semi-annually in accordance with the terms of the issue. Transaction costs incurred on the issue of the Perpetual Tier 1 Sukuk is accounted as a deduction from equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

26 CONTINGENCIES AND CAPITAL COMMITMENTS

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

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Acceptances and letters of credit	195,008	159,067
Letter of guarantees	1,167,647	1,402,288
Contingencies	1,362,655	1,561,355
	281,289	306,005

27 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.

For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments based on a notional value in a single currency thru series of transactions to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future based on Wa'ad (promise) structure.

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.

	<i>KD 000's</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
31 December 2021			
Forward contracts	12,379	3,095	436,499
Profit rate swaps	-	13,620	211,509
Currency swaps	11,254	4,662	997,097
Embedded precious metals	12,594	227	278,053
	36,227	21,604	1,923,158

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

27 CURRENCY SWAPS, PROFIT RATE SWAPS, FORWARD FOREIGN EXCHANGE AND FORWARD COMMODITY CONTRACTS (“ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS”) (continued)

	<i>KD 000's</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
<i>31 December 2020</i>			
Forward contracts	4,834	1,277	395,964
Profit rate swaps	-	26,008	216,426
Currency swaps	16,150	46,474	2,281,253
Embedded precious metals	-	216	351,243
	<u>20,984</u>	<u>73,975</u>	<u>3,244,886</u>

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:

	<i>KD 000's</i>			
	<i>Notional amount</i>	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>More than 12 months</i>
<i>31 December 2021</i>				
Cash inflows	1,923,159	1,106,627	596,840	219,692
Cash outflows	(1,891,917)	(1,092,598)	(591,474)	(207,845)
Net cash flows	<u>31,242</u>	<u>14,029</u>	<u>5,366</u>	<u>11,847</u>
<i>31 December 2020</i>				
Cash inflows	3,244,886	1,350,331	1,321,226	573,329
Cash outflows	(2,940,818)	(1,362,276)	(1,180,731)	(397,811)
Net cash flows	<u>304,068</u>	<u>(11,945)</u>	<u>140,495</u>	<u>175,518</u>

28 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:

	<i>Major shareholders</i>	<i>Associates and joint ventures</i>	<i>Board members and executive officers</i>	<i>Other related party</i>	<i>KD 000's</i>	
					<i>2021</i>	<i>2020</i>
Financing income	-	7,478	99	38	7,615	7,834
Fee and commission income	-	102	166	47	315	290
Finance costs and distribution to depositors	6,946	292	67	436	7,741	14,906
					<u>Total</u>	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

28 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	<i>Major shareholders</i>	<i>Associates and joint ventures</i>	<i>Board members and executive officers</i>	<i>Other related party</i>	<i>KD 000's</i>	
					<i>2021</i>	<i>2020</i>
Financing receivables	-	222,860	2,817	1,037	226,714	208,306
Due to banks and financial institutions	717,325	27,266	-	-	744,591	1,135,722
Depositors' accounts	-	31,190	14,322	9,140	54,652	57,609
Contingencies and commitments	486	5,820	-	542	6,848	11,802

Details of the interests of Board Members and Executive Officers are as follows:

	<i>The number of board members or executive officers</i>		<i>The number of related parties (Relatives of board members or executive officers)</i>		<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	Board Members					
Finance facilities	23	25	17	23	1,122	1,120
Depositors' accounts	49	53	122	123	13,321	19,364
Collateral against financing facilities	1	1	1	3	1,771	2,362
Executive officers						
Finance facilities	70	68	18	14	2,532	2,422
Depositors' accounts	79	81	114	111	8,465	11,585
Collateral against financing facilities	7	7	1	3	1,755	2,708

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

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Salaries, allowances and bonuses of key management personnel	12,393	13,340
Termination and long-term benefits of key management personnel	992	1,008
Board of directors' remuneration *	2,280	1,876
	15,665	16,224

* Board of director's remuneration include amount of KD 1,096 thousand (2020: KD 608 thousand) related to the Bank. The board of director's remuneration is subject to the approval of the Annual General Assembly (Note 23).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

29 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.

	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Retail and private Banking</i>	<i>Corporate Banking</i>	<i>Investment</i>	<i>Total</i>
31 December 2021					
Total assets	<u>7,539,011</u>	<u>7,052,339</u>	<u>5,574,325</u>	<u>1,622,537</u>	<u>21,788,212</u>
Total liabilities	<u>3,152,127</u>	<u>12,948,702</u>	<u>2,926,427</u>	<u>453,774</u>	<u>19,481,030</u>
Operating income	<u>72,074</u>	<u>354,051</u>	<u>257,321</u>	<u>127,565</u>	<u>811,011</u>
Provisions and impairment	<u>11,692</u>	<u>(12,590)</u>	<u>(103,521)</u>	<u>(30,950)</u>	<u>(135,369)</u>
Profit for the year	<u>68,737</u>	<u>147,906</u>	<u>85,067</u>	<u>8,427</u>	<u>310,137</u>
					<i>KD 000's</i>
	<i>Treasury</i>	<i>Retail and private Banking</i>	<i>Corporate Banking</i>	<i>Investment</i>	<i>Total</i>
31 December 2020					
Total assets	<u>7,772,344</u>	<u>6,520,157</u>	<u>5,640,019</u>	<u>1,569,794</u>	<u>21,502,314</u>
Total liabilities	<u>3,692,572</u>	<u>12,270,709</u>	<u>2,980,421</u>	<u>457,214</u>	<u>19,400,916</u>
Operating income	<u>110,855</u>	<u>339,712</u>	<u>265,959</u>	<u>79,070</u>	<u>795,596</u>
Provisions and impairment	<u>(27,821)</u>	<u>(13,768)</u>	<u>(141,887)</u>	<u>(100,591)</u>	<u>(284,067)</u>
Profit (loss) for the year	<u>68,539</u>	<u>151,227</u>	<u>57,374</u>	<u>(92,918)</u>	<u>184,222</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

29 SEGMENTAL ANALYSIS (continued)

Secondary segment information

The Group operates in different geographical areas. A geographical analysis is as follows:

	<i>KD 000's</i>			
	<i>Assets</i>		<i>Contingencies and capital commitments</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Geographical areas:				
Middle East	14,269,163	13,663,791	493,181	578,862
Europe	6,376,251	6,553,652	1,119,553	1,248,097
Other	1,142,798	1,284,871	31,210	40,401
	21,788,212	21,502,314	1,643,944	1,867,360

	<i>KD 000's</i>					
	<i>Local</i>		<i>International</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Operating income	306,622	336,732	504,389	458,864	811,011	795,596
Profit for the year	67,050	69,472	243,087	114,750	310,137	184,222

30 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

30 RISK MANAGEMENT (continued)

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.

31 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 is applying Early Warning Signals "EWS" approach 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 EWS allows the Group to assess the potential loss as a result of the risks to which is exposed to and take proactive 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 unlikelihood 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

31 CREDIT RISK (continued)

Assessment of expected credit losses (continued)

Internal rating and PD estimation process (continued)

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's rating policy. The attributable risk ratings are assessed and updated regularly.

The group uses 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. 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.

		<i>KD 000' s</i>	
	<i>Notes</i>	<i>2021</i>	<i>2020</i>
Balances with banks and financial institutions	8	2,120,905	2,268,412
Due from banks	9	3,349,685	3,364,577
Financing receivables	10	12,006,745	11,318,519
Investment in Sukuk	11	2,773,065	2,790,250
Trade and other receivables		309,634	239,657
Total		20,560,034	19,981,415
Contingencies	26	1,362,655	1,561,355
Capital commitments and others	26	281,289	306,005
Total		1,643,944	1,867,360
Total credit risk exposure		22,203,978	21,848,775

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

31 CREDIT RISK (continued)

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 2021 was KD 272,100 thousand (2020: KD 202,565 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:

	<i>KD 000's</i>			
	<i>Middle East</i>	<i>Europe</i>	<i>Others</i>	<i>Total</i>
31 December 2021				
Balances with banks and financial institutions	408,618	1,420,737	291,550	2,120,905
Due from banks	2,851,031	497,178	1,476	3,349,685
Financing receivables	8,674,959	3,001,875	329,911	12,006,745
Investment in Sukuk	1,206,922	1,227,809	338,334	2,773,065
Trade and other receivables	261,194	43,488	4,952	309,634
	<u>13,402,724</u>	<u>6,191,087</u>	<u>966,223</u>	<u>20,560,034</u>
31 December 2020				
Balances with banks and financial institutions	1,060,674	871,317	336,421	2,268,412
Due from banks	2,989,878	363,731	10,968	3,364,577
Financing receivables	7,682,848	3,263,070	372,601	11,318,519
Investment in Sukuk	929,922	1,456,116	404,212	2,790,250
Trade and other receivables	197,010	37,571	5,076	239,657
	<u>12,860,332</u>	<u>5,991,805</u>	<u>1,129,278</u>	<u>19,981,415</u>

An industry sector analysis of the Group's financial assets, before taking into account collateral held is as follows:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
Trading and manufacturing	5,228,614	4,634,999
Banks and financial institutions	8,970,449	8,830,573
Construction and real estate	2,895,616	2,908,069
Other	3,465,355	3,607,774
	<u>20,560,034</u>	<u>19,981,415</u>

Credit quality per class of financial assets

Credit exposures classified as 'High grade' are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. Credit exposures classified as 'Standard grade' comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'.

Details of credit quality for financing receivables is disclosed in Note 10 and for investment in Sukuk is disclosed in Note 11. Balances with banks and financial institutions, due from banks and trade and other receivables are classified as High grade.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

31 CREDIT RISK (continued)

Collateral (continued)

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 2021 was KD 349,701 thousand (2020: KD 482,833 thousand). The collateral consists of cash, securities, sukuk, letters of guarantee and real estate assets.

32 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 within the regulatory and internal liquidity limits, on daily basis. Moreover, the Group monitors and assess the impact of the existing and new operations' expected cash flows and ensures the availability of high quality liquid assets, which could be used to secure additional funding, when required.

In addition, the Group maintains a robust liquidity buffers which consists of a mix of readily available cash, sharia compliant short-term money market instruments and 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 in place committed lines of credit that can be accessed in order to meet liquidity needs.

The overall liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors during a systemically contagion market and a specific idiosyncratic stress events impacted by 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 2021 is as follows:

	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>After one year</i>	<i>Total</i>
Assets				
Cash and balances with banks and financial institutions	2,272,430	1,335	51,327	2,325,092
Due from banks	2,645,470	670,877	33,338	3,349,685
Financing receivables	2,300,742	2,865,351	6,189,270	11,355,363
Investment in Sukuk	449,062	280,568	2,005,292	2,734,922
Trading properties	4,353	16,272	75,679	96,304
Investments	1,269	60,479	157,006	218,754
Investment in associates and joint ventures	10,025	10,441	471,237	491,703
Investment properties	88,375	13,134	223,619	325,128
Other assets	334,479	44,289	275,700	654,468
Intangible assets	-	-	32,351	32,351
Property and equipment	-	-	204,442	204,442
	8,106,205	3,962,746	9,719,261	21,788,212
Liabilities				
Due to banks and financial institutions	1,707,445	754,670	132,639	2,594,754
Sukuk payables	125,049	-	91,668	216,717
Depositors' accounts	11,557,325	693,854	3,615,722	15,866,901
Other liabilities	158,252	141,111	503,295	802,658
	13,548,071	1,589,635	4,343,324	19,481,030

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

32 LIQUIDITY RISK (continued)

The maturity profile of assets and undiscounted liabilities at 31 December 2020 is as follows:

	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>After one year</i>	<i>Total</i>
<i>Assets</i>				
Cash and balances with banks and financial institutions	2,452,462	3,368	34,971	2,490,801
Due from banks	2,504,817	716,653	143,107	3,364,577
Financing receivables	2,035,075	2,653,981	6,058,480	10,747,536
Investment in Sukuk	462,993	304,698	1,974,409	2,742,100
Trading properties	13,950	15,012	73,433	102,395
Investments	6,461	9,876	176,010	192,347
Investment in associates and joint ventures	880	11,277	508,627	520,784
Investment properties	7,120	55,663	288,055	350,838
Other assets	127,046	36,945	564,068	728,059
Intangible assets	-	-	32,390	32,390
Property and equipment	-	-	230,487	230,487
	<u>7,610,804</u>	<u>3,807,473</u>	<u>10,084,037</u>	<u>21,502,314</u>
	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>After one year</i>	<i>Total</i>
<i>Liabilities</i>				
Due to banks and financial institutions	1,510,245	1,087,767	356,103	2,954,115
Sukuk payables	98,312	120,349	96,444	315,105
Depositors' accounts	11,173,859	717,892	3,425,584	15,317,335
Other liabilities	162,916	141,076	510,369	814,361
	<u>12,945,332</u>	<u>2,067,084</u>	<u>4,388,500</u>	<u>19,400,916</u>

The table below shows the contractual expiry by maturity of the Group's contingencies and commitments:

	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>Over 1 year</i>	<i>Total</i>
2021				
Contingencies (Note 26)	434,441	445,873	482,341	1,362,655
Capital commitments and others (Note 26)	28,510	48,785	203,994	281,289
Total	<u>462,951</u>	<u>494,658</u>	<u>686,335</u>	<u>1,643,944</u>
	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>Over 1 year</i>	<i>Total</i>
2020				
Contingencies (Note 26)	510,993	323,811	726,551	1,561,355
Capital commitments and others (Note 26)	16,678	47,435	241,892	306,005
Total	<u>527,671</u>	<u>371,246</u>	<u>968,443</u>	<u>1,867,360</u>

The Group expects that the vast majority of all the contingencies or capital commitments will not be drawn before expiry of the commitments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

33 MARKET RISK

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate due to change in market prices. These risks are classified into three main areas 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 which affects both the banking book (including structural positions arising from cross-border investments) and trading book.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2021 and 31 December 2020 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).

Currency	31 December 2021			31 December 2020		
	Change in	Effect on	Effect on	Change in	Effect on	Effect on fair
	currency			rate		
	rate	profit	reserve	rate	profit	value reserve
	%			%		
U.S. Dollars	+1	944	20	+1	713	35
Bahraini Dinar	+1	(1,073)	103	+1	(913)	112

Price risk

This is the risk arising from the fluctuation 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:

Market indices	2021		2020	
	Change in equity	Effect on	Change in	Effect on fair
	price	fair value	equity price	value reserve
	price	reserve	price	value reserve
	%		%	
Boursa Kuwait	+1	163	+1	196
Other GCC indices	+1	129	+1	102

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

33 MARKET RISK (continued)

Operational risk (continued)

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.

34 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:

Capital adequacy	KD 000's	
	2021	2020
Risk Weighted Assets	13,402,087	13,356,763
Capital required	1,675,261	1,669,595
Capital available		
Tier 1 capital	2,300,266	2,133,231
Tier 2 capital	204,228	208,266
Total capital	2,504,494	2,341,497
Tier 1 capital adequacy ratio	17.16%	15.97%
Total capital adequacy ratio	18.69%	17.53%

The Group's financial leverage ratio for the year ended 31 December 2021 is calculated in accordance with CBK circular number 2/RBA/343/2014 dated 21 October 2014 is shown below:

	KD 000's	
	2021	2020
Tier 1 capital	2,300,266	2,133,231
Total exposure	23,655,882	24,763,472
Financial leverage ratio	9.72%	8.61%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

35 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 December 2021 amounted to KD 1,587,555 thousand (2020: KD 1,298,877 thousand).

Fees and commission income include fees of KD 4,651 thousand (2020: KD 4,108 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 2021.

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at FVTPL (Note 12)	-	16,169	-	16,169
Equities at FVTPL (Note 12)	55,473	29,237	12,003	96,713
Equities at FVOCI (Note 12)	45,441	-	60,431	105,872
Sukuk at FVTPL (Note 11)	299,309	-	-	299,309
Sukuk at FVTOCI (Note 11)	2,247,873	-	60,090	2,307,963
<i>Derivative financial assets:</i>				
Forward contracts	-	12,379	-	12,379
Currency swaps	-	11,254	-	11,254
Embedded precious metals	-	12,594	-	12,594
Non-financial assets:				
Investment properties	-	421,868	-	421,868
	<u>2,648,096</u>	<u>503,501</u>	<u>132,524</u>	<u>3,284,121</u>

	<i>KD 000's</i>			
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	3,095	-	3,095
Profit rate swaps	-	13,620	-	13,620
Currency swaps	-	4,662	-	4,662
Embedded precious metals	-	227	-	227
	<u>-</u>	<u>21,604</u>	<u>-</u>	<u>21,604</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

36 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2020.

				<i>KD 000's</i>
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial assets measured at fair value:				
Venture capital at FVTPL (Note 12)	-	16,068	-	16,068
Equities at FVTPL (Note 12)	6,737	37,420	32,859	77,016
Equities at FVOCI (Note 12)	31,434	-	67,829	99,263
Sukuk at FVTPL (Note 11)	293,295	-	-	293,295
Sukuk at FVTOCI (Note 11)	2,106,827	-	84,681	2,191,508
<i>Derivative financial assets:</i>				
Forward contracts	-	4,834	-	4,834
Currency swaps	-	16,150	-	16,150
<i>Non-financial assets:</i>				
Investment properties	-	440,270	-	440,270
	<u>2,438,293</u>	<u>514,742</u>	<u>185,369</u>	<u>3,138,404</u>
				<i>KD 000's</i>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,277	-	1,277
Profit rate swaps	-	26,008	-	26,008
Currency swaps	-	46,474	-	46,474
Embedded precious metals	-	216	-	216
	<u>-</u>	<u>73,975</u>	<u>-</u>	<u>73,975</u>

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 60,090 thousand (2020: KD 84,681 thousand) and unquoted equity investments of KD 72,434 thousand (2020: KD 100,688 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 1.2% to 6.4% (2020: 1.9% to 9.3%). 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%.

Instruments disclosed in Note 27 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021

36 FAIR VALUES (continued)

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 2021, there were no transfers between Level 1 and Level 2 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:

	<i>KD 000's</i>	
	<i>2021</i>	<i>2020</i>
As at 1 January	185,369	201,799
Re-measurement	(54)	52
Disposal, net	(22,712)	(16,482)
Transfer to level-1	(30,079)	-
As at 31 December	132,524	185,369



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