

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

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

**30 JUNE 2010**

Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74 Safat  
13001 Safat, Kuwait  
Baitak Tower, 18-21st Floor  
Safat Square  
Ahmed Al Jaber Street  
Tel: 2245 2880/2295 5000  
Fax: 2245 6419  
Email: [kuwait@kw.ey.com](mailto:kuwait@kw.ey.com)

**Deloitte & Touche  
Al-Fahad, Al Wazzan & Co.**

Fahad Al-Salem Street  
Salhiya Complex, Entrance 2  
P.O. Box 23049, Safat 13091  
Kuwait City, Kuwait

Tel: +965 22438060  
Fax: +965 22452080

[www.deloitte.com](http://www.deloitte.com)

Ahmed Al-Jaber Street  
Dar Al-Awadi Complex  
7<sup>th</sup> Floor, P.O. Box 20174  
Safat 13062  
Sharq - Kuwait

Telephone: +965 22408844  
Facsimile: +965 22408855

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C. ("the Bank") and its subsidiaries (collectively "the Group") as at 30 June 2010 and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

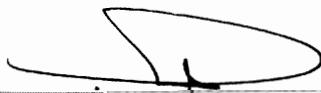
### *Conclusion*

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

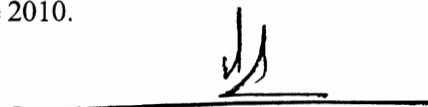
### *Report on Other Legal and Regulatory Requirements*

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Bank that might have had a material effect on the business of the Bank or on its financial position during the six month period ended 30 June 2010.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the six month period ended 30 June 2010.



WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
OF ERNST & YOUNG  
AL AIBAN, AL OSAIMI & PARTNERS



JASSIM AHMAD AL-FAHAD  
LICENCE NO. 53 A  
DELOITTE & TOUCHE  
AL-FAHAD, AL-WAZZAN & CO.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2010

	<i>Note</i>	<i>3 months ended 30 June 2010 KD 000's</i>	<i>3 months ended 30 June 2009 KD 000's</i>	<i>6 months ended 30 June 2010 KD 000's</i>	<i>6 months ended 30 June 2009 KD 000's</i>
<b>INCOME</b>					
Financing income		<b>128,008</b>	138,740	<b>257,744</b>	270,692
Investment income		<b>47,021</b>	61,716	<b>43,231</b>	106,453
Fee and commission income		<b>15,761</b>	14,545	<b>32,977</b>	31,039
Net gain (loss) from foreign currencies		<b>278</b>	(6,386)	<b>4,234</b>	(6,719)
Other income		<b>28,654</b>	13,142	<b>49,543</b>	26,227
		<b>219,722</b>	221,757	<b>387,729</b>	427,692
<b>EXPENSES</b>					
Staff costs		<b>30,399</b>	35,388	<b>57,443</b>	55,485
General and administrative expenses		<b>25,925</b>	28,250	<b>48,310</b>	41,787
Finance costs		<b>14,287</b>	18,463	<b>22,919</b>	33,624
Depreciation		<b>10,129</b>	10,722	<b>20,803</b>	18,458
Impairment		<b>55,096</b>	56,271	<b>77,607</b>	102,203
		<b>135,836</b>	149,094	<b>227,082</b>	251,557
<b>PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
Estimated distribution to depositors	3	<b>83,886</b> <b>(48,986)</b>	72,663 (51,417)	<b>160,647</b> <b>(98,931)</b>	176,135 (112,827)
<b>PROFIT AFTER ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		<b>34,900</b> <b>(416)</b>	21,246 (340)	<b>61,716</b> <b>(738)</b>	63,308 (756)
Provision for National Labour Support tax (NLST)		<b>(1,025)</b>	(710)	<b>(1,797)</b>	(2,182)
Provision for Zakat (based on Zakat Law No. 46/2006)		<b>(277)</b>	(251)	<b>(510)</b>	(621)
<b>PROFIT FOR THE PERIOD</b>					
		<b>33,182</b>	19,945	<b>58,671</b>	59,749
<b>Attributable to:</b>					
Equityholders of the Bank		<b>39,893</b>	32,793	<b>70,798</b>	72,087
Non-controlling interests		<b>(6,711)</b>	(12,848)	<b>(12,127)</b>	(12,338)
		<b>33,182</b>	19,945	<b>58,671</b>	59,749
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>					
	4	<b>16.2 fils</b>	13.3 fils	<b>28.8 fils</b>	29.2 fils

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

Period ended 30 June 2010

	<i>Note</i>	<i>3 months ended 30 June 2010 KD 000's</i>	<i>3 months ended 30 June 2009 KD 000's</i>	<i>6 months ended 30 June 2010 KD 000's</i>	<i>6 months ended 30 June 2009 KD 000's</i>
<b>Profit before estimated distribution to depositors</b>		<b>83,886</b>	72,663	<b>160,647</b>	176,135
<b>Other comprehensive income (loss)</b>					
Change in fair value of available for sale investments during the period	5	<b>(14,387)</b>	(4,246)	<b>(32,545)</b>	(57,574)
Change in fair value of currency swaps and profit rate swaps, and forward foreign exchange contracts	5	<b>(292)</b>	-	<b>(21)</b>	-
Loss (gain) realised during the period	5	<b>5,580</b>	8,130	<b>5,362</b>	(2,226)
Impairment losses transferred to the interim condensed consolidated statement of income	5	<b>5,523</b>	37,209	<b>5,685</b>	39,979
Share of other comprehensive gain (loss) of associates	5	<b>1,131</b>	(1,867)	<b>(390)</b>	(4,999)
Exchange differences on translation of foreign operations	6	<b>5,349</b>	(6,513)	<b>23,578</b>	10,783
<b>Other comprehensive income (loss) for the period included directly in fair value reserve and foreign exchange translation reserve</b>		<b>2,904</b>	32,713	<b>1,669</b>	(14,037)
<b>Total comprehensive income before estimated distribution to depositors</b>		<b>86,790</b>	105,376	<b>162,316</b>	162,098

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2010

		<i>(Unaudited)</i> 30 June 2010 KD 000's	<i>(Audited)</i> 31 December 2009 KD 000's	<i>(Unaudited)</i> 30 June 2009 KD 000's
<b>ASSETS</b>				
Cash and balances with banks and financial institutions	7	501,367	444,943	418,433
Short-term international murabaha		1,348,717	1,257,573	1,063,245
Receivables		5,405,825	5,090,398	5,023,466
Trading properties		157,193	126,386	58,503
Leased assets		1,255,511	1,288,066	1,240,181
Investments		1,108,201	1,042,026	1,082,535
Investment in associates		387,328	410,838	409,140
Investment properties		524,350	506,464	287,081
Other assets		579,451	522,394	484,508
Property and equipment		707,981	601,606	733,629
<b>TOTAL ASSETS</b>		<b>11,975,924</b>	<b>11,290,694</b>	<b>10,800,721</b>
<b>LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND TOTAL EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and financial institutions		2,046,028	1,460,925	1,433,649
Depositors' accounts		7,329,517	7,261,827	6,863,724
Other liabilities		570,217	563,451	484,766
<b>TOTAL LIABILITIES</b>		<b>9,945,762</b>	<b>9,286,203</b>	<b>8,782,139</b>
<b>DEFERRED REVENUE</b>		<b>517,505</b>	464,602	471,566
<b>FAIR VALUE RESERVE</b>	5	<b>(55,506)</b>	(33,597)	(13,426)
<b>FOREIGN EXCHANGE TRANSLATION RESERVE</b>	6	<b>31,109</b>	7,531	3,235
<b>EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>				
Share capital	8	248,985	230,542	230,542
Share premium		464,766	464,766	464,766
Proposed issue of bonus shares		-	18,443	-
Treasury shares		(37,275)	(36,662)	(29,778)
Reserves		496,750	507,871	462,023
Profit for the period attributable to equityholders of the Bank		70,798	-	72,087
Proposed cash dividend		-	56,857	-
<b>TOTAL EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>		<b>1,244,024</b>	1,241,817	1,199,640
Non-controlling interests		293,030	324,138	357,567
<b>TOTAL EQUITY</b>		<b>1,537,054</b>	1,565,955	1,557,207
<b>TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND TOTAL EQUITY</b>		<b>11,975,924</b>	<b>11,290,694</b>	<b>10,800,721</b>

BADER ABDULMOHSEN AL-MUKHAIZEEM  
(CHAIRMAN AND MANAGING DIRECTOR)

ABDUL NASER A. AL-SUBAIH  
(ACTING CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2010

	Attributable to equityholders of the Bank											Non-controlling interests KD 000's	Total equity KD 000's		
	Reserves														
	Share capital KD 000's	Share premium KD 000's	Proposed issue of bonus shares KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Employee share options reserve KD 000's	Treasury shares reserve KD 000's	Sub total KD 000's	Profit for the period KD 000's	Sub total KD 000's			Proposed cash dividend KD 000's	Sub total KD 000's
At 31 December 2009	230,542	464,766	18,443	(36,662)	243,237	255,999	4,237	4,398	507,871	-	1,184,960	56,857	1,241,817	324,138	1,565,955
Movements during the period:															
Issue of bonus shares (Note 8)	18,443	-	(18,443)	-	-	-	-	-	(11,349)	-	(11,349)	-	(11,349)	-	(11,349)
Zakat	-	-	-	-	-	(11,349)	-	-	(11,349)	-	(11,349)	-	(56,857)	-	(56,857)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	(56,857)	-	-	(56,857)
Net movement in treasury shares	-	-	-	(613)	-	-	-	(613)	-	-	(613)	-	(613)	-	(613)
Profit on sale of treasury shares	-	-	-	-	-	-	228	228	228	-	228	-	228	-	228
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	70,798	-	-	70,798	(18,981)	(18,981)
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	70,798	-	-	70,798	(12,127)	58,671
<b>At 30 June 2010</b>	<b>248,985</b>	<b>464,766</b>	<b>-</b>	<b>(37,275)</b>	<b>243,237</b>	<b>244,650</b>	<b>4,237</b>	<b>4,626</b>	<b>496,750</b>	<b>70,798</b>	<b>1,244,024</b>	<b>-</b>	<b>1,244,024</b>	<b>293,030</b>	<b>1,537,054</b>
At 31 December 2008	205,841	464,766	24,701	(7,651)	230,844	234,415	4,237	1,006	470,502	-	1,158,159	82,124	1,240,283	354,546	1,594,829
Movements during the period:															
Issue of bonus shares (Note 8)	24,701	-	(24,701)	-	-	-	-	-	(9,464)	-	(9,464)	-	(9,464)	-	(9,464)
Zakat	-	-	-	-	-	(9,464)	-	-	(9,464)	-	(9,464)	-	(82,124)	-	(82,124)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	(82,124)	-	-	(82,124)
Net movement in treasury shares	-	-	-	(22,127)	-	-	-	-	-	-	(22,127)	-	(22,127)	-	(22,127)
Profit on sale of treasury shares	-	-	-	-	-	-	985	985	985	-	985	-	985	-	985
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	72,087	-	-	72,087	15,359	15,359
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	72,087	-	-	72,087	(12,338)	59,749
At 30 June 2009	230,542	464,766	-	(29,778)	230,844	224,951	4,237	1,991	462,023	72,087	1,199,640	-	1,199,640	357,567	1,557,207

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 30 June 2010

	<i>Note</i>	<i>6 months ended 30 June 2010 KD 000's</i>	<i>6 months ended 30 June 2009 KD 000's</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		58,671	59,749
Adjustment for:			
Depreciation		20,803	18,458
Impairment		77,607	102,203
Dividend income		(10,690)	(17,270)
Loss (gain) on part sale of associates and subsidiaries		11	(33,372)
Gain on sale of investments		(3,232)	(12,577)
Share of results of associates		35,735	15,442
Other investment income		(17,079)	(14,223)
		<u>161,826</u>	<u>118,410</u>
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Exchange of deposits		-	(15,821)
Receivables		(363,777)	(130,779)
Leased assets		26,586	(57,288)
Trading properties		(30,807)	(913)
Other assets		(55,759)	(6,842)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		585,103	(161,803)
Depositors' accounts		67,689	252,169
Other liabilities		(12,180)	105,918
Net cash from operating activities		<u>378,681</u>	<u>103,051</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments, net		(47,333)	(43,881)
Purchase of investment properties, net		(19,307)	(8,901)
Purchase of property and equipment, net		(123,738)	(159,263)
Purchase of investment in associates, net		(18,209)	28,436
Dividend income received		12,508	19,925
Net cash used in investing activities		<u>(196,079)</u>	<u>(163,684)</u>
<b>FINANCING ACTIVITIES</b>			
Cash dividends paid		(56,857)	(82,124)
Purchase of treasury shares, net		(385)	(21,142)
Payment of zakat		(11,349)	(9,464)
Net cash used in financing activities		<u>(68,591)</u>	<u>(112,730)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>114,011</b>	<b>(173,363)</b>
Cash and cash equivalents at 1 January		<u>1,246,693</u>	<u>1,368,185</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	7	<u><u>1,360,704</u></u>	<u><u>1,194,822</u></u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2010

**1 INCORPORATION AND REGISTRATION**

The interim condensed consolidated financial information for the period ended 30 June 2010 were authorized for issue by the Chairman and Managing Director on 20 July 2010 in accordance with the Bank's Board of Directors resolution on 30 June 2010.

The Bank is a public shareholding company incorporated in Kuwait on 23 March 1977 and was registered as an Islamic bank with the Central Bank of Kuwait on 24 May 2004. It is engaged principally in providing banking services, the purchase and sale of properties, leasing, project construction for its own account as well as for third parties and other trading activities without practising usury. Trading activities are conducted on the basis of purchasing various goods and selling them on murabaha at negotiated profit margins which can be settled in cash or on instalment credit basis. The Bank's registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

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

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting. Except as noted below, the accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2009. The annual consolidated financial statements for the year ended 31 December 2009 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

The following new standards and amendments to standards are applicable for the Group from 1 January 2010:

IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements including consequential amendments to IFRS 7, IAS 28 and IAS 39. The main changes in the Group's accounting policies are as follows:

- Acquisition related costs are expensed in the statement of income in the periods in which the costs are incurred;
- Changes in ownership interest in a subsidiary that do not result in a loss of control are treated as transaction between equity holders and are accounted for within equity;
- Equity interest held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognised in the statement of income.

The revised standard and new amendments have not had significant impact on the Group's interim condensed consolidated financial information.

**3 ESTIMATED DISTRIBUTION TO DEPOSITORS AND PROFIT FOR THE PERIOD  
ATTRIBUTABLE TO EQUITYHOLDERS OF THE BANK**

Management of the Bank is of the opinion that the estimated distribution to depositors is presented for information purposes only, and accordingly the estimated distribution to depositors and the profit for the period attributable to Bank's equityholders should not be relied upon to indicate distribution of profit to all parties concerned for the period ended 30 June 2010 or for the year ending 31 December 2010.

The actual profit to be distributed to all parties concerned will be determined by the Board of Directors of the Bank in accordance with the Bank's articles of association, based on the annual audited results for the year ending 31 December 2010.

In addition to the above, the total comprehensive income before estimated distribution to depositors (as per the interim condensed consolidated statement of comprehensive income) is presented for compliance with the requirements of the revised IAS 1 and is not appropriate for the purpose of determining the estimated distribution to depositors or the profit for the period attributable to the Bank's equityholders.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2010

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

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

Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares held by the Group plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period attributable to equityholders of the Bank	<b>39,893</b>	32,793	<b>70,798</b>	72,087
Weighted average number of shares outstanding during the period (thousands)	<b>2,458,470</b>	2,468,950	<b>2,457,207</b>	2,467,573
Basic and diluted earnings per share	<b>16.2 fils</b>	13.3 fils	<b>28.8 fils</b>	29.2 fils

The comparative basic and diluted earnings per share have been restated for bonus shares issued on 8 March 2010 (See Note 8).

**5 FAIR VALUE RESERVE**

Changes in fair value of available for sale investments are reported in the fair value reserve. Management of the Bank is of the opinion that this reserve is attributable to both the depositors and equityholders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity attributable to the equityholders of the Bank.

The movement in the fair value reserve is analysed as follows:

	<i>(Unaudited)</i> <i>30 June</i> <i>2010</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>30 June</i> <i>2009</i> <i>KD 000's</i>
Balance at the beginning of the period/year	<b>(33,597)</b>	11,394	11,394
Change in fair values of available for sale investments	<b>(32,545)</b>	(88,644)	(57,574)
Change in fair value of currency swaps and profit rate swaps, and forward foreign exchange contracts	<b>(21)</b>	(2,444)	-
Loss (gain) realised during the period/year	<b>5,362</b>	672	(2,226)
Impairment losses transferred to the interim condensed consolidated statement of income	<b>5,685</b>	49,210	39,979
Share of other comprehensive loss of associates	<b>(390)</b>	(3,785)	(4,999)
Balance at the end of the period/year	<b>(55,506)</b>	(33,597)	(13,426)

**6 FOREIGN EXCHANGE TRANSLATION RESERVE**

The foreign exchange translation reserve arises on the consolidation of foreign subsidiaries and equity accounting of foreign associates. Management of the Bank is of the opinion that this reserve is attributable to both the depositors and equityholders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity attributable to the equityholders of the Bank.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2010

**7 CASH AND CASH EQUIVALENTS**

	<i>(Unaudited)</i> <b>30 June</b> <b>2010</b> <b>KD 000's</b>	<i>(Audited)</i> <b>31 December</b> <b>2009</b> <b>KD 000's</b>	<i>(Unaudited)</i> <b>30 June</b> <b>2009</b> <b>KD 000's</b>
Cash	<b>45,178</b>	48,224	45,593
Balances with Central Banks	<b>226,482</b>	215,184	221,686
Balances with banks and financial institutions – current accounts	<b>202,266</b>	180,071	151,154
Balances with banks and financial institutions - exchange of deposits	<b>27,441</b>	1,464	-
Cash and balances with banks and financial institutions	<b>501,367</b>	444,943	418,433
Short-term international murabaha - maturing within 3 months of contract date	<b>384,265</b>	584,688	627,299
Tawarruq balances with Central Bank of Kuwait (included within short-term international murabaha)	<b>475,072</b>	217,062	177,768
Exchange of deposits - maturing after 3 months of contract date	-	-	(28,678)
Cash and cash equivalents	<b>1,360,704</b>	1,246,693	1,194,822

**8 SHARE CAPITAL**

Following approval of the ordinary and extraordinary general assembly meeting of the equityholders' of the Bank held on 8 March 2010, the authorised share capital of the Bank was increased from KD 230,542 thousand to KD 248,985 thousand by way of issuance of 8% bonus shares amounting to KD 18,443 thousand. Accordingly, the authorised, issued and fully paid-up share capital at 30 June 2010, comprises 2,489,852 thousand shares (31 December 2009: 2,305,419 thousand shares and 30 June 2009: 2,305,419 thousand shares) of 100 fils each.

**9 CONTINGENCIES AND COMMITMENTS**

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

	<i>(Unaudited)</i> <b>30 June</b> <b>2010</b> <b>KD 000's</b>	<i>(Audited)</i> <b>31 December</b> <b>2009</b> <b>KD 000's</b>	<i>(Unaudited)</i> <b>30 June</b> <b>2009</b> <b>KD 000's</b>
Acceptances and letters of credit	<b>160,115</b>	145,680	146,952
Letter of guarantees	<b>936,159</b>	955,777	1,045,348
	<b>1,096,274</b>	1,101,457	1,192,300
Capital commitments	<b>1,384,852</b>	1,327,082	1,728,220

---

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2010

**10 RELATED PARTY TRANSACTIONS**

Certain related parties (directors and executive employees, officers of the Group, their families, associated companies and companies of which they are the principal owners) were depositors and finance facilities customers of the Bank, 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. These transactions are approved by the ordinary general assembly of the equity holders of the Bank. The balances included in the interim condensed consolidated financial information are as follows:

	<i>Major shareholders KD 000's</i>	<i>Associates KD 000's</i>	<i>Board members and executive officers KD 000's</i>	<i>Other related parties KD 000's</i>	<i>(Unaudited) 30 June</i>	
					<b>2010 KD 000's</b>	2009 KD 000's
<b>Related parties</b>						
Receivables	12,144	115,691	4,022	48,701	<b>180,558</b>	171,289
Due to banks and financial institutions	413,230	3,853	-	16,193	<b>433,276</b>	116,585
Depositors' accounts	37,873	20,784	9,875	37,697	<b>106,229</b>	110,445
Commitments and contingencies	886	622	33	6,719	<b>8,260</b>	11,018

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2010

**10 RELATED PARTY TRANSACTIONS (continued)**

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

	The number of Board Members or Executive Officers		The number of related parties				Values	
	(Unaudited) 30 June 2010	(Audited) 31 December 2009	(Unaudited) 30 June 2010	(Audited) 31 December 2009	(Unaudited) 30 June 2009	(Unaudited) 30 June 2010	(Audited) 31 December 2009	(Unaudited) 30 June 2009
<b>Board Members</b>								
Finance facilities	5	6	3	3	10	2,099	5,586	79,021
Credit cards	8	8	-	1	2	57	53	52
Deposits	22	24	63	52	90	7,060	3,958	81,717
Collateral against finance facilities	3	3	1	-	1	2,425	2,663	76
<b>Executive Officers</b>								
Finance facilities	14	16	4	4	3	3,119	2,340	4,161
Credit cards	24	26	4	6	4	37	71	37
Deposits	28	27	81	76	81	4,976	5,616	4,017
Collateral against finance facilities	8	8	1	1	1	4,261	3,713	3,396

Compensation of key management personnel is as follows:

	(Unaudited) 30 June 2010	(Unaudited) 30 June 2009
Short-term employee benefits	5,325	4,979
Termination benefits	364	329
	<u>5,689</u>	<u>5,308</u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2010

### 11 SEGMENTAL ANALYSIS

#### *Segment information*

For management purposes the Group is organised into three major business segments:

<i>30 June 2010 (Unaudited)</i>	<i>Treasury KD 000's</i>	<i>Investment KD 000's</i>	<i>Retail and corporate banking KD 000's</i>	<i>Other KD 000's</i>	<i>Total KD 000's</i>
Income	<u>42,756</u>	<u>43,231</u>	<u>252,199</u>	<u>49,543</u>	<u>387,729</u>
Profit before estimated distribution to depositors	<u>22,729</u>	<u>6,767</u>	<u>110,875</u>	<u>20,276</u>	<u>160,647</u>
Total assets	<u>2,028,797</u>	<u>3,145,417</u>	<u>5,859,680</u>	<u>942,030</u>	<u>11,975,924</u>
Total liabilities	<u>1,922,257</u>	<u>1,766,148</u>	<u>5,879,309</u>	<u>378,048</u>	<u>9,945,762</u>
<i>30 June 2009 (Unaudited)</i>	<i>Treasury KD 000's</i>	<i>Investment KD 000's</i>	<i>Retail and corporate banking KD 000's</i>	<i>Other KD 000's</i>	<i>Total KD 000's</i>
Income	<u>44,931</u>	<u>121,778</u>	<u>235,888</u>	<u>25,095</u>	<u>427,692</u>
Profit before estimated distribution to depositors	<u>29,048</u>	<u>28,205</u>	<u>108,667</u>	<u>10,215</u>	<u>176,135</u>
Total assets	<u>1,884,558</u>	<u>2,747,945</u>	<u>5,824,408</u>	<u>343,810</u>	<u>10,800,721</u>
Total liabilities	<u>1,730,201</u>	<u>880,728</u>	<u>5,825,223</u>	<u>345,987</u>	<u>8,782,139</u>

### 12 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 June 2010 amounted to KD 1,071,078 thousand (31 December 2009: KD 866,792 thousand and 30 June 2009: KD 719,573 thousand).

Fee and commission income include fees of KD 2,767 thousand (30 June 2009: 2,008 thousand) arising from trust and fiduciary activities.