

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

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

30 SEPTEMBER 2011



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

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 September 2011 and the related interim condensed consolidated statements of income and comprehensive income for the three month and nine month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine 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 nine month period ended 30 September 2011.

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 nine month period ended 30 September 2011.

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10 October 2011
Kuwait

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2011

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September 2011</i>	<i>30 September 2010</i>	<i>30 September 2011</i>	<i>30 September 2010</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
INCOME					
Financing income		119,696	130,888	370,176	388,632
Investment income		24,229	1,991	83,252	45,222
Fee and commission income		17,967	14,378	49,911	47,355
Net (loss) gain from foreign currencies		(4,715)	5,146	(9,288)	9,380
Other income		39,514	31,265	83,103	80,808
		<u>196,691</u>	<u>183,668</u>	<u>577,154</u>	<u>571,397</u>
EXPENSES					
Staff costs		26,516	26,230	87,958	83,673
General and administrative expenses		24,916	31,347	74,853	79,657
Finance costs		5,953	7,826	34,531	30,745
Depreciation		13,080	11,259	44,590	32,062
Impairment		48,232	44,965	155,215	122,572
		<u>118,697</u>	<u>121,627</u>	<u>397,147</u>	<u>348,709</u>
PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS					
Estimated distribution to depositors	3	77,994 (46,680)	62,041 (38,188)	180,007 (121,117)	222,688 (137,119)
PROFIT AFTER ESTIMATED DISTRIBUTION TO DEPOSITORS					
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		31,314 (262)	23,853 (277)	58,890 (726)	85,569 (1,015)
Provision for National Labour Support Tax (NLST)		(474)	(662)	(821)	(2,459)
Provision for Zakat (based on Zakat Law No. 46/2006)		(179)	(173)	(293)	(683)
PROFIT FOR THE PERIOD		<u>30,399</u>	<u>22,741</u>	<u>57,050</u>	<u>81,412</u>
Attributable to:					
Equityholders of the Bank		25,329	26,543	70,798	97,341
Non-controlling interests		5,070	(3,802)	(13,748)	(15,929)
		<u>30,399</u>	<u>22,741</u>	<u>57,050</u>	<u>81,412</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK					
	4	9.6 fils	10.0 fils	26.6 fils	36.7 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 September 2011

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September 2011 KD 000's</i>	<i>30 September 2010 KD 000's</i>	<i>30 September 2011 KD 000's</i>	<i>30 September 2010 KD 000's</i>
Profit before estimated distribution to depositors		77,994	62,041	180,007	222,688
Other comprehensive income (loss)					
Change in fair value of available for sale investments during the period	5	(8,569)	582	(10,589)	(31,963)
Change in fair value of currency swaps and profit rate swaps, and forward foreign exchange contracts	5	(622)	692	(1,697)	671
(Gain) loss realised on available for sale investments during the period	5	(343)	(223)	5,275	5,139
Impairment losses transferred to the interim condensed consolidated statement of income	5	8,598	1,103	25,701	6,788
Share of other comprehensive loss of associates	5	(2,182)	(5,419)	(2,751)	(5,809)
Exchange differences on translation of foreign operations	6	(21,791)	(15,543)	(63,732)	8,035
Other comprehensive loss for the period included directly in fair value reserve and foreign exchange translation reserve		(24,909)	(18,808)	(47,793)	(17,139)
Total comprehensive income before estimated distribution to depositors		53,085	43,233	132,214	205,549

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 September 2011

		<i>(Unaudited)</i> 30 September 2011 KD 000's	<i>(Audited)</i> 31 December 2010 KD 000's	<i>(Unaudited)</i> 30 September 2010 KD 000's
ASSETS				
Cash and balances with banks and financial institutions	7	588,147	447,585	446,183
Short-term murabaha		1,388,367	1,597,372	1,105,622
Receivables		5,760,382	5,545,915	5,633,617
Trading properties		245,821	221,226	189,802
Leased assets		1,380,236	1,272,703	1,272,739
Investments		1,362,789	1,183,050	1,162,255
Investment in associates		407,981	339,307	370,962
Investment properties		679,497	561,377	546,376
Other assets		736,589	629,293	617,468
Property and equipment		760,751	750,671	710,046
TOTAL ASSETS		13,310,560	12,548,499	12,055,070
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		1,838,648	2,211,580	1,962,785
Depositors' accounts		8,742,249	7,649,082	7,383,654
Other liabilities		660,567	602,135	644,672
TOTAL LIABILITIES		11,241,464	10,462,797	9,991,111
DEFERRED REVENUE		568,795	515,874	516,424
FAIR VALUE RESERVE	5	(27,060)	(42,999)	(58,771)
FOREIGN EXCHANGE TRANSLATION RESERVE	6	(53,234)	10,498	15,566
EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK				
Share capital	8	268,904	248,985	248,985
Share premium		464,766	464,766	464,766
Proposed issue of bonus shares		-	19,919	-
Treasury shares		(43,203)	(26,722)	(26,974)
Reserves		525,174	534,078	497,147
Profit for the period attributable to equityholders of the Bank		70,798	-	97,341
Proposed cash dividend		-	49,304	-
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK		1,286,439	1,241,026	1,281,265
Non-controlling interests		294,156	311,999	309,475
TOTAL EQUITY		1,580,595	1,602,329	1,590,740
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY		13,310,560	12,548,499	12,055,070

SAMIR YAQOUB AL NAFISI
(CHAIRMAN)

MOHAMMAD AL-OMAR
(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 September 2011

	Attributable to equityholders of the Bank										Non-controlling interests KD 000's	Total equity KD 000's			
	Proposed					Reserves									
	Share capital KD 000's	Share premium KD 000's	Issue of bonus shares KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Employees' 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 2010	248,985	464,766	19,919	(26,722)	254,288	270,359	4,239	5,192	534,078	-	1,241,026	49,304	1,290,330	311,999	1,602,329
Movements during the period:															
Issue of bonus shares (Note 8)	19,919	-	(19,919)	-	-	-	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	(10,413)	-	-	(10,413)	-	(10,413)	-	(10,413)	-	(10,413)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	(49,304)	(49,304)	-	(49,304)
Net movement in treasury shares	-	-	-	(16,481)	-	-	-	-	-	-	(16,481)	-	(16,481)	-	(16,481)
Profit on sale of treasury shares	-	-	-	-	-	-	1,509	1,509	1,509	-	1,509	-	1,509	-	1,509
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,095)	(4,095)
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	70,798	70,798	-	70,798	(13,748)	57,050
At 30 September 2011	268,904	464,766	-	(43,203)	254,288	259,946	4,239	6,701	525,174	70,798	1,286,439	-	1,286,439	294,156	1,580,595
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	18,443	-	(18,443)	-	-	-	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	(11,349)	-	-	(11,349)	-	(11,349)	-	(11,349)	-	(11,349)
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	(56,857)	(56,857)	-	(56,857)
Net movement in treasury shares	-	-	-	9,688	-	-	-	-	-	-	9,688	-	9,688	-	9,688
Profit on sale of treasury shares	-	-	-	-	-	-	625	625	625	-	625	-	625	-	625
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	97,341	97,341	-	97,341	1,266	1,266
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	97,341	97,341	-	97,341	(15,929)	81,412
At 30 September 2010	248,985	464,766	-	(26,974)	243,237	244,650	4,237	5,023	497,147	97,341	1,281,265	-	1,281,265	309,475	1,590,740

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 September 2011

	<i>Note</i>	<i>9 months ended 30 September 2011 KD 000's</i>	<i>9 months ended 30 September 2010 KD 000's</i>
OPERATING ACTIVITIES			
Profit for the period		57,050	81,412
Adjustment for:			
Depreciation		44,590	32,062
Impairment		155,215	122,572
Dividend income		(8,150)	(7,868)
Loss (gain) on sale of investments		684	(2,684)
Share of (results) loss of associates		(3,482)	41,040
Other investment income		(25,090)	(17,928)
		<u>220,817</u>	<u>248,606</u>
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Receivables		(272,162)	(501,840)
Leased assets		(117,875)	2,799
Trading properties		(35,465)	(63,416)
Other assets		(120,839)	(100,256)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(372,932)	501,860
Depositors' accounts		1,093,167	121,827
Other liabilities		48,874	82,404
Net cash from operating activities		<u>443,585</u>	<u>291,984</u>
INVESTING ACTIVITIES			
Purchase of investments, net		(253,200)	(136,816)
Purchase of investment properties, net		(117,914)	(43,630)
Purchase of property and equipment, net		(47,527)	(144,409)
(Purchase of) proceeds on sale investment in associates, net		(48,754)	4,170
Dividend income received		10,524	10,397
Net cash used in investing activities		<u>(456,871)</u>	<u>(310,288)</u>
FINANCING ACTIVITIES			
Cash dividends paid		(49,304)	(56,857)
(Purchase of) proceeds on sale treasury shares, net		(14,972)	10,313
Payment of Zakat		(10,413)	(11,349)
Net cash used in financing activities		<u>(74,689)</u>	<u>(57,893)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(87,975)	(76,197)
Cash and cash equivalents at 1 January		<u>1,519,915</u>	<u>1,246,693</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	<u><u>1,431,940</u></u>	<u><u>1,170,496</u></u>

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

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2011

1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C. (“the Bank”) and its subsidiaries (collectively “the Group”) for the period ended 30 September 2011 were authorised for issue by the Chairman on 30 October 2011 in accordance with a resolution of the Bank’s Board of Directors on 10 October 2011.

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 2010. The annual consolidated financial statements for the year ended 31 December 2010 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.

Operating results for the nine months period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The following new and amended standards and interpretations have been adopted by the Group as of 1 January 2011:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, or to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2011

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

The revised standards 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 September 2011 or for the year ending 31 December 2011.

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 2011.

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.

**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>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Profit for the period attributable to equity holders of the Bank (thousands KD)	<u>25,329</u>	<u>26,543</u>	<u>70,798</u>	<u>97,341</u>
Weighted average number of shares outstanding during the period (thousands shares)	<u>2,649,066</u>	<u>2,655,431</u>	<u>2,660,604</u>	<u>2,655,085</u>
Basic and diluted earnings per share	<u>9.6 fils</u>	<u>10.0 fils</u>	<u>26.6 fils</u>	<u>36.7 fils</u>

The comparative basic and diluted earnings per share have been restated for bonus shares issued on 14 March 2011 (See Note 8).

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2011

5 FAIR VALUE RESERVE

Changes in fair value of available for sale investments, currency swaps, profit rate swaps and forward foreign exchange contracts are reported in the fair value reserve. The 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> 30 September 2011 KD 000's	<i>(Audited)</i> Total 31 December 2010 KD 000's	<i>(Unaudited)</i> Total 30 September 2010 KD 000's
	<i>Currency swaps, profit rate swaps and forward foreign exchange contracts</i>		
	<i>Available for sale investments</i>	<i>Total</i>	
Balance at the beginning of the period/year	(43,528)	(42,999)	(33,597)
Change in fair value of available for sale investments	(10,589)	(10,589)	(31,963)
Change in fair value of currency swaps and profit rate swaps, and forward foreign exchange contracts	-	(1,697)	671
Loss realised on available for sale investments during the period/year	5,275	5,275	5,139
Impairment losses transferred to the interim condensed consolidated statement of income	25,701	25,701	6,788
Share of other comprehensive loss of associates	(2,751)	(2,751)	(5,809)
Balance at the end of the period/year	(25,892)	(27,060)	(58,771)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2011

6 FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arises on the consolidation of foreign subsidiaries and equity accounting of foreign associates. The 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.

7 CASH AND CASH EQUIVALENTS

	<i>(Unaudited)</i> <i>30 September</i> <i>2011</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2010</i> <i>KD 000's</i>
Cash	61,428	58,125	63,070
Balances with Central Banks	221,142	153,048	144,654
Balances with banks and financial institutions - current accounts	241,366	223,860	224,110
Balances with banks and financial institutions - exchange of deposits	64,211	12,552	14,349
Cash and balances with banks and financial institutions	<u>588,147</u>	<u>447,585</u>	<u>446,183</u>
Short-term murabaha - maturing within 3 months of contract date	507,760	802,268	408,242
Tawarruq balances with Central Bank of Kuwait (included within short-term international murabaha)	336,033	270,062	316,071
Cash and cash equivalents	<u><u>1,431,940</u></u>	<u><u>1,519,915</u></u>	<u><u>1,170,496</u></u>

8 SHARE CAPITAL

Following approval of the ordinary and extraordinary general assembly meeting of the equityholders' of the Bank held on 14 March 2011, the authorised share capital of the Bank was increased from KD 248,985 thousand to KD 268,904 thousand by way of issuance of 8% bonus shares amounting to KD 19,919 thousand. Accordingly, the authorised, issued and fully paid-up share capital at 30 September 2011, comprises 2,689,041 thousand shares (31 December 2010: 2,489,852 thousand shares and 30 September 2010: 2,489,852 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> <i>30 September</i> <i>2011</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD 000's</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2010</i> <i>KD 000's</i>
Acceptances and letters of credit	157,224	166,617	173,154
Letter of guarantees	989,036	1,056,805	928,273
	<u>1,146,260</u>	<u>1,223,422</u>	<u>1,101,427</u>
Capital commitments	<u><u>1,566,766</u></u>	<u><u>1,337,272</u></u>	<u><u>1,341,597</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2011

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 September</i>	
					<i>2011 KD 000's</i>	<i>2010 KD 000's</i>
Related parties						
Receivables	4,554	84,114	10,935	41,731	141,334	166,654
Due to banks and financial institutions	592,233	300	-	17,862	610,395	413,462
Depositors' accounts	32,247	14,394	6,064	51,405	104,110	88,878
Commitments and contingencies	886	4,422	14	4,895	10,217	8,110

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2011

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 September 2011	(Audited) 31 December 2010	(Unaudited) 30 September 2011	(Audited) 31 December 2010	(Unaudited) 30 September 2010	(Unaudited) 30 September 2011	(Audited) 31 December 2010	(Unaudited) 30 September 2010
Board Members								
Finance facilities	5	4	1	3	3	12,648	2,201	1,770
Credit cards	6	6	-	-	-	37	38	39
Deposits	32	28	32	51	51	4,774	5,421	5,109
Collateral against finance facilities	4	3	-	-	-	8,661	3,216	2,742
Executive Officers								
Finance facilities	13	18	-	3	3	3,778	3,086	3,066
Credit cards	11	10	-	4	4	23	26	29
Deposits	24	27	51	65	65	3,333	4,488	4,028
Collateral against finance facilities	12	8	-	1	1	4,851	3,364	4,363

Compensation of key management personnel is as follows:

	(Unaudited) 30 September 2011	(Unaudited) 30 September 2010
	KD 000's	KD 000's
Short-term employee benefits	7,584	7,109
Termination benefits	329	408
	<u>7,913</u>	<u>7,517</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2011

11 SEGMENTAL ANALYSIS*Segment information*

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

<i>30 September 2011 (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	40,693	43,599	398,363	94,499	577,154
Profit (loss) before estimated distribution to depositors	19,484	(22,475)	171,108	11,890	180,007
Total assets	2,623,524	2,577,884	6,755,836	1,353,316	13,310,560
Total liabilities	1,940,128	300,925	8,564,535	435,876	11,241,464
<i>30 September 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	21,771	52,166	384,966	112,494	571,397
Profit before estimated distribution to depositors	10,173	(8,210)	189,561	31,164	222,688
Total assets	2,023,675	2,405,886	6,754,241	871,268	12,055,070
Total liabilities	1,701,137	288,714	7,497,791	503,469	9,991,111

12 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 September 2011 amounted to KD 715,572 thousand (31 December 2010: KD 860,261 thousand and 30 September 2010: KD 800,660 thousand).

Fee and commission income include fees of KD 1,739 thousand (30 September 2010: 3,096 thousand) arising from trust and fiduciary activities.