

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

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

**30 SEPTEMBER 2013**



Building a better  
working world

Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74  
16-21st Floor, Baitan Tower  
Ahmed Al-Jaber Street  
Safat Square 13001, Kuwait

Tel: +965 2245 5000  
Fax: +965 2245 6410  
Kuwait@ewyc.com  
ey.com/kuwa

# Deloitte

Deloitte & Touche  
Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq  
Dar Al-Awadi Complex, Floors 7 & 9  
P.O. Box 20174 Safat 13062 or  
P.O. Box 23049 Safat 13091 Kuwait  
Tel : + 965 22408844, 22438060  
Fax: + 965 22408855, 22452080  
www.deloitte.com

## 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 2013 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 Companies Law No. 25 of 2012 as amended, or of the articles of association and memorandum of incorporation 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 2013.

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 2013.

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

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

8 October 2013  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2013

		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
<i>Notes</i>					
<b>INCOME</b>					
	Financing income	137,988	151,611	425,036	400,966
	Investment income	72,440	44,808	167,969	121,754
	Fee and commission income	20,205	16,576	61,885	48,716
	Net gain from foreign currencies	7,204	4,007	22,208	15,520
	Other income	12,684	452	34,482	24,943
		<u>250,521</u>	<u>217,454</u>	<u>711,580</u>	<u>611,899</u>
<b>EXPENSES</b>					
	Staff costs	39,558	30,981	116,355	93,099
	General and administrative expenses	41,243	27,527	106,822	78,139
	Finance costs	15,921	19,591	48,270	39,541
	Depreciation	11,193	14,805	43,922	47,179
	Impairment	46,071	40,130	149,106	149,347
		<u>153,986</u>	<u>133,034</u>	<u>464,475</u>	<u>407,305</u>
<b>PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
	Estimated distribution to depositors	96,535	84,420	247,105	204,594
3		<u>(49,885)</u>	<u>(47,911)</u>	<u>(134,056)</u>	<u>(116,465)</u>
<b>PROFIT AFTER ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
	Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	46,650	36,509	113,049	88,129
	National Labour Support Tax (NLST)	(405)	(350)	(913)	(781)
	Zakat (based on Zakat Law No. 46/2006)	(605)	(640)	(1,220)	(1,072)
	Zakat (based on Zakat Law No. 46/2006)	(208)	(236)	(429)	(360)
9	Reversal of directors' fees	-	-	385	-
		<u>45,432</u>	<u>35,283</u>	<u>110,872</u>	<u>85,916</u>
<b>PROFIT FOR THE PERIOD</b>					
<b>Attributable to:</b>					
	Equityholders of the Bank	39,300	33,734	89,122	75,868
	Non-controlling interests	6,132	1,549	21,750	10,048
		<u>45,432</u>	<u>35,283</u>	<u>110,872</u>	<u>85,916</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>					
4		<u>9.84 fils</u>	<u>10.19 fils</u>	<u>25.54 fils</u>	<u>22.89 fils</u>

The attached notes 1 to 14 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 2013

		<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Nine months ended</i>	
<i>Notes</i>		<i>30 September 2013</i>	<i>30 September 2012</i>	<i>30 September 2013</i>	<i>30 September 2012</i>
	<b>Profit before estimated distribution to depositors</b>	<b>96,535</b>	84,420	<b>247,105</b>	204,594
	<b>Other comprehensive income (loss)</b>				
	<i>Other comprehensive income (loss) to be reclassified to statement of consolidated income in subsequent periods:</i>				
	Change in fair value of financial assets available for sale during the period	5      14,899	(12,735)	5,085	(11,713)
	Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts	5      113	656	-	1,200
	(Gain) loss realised on financial assets available for sale during the period	5      (5,337)	2,765	(3,762)	(10,866)
	Impairment losses transferred to the interim condensed consolidated statement of income	5      -	7,240	-	19,450
	Share of other comprehensive income of associates	5      421	2,054	621	205
	Exchange differences on translation of foreign operations	6      (43,624)	2,429	(44,241)	19,254
	<b>Other comprehensive (loss) income for the period included directly in fair value reserve and foreign exchange translation reserve</b>	<b>(33,528)</b>	2,409	<b>(42,297)</b>	17,530
	<b>Total comprehensive income before estimated distribution to depositors</b>	<b>63,007</b>	86,829	<b>204,808</b>	222,124

The attached notes 1 to 14 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 2013

KD 000's

	Notes	30 September 2013	(Audited) 31 December 2012	30 September 2012
<b>ASSETS</b>				
Cash and balances with banks and financial institutions	7	966,581	814,256	945,964
Short-term murabaha		1,263,432	1,185,723	1,228,868
Receivables		7,011,146	6,652,918	6,552,199
Trading properties		261,783	255,925	280,087
Leased assets		1,907,786	1,653,510	1,535,130
Financial assets available for sale		1,439,302	1,376,260	1,241,769
Investment in associates		511,124	452,832	448,596
Investment properties		536,236	557,264	509,586
Other assets		845,907	1,020,937	661,837
Property and equipment		764,024	733,676	745,621
<b>TOTAL ASSETS</b>		<b>15,507,321</b>	<b>14,703,301</b>	<b>14,149,657</b>
<b>LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and financial institutions		2,068,054	2,254,850	2,376,912
Depositors' accounts		9,877,171	9,392,676	8,937,063
Other liabilities		779,230	734,985	629,410
<b>TOTAL LIABILITIES</b>		<b>12,724,455</b>	<b>12,382,511</b>	<b>11,943,385</b>
<b>DEFERRED REVENUE</b>		<b>819,866</b>	744,041	692,730
<b>FAIR VALUE RESERVE</b>	5	(7,250)	(9,194)	(14,727)
<b>FOREIGN EXCHANGE TRANSLATION RESERVE</b>	6	(97,714)	(53,473)	(55,551)
<b>EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>				
Share capital	8	383,350	290,416	290,416
Share premium	8	720,332	464,766	464,766
Proposed issue of bonus shares	8	-	29,042	-
Treasury shares		(33,545)	(54,028)	(54,028)
Reserves		565,406	569,473	544,361
Profit for the period attributable to equityholders of the Bank		89,122	-	75,868
Proposed cash dividend	8	-	1,299,669	1,321,383
			28,429	-
<b>TOTAL EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>		<b>1,724,665</b>	<b>1,328,098</b>	<b>1,321,383</b>
Non-controlling interests		343,299	311,318	262,437
<b>TOTAL EQUITY</b>		<b>2,067,964</b>	<b>1,639,416</b>	<b>1,583,820</b>
<b>TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY</b>		<b>15,507,321</b>	<b>14,703,301</b>	<b>14,149,657</b>



MOHAMMED ALI AL-KHUDAIRI  
(CHAIRMAN)



MOHAMMAD AL-OMAR  
(CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 14 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 2013

	Attributable to equityholders of the Bank											Non-controlling interests	Total equity		
	Reserves														
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Employees' share options reserve	Treasury Shares reserve	Sub total	Profit for the period	Sub total			Proposed cash dividend	Sub total
At 31 December 2011 (Audited)	268,904	464,766	21,512	(46,813)	262,491	270,950	4,244	6,676	544,361	-	1,252,730	39,623	1,292,353	264,659	1,557,012
Movements during the period:															
Issue of bonus shares (Note 8)	21,512	-	(21,512)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid (Note 8)	-	-	-	-	-	-	-	-	-	-	-	(39,623)	(39,623)	-	(39,623)
Purchase of treasury shares	-	-	-	(7,215)	-	-	-	-	-	(7,215)	-	-	(7,215)	-	(7,215)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,270)	(12,270)
Profit for the period	-	-	-	-	-	-	-	-	-	75,868	75,868	-	75,868	10,048	85,916
At 30 September 2012	290,416	464,766	-	(54,028)	262,491	270,950	4,244	6,676	544,361	75,868	1,321,383	-	1,321,383	262,437	1,583,820
At 31 December 2012 (Audited)	290,416	464,766	29,042	(54,028)	271,578	286,973	4,246	6,676	569,473	-	1,299,669	28,429	1,328,098	311,318	1,639,416
Movements during the period:															
Issue of bonus shares (Note 8)	29,042	-	(29,042)	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares for cash (Note 8)	63,892	255,566	-	-	-	-	-	-	-	319,458	-	(28,429)	319,458	-	319,458
Cash dividends paid (Note 8)	-	-	-	-	-	-	-	-	-	-	-	(28,429)	(28,429)	-	(28,429)
Zakat paid	-	-	-	-	-	(4,115)	-	-	(4,115)	(4,115)	-	-	(4,115)	-	(4,115)
Sale of treasury shares	-	-	-	20,483	-	-	-	48	48	48	-	-	20,531	-	20,531
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	10,231	10,231
Profit for the period	-	-	-	-	-	-	-	-	-	89,122	89,122	-	89,122	21,750	110,872
At 30 September 2013	383,350	720,332	-	(33,545)	271,578	282,858	4,246	6,724	565,406	89,122	1,724,665	-	1,724,665	343,299	2,067,964

The attached notes 1 to 14 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 2013

	<i>KD 000's</i>	
	<i>Nine months ended</i>	
	<i>30 September 2013</i>	<i>30 September 2012</i>
<i>Note</i>		
<b>OPERATING ACTIVITIES</b>		
Profit for the period	110,872	85,916
Adjustment for:		
Depreciation	43,922	47,179
Impairment	149,106	149,347
Gain on sale of financial assets available for sale	(12,719)	-
Dividend income	(10,253)	(9,913)
Sukuk income	(19,932)	(16,283)
Gain on cancellation of aircraft contract	(7,119)	-
Share of results of associates	(17,173)	(2,512)
Gain on sale of investment properties	(5,532)	(42,787)
Other investment income	(25,199)	(39,520)
	<u>205,973</u>	<u>171,427</u>
Changes in operating assets and liabilities		
<i>(Increase) decrease in operating assets:</i>		
Receivables	(45,595)	(667,055)
Leased assets	(266,004)	(105,325)
Trading properties	(5,858)	(3,468)
Other assets	156,742	(2,918)
Statutory deposit with Central Banks	(122,296)	(216,343)
<i>(Decrease) increase in operating liabilities:</i>		
Due to banks and financial institutions	(186,796)	558,276
Depositors' accounts	484,495	55,217
Other liabilities	6,268	(47,041)
Net cash from (used in) operating activities	<u>226,929</u>	<u>(257,230)</u>
<b>INVESTING ACTIVITIES</b>		
(Purchase of) proceeds from financial assets available for sale, net	(75,849)	119,465
Purchase of investment properties	(36,319)	(185,101)
Proceeds from sale of investment properties	59,393	254,853
Purchase of property and equipment	(123,394)	(65,969)
Proceeds from sale of property and equipment	51,674	26,265
(Purchase of) proceeds from investments in associates	(9,477)	25,167
Dividend income received	10,253	28,265
Sukuk income received	19,932	16,283
Cash proceeds from cancellation of aircraft contracts	7,119	-
Net cash (used in) from investing activities	<u>(96,668)</u>	<u>219,228</u>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	319,458	-
Cash dividends paid	(28,429)	(39,623)
Zakat paid	(4,115)	-
Cash dividends paid to non-controlling interests of a subsidiary	(2,764)	(20,946)
Proceeds from (purchase of) treasury shares, net	20,531	(7,215)
Net cash from (used in) financing activities	<u>304,681</u>	<u>(67,784)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>434,942</u>	<u>(105,786)</u>
Cash and cash equivalents at 1 January	992,362	1,368,515
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<u>7</u> <u>1,427,304</u>	<u>1,262,729</u>

The attached notes 1 to 14 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 2013

### 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 2013 were authorised for issue by the Bank's Board of Directors on 8 October 2013.

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.

The New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

### 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 2012. The annual consolidated financial statements for the year ended 31 December 2012 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 collaterals) that are not provided specifically.

Operating results for the nine months period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

#### **New standards or amendments which are effective as of 1 January 2013**

##### *IFRS 10 – Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed to risks or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure to risk or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2013

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New standards or amendments which are effective as of 1 January 2013 (continued)**

*IFRS 10 – Consolidated Financial Statements (continued)*

The Group's management is in the process of assessing the full effect of this standard on the consolidated financial position and, at this stage, does not believe that the application of the standard will significantly impact the financial position of the Group.

*IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The Group's management is in the process of assessing the full impact of this standard on the consolidated financial position and, at this stage, does not believe that the application of the standard will significantly impact the financial position of the Group.

*IFRS 12 – Disclosure of Involvement with Other Entities*

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to disclose information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of the consolidated entities. The Group will provide additional disclosures in the annual consolidated financial statements.

*IFRS 13 – Fair Value measurement*

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group (Note 13).

*IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

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

The 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 of nine months ended 30 September 2013 or for the year ending 31 December 2013.

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 2013.

---

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2013

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

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 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 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>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Profit for the period attributable to equityholders of the Bank (thousands KD)	<u>39,300</u>	<u>33,734</u>	<u>89,122</u>	<u>75,868</u>
Weighted average number of shares outstanding during the period (thousands shares)	<u>3,992,730</u>	<u>3,309,431</u>	<u>3,489,671</u>	<u>3,314,800</u>
Basic and diluted earnings per share	<u>9.84 fils</u>	<u>10.19 fils</u>	<u>25.54 fils</u>	<u>22.89 fils</u>

The comparative basic and diluted earnings per share have been restated for the adjustment for the impact of bonus shares and right shares issued during the nine month period ended 30 September 2013 (See Note 8).



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

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

At 30 September 2013

### 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>KD 000's</i>		
	<i>30 September 2013</i>	<i>(Audited) 31 December 2012</i>	<i>30 September 2012</i>
Cash	132,731	96,437	124,614
Balances with Central Banks	508,096	345,225	311,670
Balances with banks and financial institutions - current accounts	272,237	192,025	362,030
Balances with banks and financial institutions - exchange of deposits	53,517	180,569	147,650
Cash and balances with banks and financial institutions	966,581	814,256	945,964
Short-term murabaha - maturing within 3 months of contract date	652,095	357,119	439,755
Tawarruq balances with Central Bank of Kuwait (included within short-term international murabaha)	250,022	140,085	200,134
Less: Statutory deposits with Central Banks	(441,394)	(319,098)	(323,124)
Cash and cash equivalents	<u>1,427,304</u>	<u>992,362</u>	<u>1,262,729</u>

### 8 SHARE CAPITAL, SHARE PREMIUM, BONUS SHARES, AND CASH DIVIDENDS PAID

Bonus shares of 10% on outstanding shares amounting KD 29,042 thousands (30 September 2012: KD 21,512 thousands) and cash dividends of 10 fils per share proposed for the year ended 31 December 2012, to the Bank's shareholders on record as of the date of the general assembly, were approved by the Bank's ordinary general assembly of the shareholders held on 7 April 2013.

The extraordinary general assembly meeting of the shareholders of the Bank held on 24 April 2013 approved an increase in the authorised share capital by 20% by issuing right shares for the existing shareholders of 638,916,063 shares. The share price is 500 fils per share (100 fils par value and 400 fils share premium). Accordingly, the authorised, issued and fully paid-up share capital at 30 September 2013 comprises of 3,833,496 thousand shares (31 December 2012: 2,904,164 thousand and 30 September 2012: 2,904,164 thousand) shares of 100 fils each.

### 9 DIRECTORS' FEES

On 14 January 2013, the Board of Directors of the Bank had proposed Directors' fees of KD 905 thousand (2011: KD 260 thousand) for the year ended 31 December 2012, which was subject to approval by the annual general assembly of the shareholders of the Bank. On 4 April 2013, The Board of Directors of the Bank resolved in their meeting to cancel the Directors' fees proposed earlier. Subsequently in the ordinary general assembly meeting of the shareholders of the Bank held on 7 April 2013, the shareholders approved Directors' fees of KD 520 thousand (2011: KD 260 thousand) for the year ended 31 December 2012, and the Bank as a result reversed KD 385 thousand in the interim condensed consolidated financial information for the nine months period ended 30 September 2013 (Note 11).

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

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

At 30 September 2013

### 10 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>KD 000's</i>		
	<i>30 September 2013</i>	<i>(Audited) 31 December 2012</i>	<i>30 September 2012</i>
Acceptances and letters of credit	227,469	209,079	199,195
Letter of guarantees	1,393,063	1,220,710	1,158,030
	<u>1,620,532</u>	<u>1,429,789</u>	<u>1,357,225</u>
Capital commitments	<u>1,740,976</u>	<u>1,702,187</u>	<u>1,737,128</u>

### 11 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>KD 000's</i>						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>30 September 2013</i>	<i>(Audited) 31 December 2012</i>	<i>30 September 2012</i>
					<i>Total</i>		
<b>Related parties</b>							
Receivables	-	116,453	4,128	115,419	236,000	180,743	193,515
Other assets	15,000	-	-	-	15,000	-	-
Due to banks and financial institutions	784,222	-	-	6,120	790,342	1,046,918	1,063,584
Depositors' accounts	-	29,199	4,465	22,764	56,428	80,409	83,349
Commitments and contingencies	956	9,016	6	12,220	22,198	6,752	10,327
Investment managed by related party	-	27,022	-	-	27,022	48,583	36,659

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>KD 000's</i>					
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board Members and Executive Officers</i>	<i>Other related party</i>	<i>30 September 2013</i>	<i>30 September 2012</i>
					<i>Total</i>	
Financing income	-	3,020	178	3,214	6,412	6,245
Fee and commission income	-	699	-	66	765	536
Finance costs	5,395	48	-	370	5,813	6,232
Gain on sale of investment properties	26,448	-	-	-	26,448	-

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2013

11 RELATED PARTY TRANSACTIONS (continued)

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

KD 000's

	The number of Board Members or Executive Officers		The number of related parties				Values	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2012	31 December 2012	30 September 2012	31 December 2012
<b>Board Members</b>								
Finance facilities	3	6	2	2	-		6,834	6,603
Credit cards	5	9	3	3	3		43	46
Deposits	27	33	45	39	30		2,432	3,997
Collateral against finance facilities	3	5	-	-	-		7,982	8,349
<b>Executive Officers</b>								
Finance facilities	23	14	4	6	4		4,621	12,304
Credit cards	14	11	1	4	4		28	29
Deposits	37	41	40	56	45		4,173	3,155
Collateral against finance facilities	15	8	3	1	3		6,940	13,170

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2013

**11 RELATED PARTY TRANSACTIONS (continued)**

The transactions included in the interim condensed consolidated statement of income are as follows:

	Bank	Subsidiaries	KD 000's	
			Total	
			30 September 2013	30 September 2012
<b>Board Members</b>				
Finance income	61	24	85	204
<b>Executive officers</b>				
Finance income	44	51	95	130
	<u>105</u>	<u>75</u>	<u>180</u>	<u>334</u>

Salaries, allowances and bonuses of key management personnel and remuneration of chairman and board members are as follows:

	Bank	Subsidiaries	KD 000's	
			Total	
			30 September 2013	30 September 2012
Salaries, allowances and bonuses of key management personnel	1,012	8,736	9,748	8,704
Termination benefits of key management personnel	78	1,241	1,319	754
Remuneration of chairman and board members *	-	539	539	881
(Reversal of) remuneration of chairman and board members (Note 9)	(385)	-	(385)	-
	<u>705</u>	<u>10,516</u>	<u>11,221</u>	<u>10,339</u>

\* Remuneration of chairman and board members includes special compensation for additional contributions related to participation in the executive committees in accordance with board of directors' decisions.

**12 SEGMENTAL ANALYSIS**

**Segment information**

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

30 September 2013	KD 000's				Total
	Treasury	Investment	Banking	Other	
Total assets	<u>3,268,360</u>	<u>2,377,495</u>	<u>8,407,701</u>	<u>1,453,765</u>	<u>15,507,321</u>
Total liabilities	<u>2,141,426</u>	<u>196,036</u>	<u>9,893,958</u>	<u>493,035</u>	<u>12,724,455</u>
Income	<u>70,059</u>	<u>85,089</u>	<u>474,557</u>	<u>81,875</u>	<u>711,580</u>
Profit (loss) before estimated distribution to depositors	<u>28,413</u>	<u>22,247</u>	<u>229,868</u>	<u>(33,423)</u>	<u>247,105</u>

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

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

At 30 September 2013

### 12 SEGMENTAL ANALYSIS (continued)

	<i>KD 000's</i>				
<i>30 September 2012</i>	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	3,143,637	2,165,158	7,580,737	1,260,125	14,149,657
Total liabilities	2,432,927	163,050	8,956,241	391,167	11,943,385
Income	37,902	59,221	447,749	67,027	611,899
Profit (loss) before estimated distribution to depositors	12,073	32,347	172,509	(12,335)	204,594

### 13 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments 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.

As at 30 September 2013, the Group held the following classes of financial instruments measured at fair value:

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<b>30 September 2013</b>				
Quoted shares	43,642	-	-	43,642
Unquoted shares	-	7,612	88,021	95,633
Managed funds	126,515	4,381	6,796	137,692
Mutual funds	7,183	23,082	-	30,265
Sukok	456,050	120,909	-	576,959
Forward contracts	-	8,457	-	8,457
Profit rate swaps	-	1,477	-	1,477
Currency swaps	-	(3,731)	-	(3,731)
Embedded precious metals	-	(79)	-	(79)
<b>Total</b>	<b>633,390</b>	<b>162,108</b>	<b>94,817</b>	<b>890,315</b>

The valuation technique or pricing models are used primarily for unquoted equities.

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

No transfers have been made between the levels of hierarchy.

### 14 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 September 2013 amounted to KD 626,098 thousand (31 December 2012: KD 635,086 thousand and 30 September 2012: KD 651,399 thousand).

Fee and commission income include fees of KD 1,163 thousand (30 September 2012: KD 1,193 thousand) arising from trust and fiduciary activities.