

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

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

31 MARCH 2015



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18--21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

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

Deloitte

Deloitte & Touche
Al-Wazzan & Co.

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C.P. ("the Bank") and its subsidiaries (collectively "the Group") as at 31 March 2015 and the related interim condensed consolidated statement of income, comprehensive income, changes in equity and cash flows for the three months 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 violations of the Companies Law No. 25 of 2012 as amended and its executive regulation, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, during the three months ended 31 March 2015 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the three months period ended 31 March 2015 that might have had a material effect on the business of the Bank or on its financial position.

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

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2015

	Notes	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March 2015</i>	<i>31 March 2014</i>
INCOME			
Financing income		162,241	146,321
Finance cost and estimated distribution to depositors	3	(70,238)	(63,100)
Net finance income		92,003	83,221
Investment income		29,043	35,333
Fee and commission income		17,543	17,786
Share of result of associates and joint ventures		(2,906)	150
Net gain from foreign currencies		8,349	4,890
Other income		18,334	19,978
TOTAL OPERATING INCOME		162,366	161,358
EXPENSES			
Staff costs		(48,180)	(43,939)
General and administrative expenses		(27,486)	(34,316)
Depreciation and amortization		(19,851)	(18,500)
TOTAL EXPENSES		(95,517)	(96,755)
Net operating income		66,849	64,603
Provisions and impairment		(18,398)	(20,972)
PROFIT BEFORE TAX AND ZAKAT		48,451	43,631
Contribution to Kuwait Foundation for the Advancement of Sciences		(310)	(271)
National Labour Support Tax		(634)	(567)
Zakat (based on Zakat Law No. 46/2006)		(205)	(204)
Taxation related to subsidiaries		(4,529)	(4,112)
PROFIT FOR THE PERIOD		42,773	38,477
Attributable to:			
Shareholders of the Bank		29,893	26,056
Non-controlling interests		12,880	12,421
		42,773	38,477
Basic and diluted earnings per share attributable to the shareholders of the bank	4	6.38 fils	5.56 fils

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2015

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2015</i>	<i>31 March 2014</i>
Profit for the period	42,773	38,477
Other comprehensive income (loss)		
<i>Other comprehensive income (loss) to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
Change in fair value of financial assets available for sale	5,137	8,159
Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts	-	24
Realised (gain) loss on financial assets available for sale	(679)	101
Impairment losses on financial assets available for sale transferred to interim condensed consolidated statement of income	4,625	5,027
Share of other comprehensive income of associates and joint ventures	680	298
Exchange differences on translation of foreign operations	(20,667)	(37,470)
Other comprehensive loss for the period	(10,904)	(23,861)
Total comprehensive income	31,869	14,616
Attributable to:		
Shareholders of the Bank	29,706	16,029
Non-controlling interests	2,163	(1,413)
	31,869	14,616


The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2015

		<i>KD 000's</i>		
		<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>(Restated)</i> <i>31 March</i>
	<i>Notes</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
ASSETS				
Cash and balances with banks and financial institutions	6	1,600,506	1,604,135	1,525,759
Short-term murabaha		3,182,256	3,222,420	3,059,379
Financing receivables		8,201,354	8,118,921	7,592,769
Trading properties		195,845	179,265	243,211
Investments		1,355,721	1,369,484	1,250,302
Investment in associates and joint ventures		463,315	462,710	600,062
Investment properties		511,479	529,285	491,206
Other assets		578,767	639,455	608,906
Intangible assets and goodwill		61,338	61,793	67,036
Property and equipment		875,613	877,362	804,880
Leasehold rights		142,905	117,081	123,480
Assets classified as held for sale		-	-	62,792
TOTAL ASSETS		17,169,099	17,181,911	16,429,782
LIABILITIES				
Due to banks and financial institutions		3,411,452	3,451,262	3,379,445
Depositors' accounts		10,909,636	10,881,392	10,349,093
Other liabilities		769,085	752,216	773,282
Liabilities directly associated with assets classified as held for sale		-	-	14,369
TOTAL LIABILITIES		15,090,173	15,084,870	14,516,189
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK				
Share capital	7	476,504	433,185	383,350
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	7	-	43,319	49,835
Treasury shares		(52,782)	(52,497)	(52,510)
Reserves	5	553,791	537,315	533,040
		1,697,846	1,681,655	1,634,048
Proposed cash dividend	7	-	63,935	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,697,846	1,745,590	1,634,048
Non-controlling interests		381,080	351,451	279,545
TOTAL EQUITY		2,078,926	2,097,041	1,913,593
TOTAL LIABILITIES AND EQUITY		17,169,099	17,181,911	16,429,782


 HAMAD ABDUL MOHSEN AL-MARZOUQ
 (CHAIRMAN)


 MAZIN SAAD AL-NAHEDH
 (GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2015

	Attributable to shareholders of the Bank							Non- controlling interests	Total equity
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 5)	Subtotal	Proposed cash dividend	Subtotal	
At 1 January 2014 (as previously reported)	383,350	720,333	49,835	(56,118)	582,497	1,679,897	48,968	1,728,865	336,356
Effect of restatement (Note 14)	-	-	-	-	(65,722)	(65,722)	-	(65,722)	(46,278)
At 1 January 2014 (restated)	383,350	720,333	49,835	(56,118)	516,775	1,614,175	48,968	1,663,143	290,078
Profit for the period	-	-	-	-	26,056	26,056	-	26,056	12,421
Other comprehensive loss	-	-	-	-	(10,027)	(10,027)	-	(10,027)	(13,834)
Total comprehensive income (loss)	-	-	-	-	16,029	16,029	-	16,029	(1,413)
Cash dividends paid	-	-	-	-	-	-	(48,968)	(48,968)	-
Disposal of treasury shares	-	-	-	3,608	236	3,844	-	3,844	-
Net other change in non- controlling interests	-	-	-	-	-	-	-	-	(9,120)
At 31 March 2014 (restated)	383,350	720,333	49,835	(52,510)	533,040	1,634,048	-	1,634,048	279,545
									1,913,593

KD 000's

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

Period ended 31 March 2015

	KD 000's									
	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 5)	Subtotal	Proposed cash dividend	Subtotal	Non-controlling interests	Total equity
At 1 January 2015	433,185	720,333	43,319	(52,497)	537,315	1,681,655	63,935	1,745,590	351,451	2,097,041
Profit for the period	-	-	-	-	29,893	29,893	-	29,893	12,880	42,773
Other comprehensive loss	-	-	-	-	(187)	(187)	-	(187)	(10,717)	(10,904)
Total comprehensive income	-	-	-	-	29,706	29,706	-	29,706	2,163	31,869
Issue of bonus shares	43,319	-	(43,319)	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	(63,935)	(63,935)	-	(63,935)
Purchase of treasury shares	-	-	-	(285)	-	(285)	-	(285)	-	(285)
Acquisition of non-controlling interests	-	-	-	-	(13,230)	(13,230)	-	(13,230)	13,230	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,853)	(1,853)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	16,089	16,089
At 31 March 2015	476,504	720,333	-	(52,782)	553,791	1,697,846	-	1,697,846	381,080	2,078,926

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2015

	Note	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March 2015</i>	<i>31 March 2014</i>
OPERATING ACTIVITIES			
Profit for the period		42,773	38,477
Adjustment to reconcile profit to net cash flows:			
Depreciation and amortization		19,851	18,500
Provisions and impairment		18,398	20,972
Gain on sale of investments		(4,284)	(3,458)
Dividend income		(2,242)	(2,029)
Sukook income		(10,661)	(7,961)
Share of results of associates and joint ventures		2,906	(150)
Gain on sale of investment properties		(1,774)	(13,024)
Other investment income		(4,686)	(5,227)
		<u>60,281</u>	<u>46,100</u>
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Financing receivables		28,375	(211,729)
Trading properties		(16,528)	55,259
Other assets		66,435	(117,757)
Statutory deposit with Central Banks		51,327	(19,064)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(39,810)	910,919
Depositors' accounts		28,244	245,355
Other liabilities		54,736	12,150
Net cash flows from operating activities		<u>233,060</u>	<u>921,233</u>
INVESTING ACTIVITIES			
Purchase of investments, net		(30,517)	(50,205)
Purchase of investment properties		(4,871)	(35,495)
Proceeds from sale of investment properties		5,065	55,619
Purchase of property and equipment		(43,207)	(21,583)
Proceeds from sale of property and equipment		21,193	14,235
Purchase of investment in associates and joint ventures, net		(1,502)	(1,915)
(Purchase of) proceeds from leasehold rights		(342)	1,840
(Purchase of) proceeds from intangible assets		(1,758)	564
Dividend received		7,307	3,793
Sukook income received		10,661	7,961
Net cash flows used in investing activities		<u>(37,971)</u>	<u>(25,186)</u>
FINANCING ACTIVITIES			
Cash dividends paid		(63,935)	(48,968)
Sale of treasury shares		-	3,844
Purchase of treasury shares		(285)	-
Dividends paid to non-controlling interests		(1,853)	-
Net cash flows used in financing activities		<u>(66,073)</u>	<u>(45,124)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>129,016</u>	<u>850,923</u>
Cash and cash equivalents at 1 January		2,433,322	1,959,000
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	<u>2,562,338</u>	<u>2,809,923</u>

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2015

1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C.P. (“the Bank”) and its subsidiaries (collectively “the Group”) for the three month period ended 31 March 2015 were authorised for issue by the Bank’s Board of Directors on 8 April 2015.

The shareholders’ annual general assembly held on 16 March 2015 approved the audited consolidated financial statements of the Group for the year ended 31 December 2014.

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. 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 2014, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 July 2014 and did not result in any material impact on the accounting policies, financial position or performance of the Group. The annual consolidated financial statements for the year ended 31 December 2014 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 three month period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

New and revised IASB Standards, but not yet effective

Number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, have not been applied in preparing these interim condensed consolidated financial information. None of these are expected to have a significant effect on the interim condensed consolidated financial information of the Group except for the IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**New and revised IASB Standards, but not yet effective (continued)**

The Group is currently assessing the impact of above standards and plans to adopt the new standards on the required effective date.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014, the Group has applied these amendments for the first time in these interim condensed consolidated financial statements and did not result in any material impact on the accounting policies, financial position or performance of the Group. They include:

- *IFRS 2 Share-based Payment*
- *IFRS 3 Business Combinations*
- *IFRS 8 Operating Segments*
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
- *IAS 24 Related Party Disclosures*

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014, the Group has applied these amendments for the first time in these interim condensed consolidated financial statements and did not result in any material impact on the accounting policies, financial position or performance of the Group. They include:

- *IFRS 3 Business Combinations*
- *IFRS 13 Fair Value Measurement*
- *IAS 40 Investment Property*
- *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to IAS 27: Equity Method in Separate Financial Statements*

3 FINANCE COST AND ESTIMATED DISTRIBUTION TO DEPOSITORS

The management of the Bank has estimated distribution to depositors and profit attributable to Bank's shareholders based on the results for the three months period ended 31 March 2015. The actual distribution to depositors and profit attributable to Bank's shareholders could be different from the amounts presented in the interim condensed consolidated statement of income.

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 2015.

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

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

	<u>Three months ended 31 March</u>	
	<u>2015</u>	<u>2014</u>
Profit for the period attributable to shareholders' of the Bank (thousands KD)	<u>29,893</u>	<u>26,056</u>
Weighted average number of shares outstanding during the period (thousands shares)	<u>4,688,603</u>	<u>4,684,334</u>
Basic and diluted earnings per share	<u>6.38 fils</u>	<u>5.56 fils</u>

Basic and diluted earnings per share for the period ended 31 March 2014 before retrospective adjustment for issuance of bonus shares during the period was 6.12 fils.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

5 RESERVES

The movement in reserves is analysed as follows:

	31 March 2014							KD 000's	
	Statutory reserve	Voluntary reserve	Retained earnings	Employees' share options reserve	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
As at 1 January 2014 (as previously reported)	283,584	287,942	-	4,246	6,725	-	-	-	582,497
Effect of restatement (Note 14)	-	-	-	-	-	(360)	(56,442)	(8,920)	(65,722)
Balance at 1 January 2014 (restated)	283,584	287,942	-	4,246	6,725	(360)	(56,442)	(8,920)	516,775
Profit for the period	-	-	26,056	-	-	-	-	-	26,056
Other comprehensive income (loss)	-	-	-	-	-	13,772	(23,799)	-	(10,027)
Total comprehensive income (loss)	-	-	26,056	-	-	13,772	(23,799)	-	16,029
Profit on sale of treasury shares	-	-	-	-	236	-	-	-	236
Balance at 31 March 2014 (restated)	283,584	287,942	26,056	4,246	6,961	13,412	(80,241)	(8,920)	533,040

	31 March 2015							KD 000's	
	Statutory reserve	Voluntary reserve	Retained earnings	Employees' share options reserve	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance at 1 January 2015	238,252	238,252	108,224	4,246	7,078	4,493	(54,310)	(8,920)	537,315
Profit for the period	-	-	29,893	-	-	-	-	-	29,893
Other comprehensive income (loss)	-	-	-	-	-	8,194	(8,381)	-	(187)
Total comprehensive income (loss)	-	-	29,893	-	-	8,194	(8,381)	-	29,706
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(13,230)	(13,230)
Balance at 31 March 2015	238,252	238,252	138,117	4,246	7,078	12,687	(62,691)	(22,150)	553,791

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2015

6 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>31 March 2015</i>	<i>(Audited) 31 December 2014</i>	<i>31 March 2014</i>
Cash	222,873	176,362	104,930
Balances with Central Banks	983,141	857,021	940,850
Balances with banks and financial institutions - current accounts	394,492	570,752	479,979
Cash and balances with banks and financial institutions	<u>1,600,506</u>	<u>1,604,135</u>	<u>1,525,759</u>
Short term murabaha maturing within 3 months of contract date	1,081,721	1,000,390	1,137,126
Tawarruq balances with Central Bank of Kuwait maturing within 3 months of contract date	450,044	450,057	625,045
Less: Statutory deposits with Central Banks	<u>(569,933)</u>	<u>(621,260)</u>	<u>(478,007)</u>
Cash and cash equivalents	<u><u>2,562,338</u></u>	<u><u>2,433,322</u></u>	<u><u>2,809,923</u></u>

7 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS PAID

Bonus shares of 10% (2013: 13%) on outstanding shares amounting KD 43,319 thousands (2013: KD 49,835 thousand) and cash dividends of 15 fils per share (2013: 13 fils per share) amounting KD 63,935 (2013: KD 48,968 thousands) proposed for the year ended 31 December 2014, 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 16 March 2015.

Accordingly, the authorised, issued, and fully paid share capital as at 31 March 2015 comprise of 4,765,035 thousand (31 December 2014: 4,331,851 thousand and 31 March 2014: 3,833,496 thousand) shares of 100 fils each.

8 DIRECTORS' FEES

In the ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2014 held on 16 March 2015, the shareholders approved directors' fees proposed for the year ended 31 December 2014.

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>KD 000's</i>		
	<i>31 March 2015</i>	<i>(Audited) 31 December 2014</i>	<i>31 March 2014</i>
Acceptances and letters of credit	161,426	168,358	260,029
Letter of guarantees	1,244,358	1,316,912	1,339,876
Contingences	<u>1,405,784</u>	<u>1,485,270</u>	<u>1,599,905</u>
Capital commitments	<u><u>2,084,688</u></u>	<u><u>1,981,592</u></u>	<u><u>1,745,367</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2015

10 RELATED PARTY TRANSACTIONS

Certain related parties (major shareholders, directors and executive employees, officers of the Group, their families, associated companies and companies of which they are the principal owners) are 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 shareholders of the Bank.

The balances included in the interim condensed consolidated statement of financial position 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>31 March 2015 Total</i>	<i>(Audited) 31 December 2014</i>	<i>31 March 2014</i>
Related parties							
Financing receivables	-	74,938	9,274	6,034	90,246	121,693	122,999
Due to banks and financial institutions	1,245,117	31,661	-	6,927	1,283,705	1,239,719	1,454,353
Depositors' accounts	-	37,442	9,338	10,273	57,053	70,423	58,388
Contingencies and commitments	936	8,100	22	28,876	37,934	36,268	41,394
Investment managed by related party	-	-	-	33,462	33,462	33,453	45,458

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 parties</i>	<i>31 March 2015</i>	<i>31 March 2014</i>
Financing income	-	1,053	342	67	1,462	1,704
Investment income	-	-	-	-	-	150
Fee and commission income	-	15	4	52	71	237
Finance costs	4,390	42	-	132	4,564	3,221

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

10 RELATED PARTY TRANSACTIONS (continued)

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

	<i>The number of Board Members or Executive Officers</i>				<i>The number of related parties (Relatives of Board Members or Executive Officers)</i>				<i>Values</i>	
	<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>			
	<i>31 March 2015</i>	<i>31 December 2014</i>	<i>31 March 2014</i>	<i>31 March 2015</i>	<i>31 December 2014</i>	<i>31 March 2014</i>	<i>31 March 2015</i>	<i>31 December 2014</i>	<i>31 March 2014</i>	<i>31 March 2015</i>
Board Members										
Finance facilities	34	31	28	9	7	4	4	41,539	47,075	
Credit cards	18	8	13	1	2	1	1	17	17	
Deposits	80	68	63	21	22	23	23	12,218	6,748	
Collateral against finance facilities	10	10	11	-	-	-	-	16,885	19,246	
Executive Officers										
Finance facilities	32	35	26	2	3	3	3	4,168	3,565	
Credit cards	23	15	23	1	-	1	1	59	53	
Deposits	58	63	56	24	25	35	35	3,224	3,547	
Collateral against finance facilities	15	17	16	1	2	2	2	11,444	7,795	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

10 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>	
	<i>31 March 2015</i>	<i>31 March 2014</i>
Board Members		
Finance income	182	135
Executive officers		
Finance income	85	35
	<u>267</u>	<u>170</u>

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

	<i>KD 000's</i>	
	<i>31 March 2015</i>	<i>31 March 2014</i>
Salaries, allowances and bonuses of key management personnel	6,601	4,608
Termination benefits of key management personnel	550	413
Remuneration of chairman and board members *	825	695
	<u>7,976</u>	<u>5,716</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.

11 SEGMENTAL ANALYSIS

Segment information

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

<i>31 March 2015</i>	<i>KD 000's</i>				<i>Total</i>
	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	
Total assets	5,267,940	4,552,460	6,004,769	1,343,930	17,169,099
Total liabilities	3,706,447	73,948	10,702,014	607,764	15,090,173
Total operating income	8,976	23,204	100,963	29,223	162,366
Profit for the period	5,924	15,648	31,880	(10,679)	42,773

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

11 SEGMENTAL ANALYSIS (continued)

Segment information (continued)

					<i>KD 000's</i>
<i>31 March 2014</i>	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,015,232	4,358,041	5,772,545	1,283,964	16,429,782
Total liabilities	3,541,758	133,136	10,336,930	504,365	14,516,189
Total operating income	4,854	31,672	99,231	25,601	161,358
Profit for the period	4,813	(1,507)	40,926	(5,755)	38,477

12 FAIR VALUES

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 March 2015.

				<i>KD 000's</i>
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	133,974	-	133,974
Financial assets available for sale	752,666	116,373	93,685	962,724
<i>Derivative financial assets:</i>				
Forward contracts	5,519	-	-	5,519
Profit rate swaps	-	935	-	935
Currency swaps	558	-	-	558
	<u>758,743</u>	<u>251,282</u>	<u>93,685</u>	<u>1,103,710</u>

				<i>KD 000's</i>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	4,110	-	-	4,110
Profit rate swaps	-	59	-	59
Currency swaps	4,032	-	-	4,032
Embedded precious metals	40	-	-	40
	<u>8,182</u>	<u>59</u>	<u>-</u>	<u>8,241</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

12 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2014.

Financial assets measured at fair value:				<i>KD 000's</i>
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	133,974	-	133,974
Financial assets available for sale	780,293	107,788	105,923	994,004
<i>Derivative financial assets:</i>				
Forward contracts	2,742	-	-	2,742
Profit rate swaps	-	939	-	939
Currency swaps	2,735	-	-	2,735
	<u>785,770</u>	<u>242,701</u>	<u>105,923</u>	<u>1,134,394</u>

Financial liabilities measured at fair value:				<i>KD 000's</i>
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	1,858	-	-	1,858
Profit rate swaps	-	7	-	7
Currency swaps	1,431	-	-	1,431
Embedded precious metals	61	-	-	61
	<u>3,350</u>	<u>7</u>	<u>-</u>	<u>3,357</u>

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 March 2014.

Financial assets measured at fair value:				<i>KD 000's</i>
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	133,974	-	133,974
Financial assets available for sale	762,723	112,272	95,643	970,638
<i>Derivative financial assets:</i>				
Forward contracts	10,441	-	-	10,441
Profit rate swaps	-	1,485	-	1,485
Currency swaps	1,392	-	-	1,392
	<u>774,556</u>	<u>247,731</u>	<u>95,643</u>	<u>1,117,930</u>

Financial liabilities measured at fair value:				<i>KD 000's</i>
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	1,982	-	-	1,982
Currency swaps	1,565	164	-	1,729
Embedded precious metals	69	-	-	69
	<u>3,616</u>	<u>164</u>	<u>-</u>	<u>3,780</u>

No transfers have been made between the levels of hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2015

13 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 31 March 2015 amounted to KD 609,083 thousand (31 December 2014: KD 579,028 thousand and 31 March 2014: KD 593,685 thousand).

Fee and commission income include fees of KD 533 thousand (31 March 2014: KD 303 thousand) arising from trust and fiduciary activities.

14 COMPARATIVE INFORMATION

During the period ended 31 March 2015 and the year ended 31 December 2014, management of the Bank presented fair value reserve and foreign currency translation reserve as separate components within the interim condensed consolidated statement of changes in equity, instead of reporting them separately between liabilities and equity. This also led to a change in the presentation of the interim condensed consolidated statement of comprehensive income as it now begins with the "profit of the period", instead of "profit before distribution to depositors". These changes did not affect previously reported figures in the interim condensed consolidated statement of income.

Accordingly, the comparative information in the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position, and the interim condensed consolidated statement of changes in equity for the previous period ended 31 March 2014 have been restated to conform with the current presentation.