

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

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

30 JUNE 2016

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2016

	Notes	<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Six months ended</i>	
		30 June 2016	<i>30 June 2015</i>	30 June 2016	<i>30 June 2015</i>
CONTINUING OPERATIONS					
Financing income		176,042	164,757	336,686	337,022
Finance cost and estimated distribution to depositors	3	(67,535)	(60,021)	(131,459)	(129,157)
Net finance income		108,507	104,736	205,227	207,865
Investment income		26,727	11,036	31,377	20,144
Fees and commission income		25,873	22,769	44,701	40,146
Net gain from foreign currencies		4,572	1,879	9,875	10,312
Other income		13,899	16,631	30,585	29,652
TOTAL OPERATING INCOME		179,578	157,051	321,765	308,119
EXPENSES					
Staff costs		(45,425)	(44,045)	(90,719)	(87,084)
General and administrative expenses		(22,543)	(19,050)	(45,092)	(40,170)
Depreciation and amortization		(9,881)	(18,154)	(19,750)	(35,509)
TOTAL EXPENSES		(77,849)	(81,249)	(155,561)	(162,763)
Net operating income from continuing operations		101,729	75,802	166,204	145,356
Provisions and impairment		(31,876)	(28,626)	(52,973)	(59,772)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND ZAKAT		69,853	47,176	113,231	85,584
Contribution to Kuwait Foundation for the Advancement of Sciences		(384)	(335)	(739)	(645)
National Labour Support Tax		(831)	(480)	(1,530)	(1,114)
Zakat (based on Zakat Law No. 46/2006)		(458)	(147)	(756)	(352)
Taxation related to subsidiaries		(5,469)	(4,051)	(8,910)	(8,148)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		62,711	42,163	101,296	75,325
DISCONTINUED OPERATIONS					
(Loss)/profit after tax and zakat for the period from discontinued operations		(12,137)	3,211	(13,737)	12,822
Impairment loss recognised on discontinued operations		(16,570)	-	(16,570)	-
TOTAL (LOSS)/PROFIT AFTER TAX AND ZAKAT FROM DISCONTINUED OPERATIONS	5	(28,707)	3,211	(30,307)	12,822
PROFIT FOR THE PERIOD		34,004	45,374	70,989	88,147
Attributable to:					
Shareholders of the Bank		36,775	32,447	70,879	62,340
Non-controlling interests		(2,771)	12,927	110	25,807
		34,004	45,374	70,989	88,147
Basic and diluted earnings per share attributable to the shareholders of the Bank	4	7.13 fils	6.29 fils	13.74 fils	12.09 fils
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	4	10.50 fils	6.05 fils	17.24 fils	11.02 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)

For the period ended 30 June 2016

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
Profit for the period	34,004	45,374	70,989	88,147
Other comprehensive income (loss)				
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:</i>				
Change in fair value of financial assets available for sale	3,730	(6,134)	(6,670)	(1,425)
Realised loss (gain) on financial assets available for sale	(1,021)	(2,310)	5,267	(5,556)
Impairment losses on financial assets available for sale transferred to interim condensed consolidated statement of income	3,987	3,501	6,967	11,121
Share of other comprehensive income (loss) of associates and joint ventures	1,438	(1,130)	869	(450)
Exchange differences on translation of foreign operations	(5,598)	3,143	162	(17,524)
Other comprehensive income (loss) for the period	2,536	(2,930)	6,595	(13,834)
Total comprehensive income	36,540	42,444	77,584	74,313
Attributable to:				
Shareholders of the Bank	39,800	32,342	77,089	62,048
Non-controlling interests	(3,260)	10,102	495	12,265
	36,540	42,444	77,584	74,313

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)

As at 30 June 2016

		<i>KD 000's</i>		
		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2015</i>
ASSETS				
Cash and balances with banks and financial institutions	7	1,402,748	1,599,712	1,401,821
Short-term murabaha		3,297,138	3,193,930	3,639,607
Financing receivables		8,450,127	8,095,492	8,235,894
Trading properties		200,024	214,362	204,764
Investments		1,469,497	1,314,756	1,347,653
Investment in associates and joint ventures		473,882	534,856	459,088
Investment properties		549,256	580,499	501,605
Other assets		541,581	469,309	560,976
Intangible assets and goodwill		48,933	47,960	55,317
Property and equipment		239,989	264,181	922,075
Leasehold rights		-	179,627	141,073
Assets classified as held for sale	5	356,449	-	-
TOTAL ASSETS		17,029,624	16,494,684	17,469,873
LIABILITIES				
Due to banks and financial institutions		2,933,111	2,923,506	3,412,913
Depositors' accounts		11,189,056	10,838,827	11,160,670
Other liabilities		687,893	676,862	773,153
Liabilities directly associated with the assets classified as held for sale	5	173,799	-	-
TOTAL LIABILITIES		14,983,859	14,439,195	15,346,736
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK				
Share capital	8	524,154	476,504	476,504
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	8	-	47,650	-
Treasury shares		(48,988)	(50,173)	(52,816)
Reserves	6	573,920	505,067	579,811
		1,769,419	1,699,381	1,723,832
Proposed cash dividend	8	-	79,755	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,769,419	1,779,136	1,723,832
Non-controlling interests		276,346	276,353	399,305
TOTAL EQUITY		2,045,765	2,055,489	2,123,137
TOTAL LIABILITIES AND EQUITY		17,029,624	16,494,684	17,469,873

AHMAD ABDULLAH AL-OMAR
(ACTING 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)

For the period ended 30 June 2016

	<i>Attributable to shareholders of the Bank</i>							<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 6)</i>	<i>Subtotal</i>	<i>Proposed cash dividend</i>	<i>Subtotal</i>		
At 1 January 2016	476,504	720,333	47,650	(50,173)	505,067	1,699,381	79,755	1,779,136	276,353	2,055,489
Profit for the period	-	-	-	-	70,879	70,879	-	70,879	110	70,989
Other comprehensive income	-	-	-	-	6,210	6,210	-	6,210	385	6,595
Total comprehensive income	-	-	-	-	77,089	77,089	-	77,089	495	77,584
Zakat paid	-	-	-	-	(7,914)	(7,914)	-	(7,914)	-	(7,914)
Issue of bonus shares (Note 8)	47,650	-	(47,650)	-	-	-	-	-	-	-
Cash dividends (Note 8)	-	-	-	-	-	-	(79,755)	(79,755)	-	(79,755)
Net movement in treasury shares	-	-	-	1,185	(322)	863	-	863	-	863
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	(502)	(502)
At 30 June 2016	524,154	720,333	-	(48,988)	573,920	1,769,419	-	1,769,419	276,346	2,045,765

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)

For the period ended 30 June 2016

	<i>Attributable to shareholders of the Bank</i>							<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 6)</i>	<i>Subtotal</i>	<i>Proposed cash dividend</i>	<i>Subtotal</i>		
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	-	-	-	-	62,340	62,340	-	62,340	25,807	88,147
Other comprehensive loss	-	-	-	-	(292)	(292)	-	(292)	(13,542)	(13,834)
Total comprehensive income	-	-	-	-	62,048	62,048	-	62,048	12,265	74,313
Zakat paid	-	-	-	-	(6,327)	(6,327)	-	(6,327)	-	(6,327)
Issue of bonus shares (Note 8)	43,319	-	(43,319)	-	-	-	-	-	-	-
Cash dividends (Note 8)	-	-	-	-	-	-	(63,935)	(63,935)	-	(63,935)
Net movement in treasury shares	-	-	-	(319)	8	(311)	-	(311)	-	(311)
Acquisition of non- controlling interests	-	-	-	-	(13,233)	(13,233)	-	(13,233)	13,233	-
Cash dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	(2,315)	(2,315)
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	24,671	24,671
At 30 June 2015	476,504	720,333	-	(52,816)	579,811	1,723,832	-	1,723,832	399,305	2,123,137

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)

For the period ended 30 June 2016

		<i>KD 000's</i>	
		<i>Six months ended</i>	
	<i>Note</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
OPERATING ACTIVITIES			
Profit for the period from continuing operations		101,296	75,325
(Loss)/Profit for the period from discontinued operations		(30,307)	12,822
Adjustment to reconcile profit to net cash flows:			
Depreciation and amortization		19,750	35,509
Provisions and impairment		69,543	59,772
Gain on sale of investments		(4,581)	(5,137)
Dividend income		(3,343)	(4,785)
Share of results of associates and joint ventures		(3,886)	(1,076)
Gain on sale of investment properties		(6,336)	(3,138)
Other investment income		(6,186)	(1,793)
		135,950	167,499
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Financing receivables		(539,739)	(181,557)
Trading properties		(1,049)	(23,552)
Other assets		(100,198)	66,981
Statutory deposit with Central Banks		(3,565)	37,085
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		120,929	(38,349)
Depositors' accounts		350,229	279,278
Other liabilities		89,869	36,479
Net cash flows from operating activities		52,426	343,864
INVESTING ACTIVITIES			
(Purchase of) / proceeds from sale of financial assets available for sale, net		(154,626)	19,303
Purchase of investment properties		(13,192)	(15,247)
Proceeds from sale of investment properties		8,644	25,407
Purchase of property and equipment		(38,180)	(90,710)
Proceeds from sale of property and equipment		11,576	33,241
Leasehold rights		(9,678)	(621)
Intangible assets		(3,137)	(7,060)
Purchase of investment in associates and joint ventures		(6,582)	(3,155)
Proceeds from sale of investment in associates and joint ventures		488	1,494
Dividend received		10,308	10,827
Net cash flows used in investing activities		(194,379)	(26,521)
FINANCING ACTIVITIES			
Cash dividends paid		(79,755)	(63,935)
Cash dividends paid to non-controlling interests of a subsidiary		-	(2,315)
Net movement in treasury shares		863	(311)
Zakat paid		(7,914)	(6,327)
Net cash flows used in financing activities		(86,806)	(72,888)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(228,759)	244,455
Cash and cash equivalents at 1 January		2,572,884	2,433,322
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	2,344,125	2,677,777

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2016

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 six months period ended 30 June 2016 were authorised for issue by the Bank’s Board of Directors on 14 July 2016.

The shareholders’ annual general assembly held on 21 March 2016 approved the audited consolidated financial statements of the Group for the year ended 31 December 2015.

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 No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5 the new Law will be effective retrospectively from 26 November 2012 and the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

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 2015, except for the adoption of the amendments and annual improvements to International Financial Reporting Standards (“IFRS”), relevant to the Group which are effective for annual reporting period starting from 1 January 2016 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 2015 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 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.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars which is the functional currency of the Bank, rounded to the nearest thousands, except when otherwise stated.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015.

Further, results for the six months period ended 30 June 2016, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The accounting policy below, adopted in previous years is in relation to discontinued operations (Note 5).

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2016

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**Non-current assets held for sale and discontinued operations (continued)**

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the interim condensed consolidated statement of income.

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 six months period ended 30 June 2016. 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 2016.

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.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	<u>36,775</u>	<u>32,447</u>	<u>70,879</u>	<u>62,340</u>
Weighted average number of shares outstanding during the period (thousands share)	<u>5,161,270</u>	<u>5,157,889</u>	<u>5,160,414</u>	<u>5,157,800</u>
Basic and diluted earnings per share attributable to the shareholders of the Bank	<u>7.13 fils</u>	<u>6.29 fils</u>	<u>13.74 fils</u>	<u>12.09 fils</u>
Basic and diluted earnings per share from continuing operations:				
Profit for the period from continuing operations attributable to shareholders of the Bank (thousand KD)	<u>54,211</u>	<u>31,225</u>	<u>88,951</u>	<u>56,854</u>
Weighted average number of shares outstanding during the period (thousands share)	<u>5,161,270</u>	<u>5,157,889</u>	<u>5,160,414</u>	<u>5,157,800</u>
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	<u>10.50 fils</u>	<u>6.05 fils</u>	<u>17.24 fils</u>	<u>11.02 fils</u>

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus issue (Note 8). As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2016

5 DISCONTINUED OPERATIONS

On 30 June 2016, the Board of Directors of the Bank approved to sell Group's interest in its subsidiary Aref Investment Group (AIG). As a result, the interim condensed consolidated statement of financial position at 30 June 2016 presents the assets and liabilities of AIG as assets classified held for sale and liabilities directly associated with the assets classified as held for sale, respectively, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The major classes of assets of AIG comprise of leasehold rights, investments in equities and real estate and liabilities comprise of due to banks and financial institutions and other liabilities.

The Bank has presented assets classified held for sale and liabilities directly associated with the assets classified in the interim condensed consolidated statement of financial position net of accumulated impairment provision attributable to the shareholders of the Bank of KD 41,487 thousand and inter-group eliminations.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

6 RESERVES

The movement in reserves is analysed as follows:

30 June 2016									
<i>KD 000's</i>									
	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Retained earnings</i>	<i>Employees' share options reserve</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Other reserves</i>	<i>Total</i>
Balance at 1 January 2016	238,252	238,252	124,579	-	7,084	17,729	(97,233)	(23,596)	505,067
Profit for the period	-	-	70,879	-	-	-	-	-	70,879
Other comprehensive income	-	-	-	-	-	5,034	1,176	-	6,210
Total comprehensive income	-	-	70,879	-	-	5,034	1,176	-	77,089
Zakat paid	-	-	(7,914)	-	-	-	-	-	(7,914)
Loss from sale of treasury shares	-	-	-	-	(322)	-	-	-	(322)
Balance at 30 June 2016	238,252	238,252	187,544	-	6,762	22,763	(96,057)	(23,596)	573,920

30 June 2015									
<i>KD 000's</i>									
	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Retained earnings</i>	<i>Employees' share options reserve</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Other reserves</i>	<i>Total</i>
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	-	-	62,340	-	-	-	-	-	62,340
Other comprehensive income (loss)	-	-	-	-	-	2,481	(2,773)	-	(292)
Total comprehensive income (loss)	-	-	62,340	-	-	2,481	(2,773)	-	62,048
Zakat paid	-	-	(6,327)	-	-	-	-	-	(6,327)
Profit on sale of treasury shares	-	-	-	-	8	-	-	-	8
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(13,233)	(13,233)
Balance at 30 June 2015	238,252	238,252	164,237	4,246	7,086	6,974	(57,083)	(22,153)	579,811

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 June 2016</i>	<i>(Audited) 31 December 2015</i>	<i>30 June 2015</i>
Cash	189,615	246,715	215,277
Balances with Central Banks	778,341	773,592	734,776
Balances with banks and financial institutions - current accounts	434,792	579,405	451,768
Cash and balances with banks and financial institutions	1,402,748	1,599,712	1,401,821
Short term murabaha maturing within 3 months of contract date	1,444,282	1,487,068	1,435,089
Tawarruq balances with Central Bank of Kuwait maturing within 3 months of contract date	80,051	95,024	425,042
Cash with banks attributable to discontinued operations	29,529	-	-
Less: Statutory deposits with Central Banks	(612,485)	(608,920)	(584,175)
Cash and cash equivalents	2,344,125	2,572,884	2,677,777

8 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

Bonus shares of 10% (2014: 10%) on outstanding shares amounting KD 47,650 thousands (2014: KD 43,319 thousand) and cash dividends of 17 fils per share (2014: 15 fils per share) amounting KD 79,755 thousands (2014: KD 63,935 thousands) proposed for the year ended 31 December 2015, to the Bank's shareholders, were approved by the Bank's extraordinary general assembly and ordinary general assembly of the shareholders held on 21 March 2016.

Accordingly, the authorised, issued, and fully paid share capital as at 30 June 2016 comprise of 5,241,539,597 (31 December 2015: 4,765,035,998 and 30 June 2015: 4,765,035,998) shares of 100 fils each.

9 DIRECTORS' FEES

In the ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2015 held on 21 March 2016, the shareholders approved directors' fees proposed for the year ended 31 December 2015.

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 June 2016</i>	<i>(Audited) 31 December 2015</i>	<i>30 June 2015</i>
Acceptances and letters of credit	172,739	143,603	163,718
Letter of guarantees	1,560,985	1,513,029	1,266,590
Contingences	1,733,724	1,656,632	1,430,308
Capital commitments	564,422	349,775	2,045,879

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

11 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>Total</i>
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>30 June 2016</i>	<i>(Audited) 31 December 2015</i>	
Related parties							
Financing receivables Due to banks and financial institutions	-	96,601	5,191	13,914	115,706	142,414	94,558
Depositors' accounts	1,487,087	10,563	-	486	1,498,136	1,305,034	1,360,492
Contingencies and commitments	-	100,957	7,323	18,289	126,569	125,870	78,653
Investment managed by related party	442	3,294	2	4,563	8,301	38,689	34,816
	-	-	-	33,629	33,629	33,824	40,914

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>30 June 2016</i>	<i>30 June 2015</i>
Financing income	-	1,462	144	265	1,871	2,249
Fee and commission income	-	48	7	135	190	714
Finance costs	6,342	625	-	422	7,389	8,973

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

11 RELATED PARTY TRANSACTIONS (continued)

Details of the interests of Board Members and Executive Officers of the Bank and all consolidated subsidiaries are as follows:

	<i>KD 000's</i>								
	<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>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2015</i>
Board Members									
Finance facilities	29	36	41	2	4	10	6,292	39,228	36,226
Credit cards	18	20	19	-	-	1	22	36	30
Deposits	81	87	88	24	16	21	8,081	12,389	14,201
Collateral against finance facilities	10	11	17	1	1	-	6,011	9,104	18,704
Executive Officers									
Finance facilities	40	30	28	8	6	2	3,094	2,697	2,750
Credit cards	32	23	20	4	2	1	136	113	66
Deposits	76	58	57	47	20	16	4,696	1,450	2,434
Collateral against finance facilities	16	14	13	3	4	1	8,590	4,885	5,635

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

11 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>
Board Members		
Finance income	80	197
Executive officers		
Finance income	64	65
	<u>144</u>	<u>262</u>

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

	<i>KD 000's</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>
Salaries, allowances and bonuses of key management personnel	9,239	10,373
Termination benefits of key management personnel	740	481
Remuneration of chairman and board members *	516	841
	<u>10,495</u>	<u>11,695</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:

<i>30 June 2016</i>	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,616,814	1,933,494	8,645,006	834,310	17,029,624
Total liabilities	3,152,987	20,529	11,208,453	601,890	14,983,859
Total operating income	35,374	38,485	209,725	38,181	321,765
Profit (loss) for the period	33,677	14,625	126,840	(104,153)	70,989

Kuwait Finance House K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

12 SEGMENTAL ANALYSIS (continued)

Segment information (continued)

	<i>KD 000's</i>				
<i>30 June 2015</i>	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,714,880	2,133,035	8,330,499	1,291,459	17,469,873
Total liabilities	2,710,649	148,745	11,606,034	881,308	15,346,736
Total operating income	32,180	29,280	188,568	58,091	308,119
Profit (loss) for the period	29,928	9,320	113,288	(64,389)	88,147

13 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 30 June 2016:

	<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	-	88,844	-	88,844
Financial assets available for sale	846,843	87,750	324,636	1,259,229
<i>Derivative financial assets:</i>				
Forward contracts	1,678	-	-	1,678
Profit rate swaps	-	550	-	550
Currency swaps	10,851	-	-	10,851
	<u>859,372</u>	<u>177,144</u>	<u>324,636</u>	<u>1,361,152</u>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	1,624	-	-	1,624
Profit rate swaps	-	83	-	83
Currency swaps	14,175	-	-	14,175
Embedded precious metals	42	-	-	42
	<u>15,841</u>	<u>83</u>	<u>-</u>	<u>15,924</u>

Kuwait Finance House K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

13 FAIR VALUES (continued)

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

	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial assets measured at fair value:				
Venture capital at fair value through statement of income	-	132,030	-	132,030
Financial assets available for sale	698,113	70,416	266,385	1,034,914
<i>Derivative financial assets:</i>				
Forward contracts	1,681	-	-	1,681
Profit rate swaps	-	625	-	625
Currency swaps	3,021	-	-	3,021
Embedded precious metals	2	-	-	2
	<u>702,817</u>	<u>203,071</u>	<u>266,385</u>	<u>1,172,273</u>

	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial liabilities measured at fair value:				
<i>Derivative financial liabilities:</i>				
Forward contracts	1,460	-	-	1,460
Profit rate swaps	-	11	-	11
Currency swaps	16,423	-	-	16,423
Embedded precious metals	2	-	-	2
	<u>17,885</u>	<u>11</u>	<u>-</u>	<u>17,896</u>

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2015:

	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial assets measured at fair value:				
Venture capital at fair value through statement of income	-	133,974	-	133,974
Financial assets available for sale	744,826	38,656	254,507	1,037,989
<i>Derivative financial assets:</i>				
Forward contracts	4,112	-	-	4,112
Profit rate swaps	-	822	-	822
Currency swaps	2,938	-	-	2,938
	<u>751,876</u>	<u>173,452</u>	<u>254,507</u>	<u>1,179,835</u>

	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial liabilities measured at fair value:				
<i>Derivative financial liabilities:</i>				
Forward contracts	4,390	-	-	4,390
Profit rate swaps	-	36	-	36
Currency swaps	4,368	-	-	4,368
Embedded precious metals	11	-	-	11
	<u>8,769</u>	<u>36</u>	<u>-</u>	<u>8,805</u>

No transfers have been made between the levels of hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2016

14 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 June 2016 amounted to KD 1,327,676 thousand (31 December 2015: KD 1,184,836 thousand and 30 June 2015: KD 1,290,586 thousand).

Fee and commission income include fees of KD 3,105 thousand (30 June 2015: KD 1,528 thousand) arising from trust and fiduciary activities.