

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

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

31 MARCH 2017



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FINANCE HOUSE K.S.C.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 2017 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 Group 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. 1 of 2016, and its executive regulations, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the three months ended 31 March 2017 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 2017 that might have had a material effect on the business of the Bank or on its financial position.

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AL AIBAN, AL OSAIMI & PARTNERS

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12 April 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2017

	Notes	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March 2017</i>	<i>31 March 2016</i>
CONTINUING OPERATIONS			
Financing income		167,018	159,849
Finance cost and estimated distribution to depositors	3	(66,918)	(62,780)
Net finance income		100,100	97,069
Investment income		27,207	4,622
Fees and commission income		21,641	18,128
Net gain from foreign currencies		4,468	5,501
Other income		15,198	12,222
TOTAL OPERATING INCOME		168,614	137,542
OPERATING EXPENSES			
Staff costs		(41,203)	(43,412)
General and administrative expenses		(20,458)	(20,999)
Depreciation and amortization		(8,232)	(9,699)
TOTAL OPERATING EXPENSES		(69,893)	(74,110)
Net operating income from continuing operations		98,721	63,432
Provisions and impairment		(43,380)	(21,079)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		55,341	42,353
Taxation	5	(8,267)	(4,749)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		47,074	37,604
DISCONTINUED OPERATIONS			
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	6	(4,060)	(619)
PROFIT FOR THE PERIOD		43,014	36,985
Attributable to:			
Shareholders of the Bank		38,588	34,104
Non-controlling interests		4,426	2,881
		43,014	36,985
Basic and diluted earnings per share attributable to the shareholders of the Bank	4	6.79 fils	6.01 fils

The attached notes 1 to 16 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 31 March 2017

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March 2017</i>	<i>31 March 2016</i>
Profit for the period	43,014	36,985
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	10,081	(10,400)
Realised (gain) loss on financial assets available for sale	(15,042)	6,288
Impairment losses on financial assets available for sale transferred to interim condensed consolidated statement of income	9,521	2,980
Share of other comprehensive income (loss) from associates and joint ventures	238	(569)
Exchange differences on translation of foreign operations	(11,199)	5,760
Other comprehensive (loss) income for the period	(6,401)	4,059
Total comprehensive income	36,613	41,044
Attributable to:		
Shareholders of the Bank	35,861	37,289
Non-controlling interests	752	3,755
	36,613	41,044

The attached notes 1 to 16 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 31 March 2017

		<i>KD 000's</i>		
			<i>(Audited)</i>	
	<i>Notes</i>	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>
ASSETS				
Cash and balances with banks and financial institutions	8	1,351,898	1,494,657	1,664,601
Short-term murabaha		2,751,098	2,877,241	3,078,476
Financing receivables		8,461,277	8,175,789	8,323,102
Trading properties		172,945	186,341	208,371
Investments	9	1,560,686	1,456,124	1,343,820
Investment in associates and joint ventures		467,512	469,468	524,424
Investment properties		592,473	590,801	588,602
Other assets		501,965	548,652	501,839
Intangible assets and goodwill		40,024	39,175	49,115
Property and equipment		211,646	216,212	270,401
Leasehold rights		-	-	186,729
Assets classified as held for sale	6	333,071	444,893	-
TOTAL ASSETS		16,444,595	16,499,353	16,739,480
LIABILITIES				
Due to banks and financial institutions		2,657,369	2,871,651	3,128,432
Depositors' accounts		10,914,386	10,662,140	10,897,980
Other liabilities		730,498	699,245	707,209
Liabilities directly associated with the assets classified as held for sale	6	163,358	227,492	-
TOTAL LIABILITIES		14,465,611	14,460,528	14,733,621
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK				
Share capital	10	576,569	524,154	524,154
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	10	-	52,415	-
Treasury shares		(46,489)	(48,824)	(49,819)
Reserves	7	500,789	474,652	534,437
		1,751,202	1,722,730	1,729,105
Proposed cash dividend	10	-	87,755	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,751,202	1,810,485	1,729,105
Non-controlling interests		227,782	228,340	276,754
TOTAL EQUITY		1,978,984	2,038,825	2,005,859
TOTAL LIABILITIES AND EQUITY		16,444,595	16,499,353	16,739,480



HAMAD ABDUL MOHSEN AL-MARZOUQ
(CHAIRMAN)



MAZIN SAAD AL-NAHEDH
(GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 16 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 31 March 2017

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 7)	Subtotal	Proposed cash dividend			Subtotal
At 1 January 2017	524,154	720,333	52,415	(48,824)	474,652	1,722,730	87,755	1,810,485	228,340	2,038,825
Profit for the period	-	-	-	-	38,588	38,588	-	38,588	4,426	43,014
Other comprehensive loss	-	-	-	-	(2,727)	(2,727)	-	(2,727)	(3,674)	(6,401)
Total comprehensive income	-	-	-	-	35,861	35,861	-	35,861	752	36,613
Zakat	-	-	-	-	(9,682)	(9,682)	-	(9,682)	-	(9,682)
Issue of bonus shares (Note 10)	52,415	-	(52,415)	-	-	-	-	-	-	-
Cash dividends paid (Note 10)	-	-	-	-	-	-	(87,755)	(87,755)	-	(87,755)
Net movement on treasury shares	-	-	-	2,335	(42)	2,293	-	2,293	-	2,293
Disposal of a subsidiary (Note 6)	-	-	-	-	-	-	-	-	(1,434)	(1,434)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	124	124
At 31 March 2017	576,569	720,333	-	(46,489)	500,789	1,751,202	-	1,751,202	227,782	1,978,984

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

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

For the period ended 31 March 2017

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 7)	Subtotal	Proposed cash dividend			Subtotal
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	-	-	-	-	34,104	34,104	-	34,104	2,881	36,985
Other comprehensive income	-	-	-	-	3,185	3,185	-	3,185	874	4,059
Total comprehensive income	-	-	-	-	37,289	37,289	-	37,289	3,755	41,044
Zakat	-	-	-	-	(7,914)	(7,914)	-	(7,914)	-	(7,914)
Issue of bonus shares (Note 10)	47,650	-	(47,650)	-	-	-	-	-	-	-
Cash dividends paid (Note 10)	-	-	-	-	-	-	(79,755)	(79,755)	-	(79,755)
Net movement on treasury shares	-	-	-	354	(5)	349	-	349	-	349
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	(3,354)	(3,354)
At 31 March 2016	524,154	720,333	-	(49,819)	534,437	1,729,105	-	1,729,105	276,754	2,005,859

KD 000's

The attached notes 1 to 16 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 31 March 2017

	Notes	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March</i>	<i>31 March</i>
		2017	2016
OPERATING ACTIVITIES			
Profit (loss) for the period			
- Continuing operations		47,074	37,604
- Discontinued operations	6	(4,060)	(619)
Adjustment to reconcile profit to net cash flows:			
Depreciation and amortization		8,232	9,699
Provisions and impairment		43,380	21,079
(Gain) loss on sale of investments		(14,407)	6,270
Dividend income		(2,587)	(2,689)
Share of results of associates and joint ventures		775	(1,131)
Gain on sale of trading and investment properties		(265)	(4,649)
Other investment income		(6,701)	(409)
		<u>71,441</u>	<u>65,155</u>
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Financing receivables		(345,702)	(279,236)
Trading properties		5,013	9,536
Other assets		101,848	(39,192)
Statutory deposit with Central Banks		24,339	79,513
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(214,219)	101,856
Depositors' accounts		252,246	162,223
Other liabilities		(4,537)	33,072
Net cash flows (used in) from operating activities		<u>(109,571)</u>	<u>132,927</u>
INVESTING ACTIVITIES			
Purchase of investments, net		(112,304)	(32,346)
Purchase of investment properties		(4,754)	(11,127)
Proceeds from sale of investment properties		1,628	3,017
Purchase of property and equipment		(12,992)	(24,904)
Proceeds from sale of property and equipment		5,520	7,909
Intangible assets, net		(1,765)	(1,970)
Leasehold rights, net		(505)	(9,459)
Proceeds from sale of a subsidiary		5,600	-
Purchase of investment in associates and joint ventures		-	(1,505)
Proceeds from sale of investment in associates and joint ventures		613	315
Dividend received		7,401	8,825
Net cash flows used in investing activities		<u>(111,558)</u>	<u>(61,245)</u>
FINANCING ACTIVITIES			
Cash dividends paid	10	(87,755)	(79,755)
Net movement in treasury shares		2,293	349
Net cash flows used in financing activities		<u>(85,462)</u>	<u>(79,406)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(306,591)	(7,724)
Cash and cash equivalents at 1 January		2,092,111	2,572,884
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	<u><u>1,785,520</u></u>	<u><u>2,565,160</u></u>

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

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 months period ended 31 March 2017 were authorised for issue by the Bank’s Board of Directors on 12 April 2017.

The shareholders’ annual general assembly held on 20 March 2017 approved the audited consolidated financial statements of the Group for the year ended 31 December 2016.

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. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

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 2016, 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 2017 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 2016 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 2016.

Further, results for the three months period ended 31 March 2017, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

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 2017. 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 2017.

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</i>	
	<i>31 March 2017</i>	<i>31 March 2016</i>
Basic and diluted earnings per share:		
Profit for the period attributable to shareholders` of the Bank (thousand KD)	38,588	34,104
Weighted average number of shares outstanding during the period (thousands share)	5,680,969	5,677,379
Basic and diluted earnings per share attributable to the shareholders of the Bank	6.79 fils	6.01 fils
Basic and diluted earnings per share from continuing operations:		
Profit for the period from continuing operations attributable to shareholders of the Bank (thousand KD)	39,319	33,994
Weighted average number of shares outstanding during the period (thousands share)	5,680,969	5,677,379
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	6.92 fils	5.99 fils

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus shares issued (Note 10).

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

5 TAXATION

	<i>31 March</i>	<i>KD 000's</i>
	<i>2017</i>	<i>31 March</i>
		<i>2016</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(403)	(355)
National Labour Support Tax (NLST)	(878)	(699)
Zakat (based on Zakat Law No. 46/2006)	(397)	(298)
Taxation related to subsidiaries	(6,589)	(3,397)
	(8,267)	(4,749)

6 DISCONTINUED OPERATIONS

On 30 June 2016, the Board of Directors of the Bank approved to sell the Group's interest in its subsidiary Aref Investment Group (AIG). As a result, the interim condensed consolidated statement of financial position at 31 March 2017 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 AIG assets classified as held for sale and liabilities directly associated with the assets classified as held for sale in the interim condensed consolidated statement of financial position net of accumulated impairment provision attributable to the shareholders of the Bank and inter-group eliminations.

During the period ended 31 March 2017, the Group has sold its entire holding in Public Services Company (PSC), Also certain subsidiaries established for syndication purpose and classified as held for sale were partly syndicated.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

7 RESERVES

The movement of reserves is analysed as follows:

	31 March 2017							KD 000's
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance at 1 January 2017	255,564	255,564	107,099	6,735	25,728	(141,649)	(34,389)	474,652
Profit for the period	-	-	38,588	-	-	-	-	38,588
Other comprehensive income (loss)	-	-	-	-	3,524	(6,251)	-	(2,727)
Total comprehensive income (loss)	-	-	38,588	-	3,524	(6,251)	-	35,861
Zakat	-	-	(9,682)	-	-	-	-	(9,682)
Loss on sale of treasury shares	-	-	-	(42)	-	-	-	(42)
Balance at 31 March 2017	255,564	255,564	136,005	6,693	29,252	(147,900)	(34,389)	500,789

	31 March 2016							KD 000's
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
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	-	-	34,104	-	-	-	-	34,104
Other comprehensive (loss) income	-	-	-	-	(1,744)	4,929	-	3,185
Total comprehensive income (loss)	-	-	34,104	-	(1,744)	4,929	-	37,289
Zakat	-	-	(7,914)	-	-	-	-	(7,914)
Loss on sale of treasury shares	-	-	-	(5)	-	-	-	(5)
Balance at 31 March 2016	238,252	238,252	150,769	7,079	15,985	(92,304)	(23,596)	534,437

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

8 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>31 March 2017</i>	<i>(Audited) 31 December 2016</i>	<i>31 March 2016</i>
Cash	165,629	251,707	178,837
Balances with Central Banks	726,762	715,371	901,719
Balances with banks and financial institutions - current accounts	459,507	527,579	584,045
Cash and balances with banks and financial institutions	1,351,898	1,494,657	1,664,601
Short term murabaha maturing within 3 months of contract date	927,465	1,119,810	1,214,909
Tawarruq balances with Central Bank of Kuwait maturing within 3 months of contract date	21,005	10,002	215,057
Cash with banks attributable to discontinued operations (Note 6)	25,323	32,152	-
Less: Statutory deposits with Central Banks	(540,171)	(564,510)	(529,407)
Cash and cash equivalents	<u>1,785,520</u>	<u>2,092,111</u>	<u>2,565,160</u>

9 INVESTMENTS

This includes investments in Sukook of KD 1,214,214 thousand (31 December 2016: KD 1,099,603 thousand and 31 March 2016: KD 880,372 thousand).

10 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

The Bank's extraordinary general assembly and ordinary general assembly of the shareholders held on 20 March 2017, approved bonus shares of 10% (2015: 10%) on outstanding shares amounting KD 52,415 thousand (2015: KD 47,650 thousand) and cash dividends of 17 fils per share (2015: 17 fils per share) amounting KD 87,755 thousand (2015: KD 79,755 thousand) proposed to the Bank's shareholders for the year ended 31 December 2016.

Accordingly, the authorised, issued, and fully paid share capital as at 31 March 2017 comprise of 5,765,693,556 (31 December 2016: 5,241,539,597 and 31 March 2016: 5,241,539,597) shares of 100 fils each.

11 DIRECTORS' FEES

In the ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2016 held on 20 March 2017, the shareholders approved directors' fees proposed for the year ended 31 December 2016.

12 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 2017</i>	<i>(Audited) 31 December 2016</i>	<i>31 March 2016</i>
Acceptances and letters of credit	169,652	146,155	171,870
Letter of guarantees	1,851,980	1,675,716	1,565,158
Contingencies	2,021,632	1,821,871	1,737,028
Capital commitments	<u>450,265</u>	<u>399,058</u>	<u>415,765</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

13 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.

The balances included in the interim condensed consolidated statement of financial position are as follows:

<i>KD 000's</i>							
			<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>31 March 2017</i>	<i>(Audited) 31 December 2016</i>	<i>Total 31 March 2016</i>
	<i>Major shareholders</i>	<i>Associates</i>					
Related parties							
Financing receivables	-	93,930	4,677	11,338	109,945	134,413	130,094
Due to banks and financial institutions	1,333,890	10,694	-	-	1,344,584	1,335,174	1,298,400
Depositors' accounts	-	71,314	6,965	25,025	103,304	98,435	164,588
Contingencies and commitments	436	13,334	2	111	13,883	14,801	45,969
Investment managed by related party	-	-	-	33,963	33,963	34,108	33,640

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

<i>KD 000's</i>						
			<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>Three months ended</i>	
	<i>Major shareholders</i>	<i>Associates</i>			<i>31 March 2017</i>	<i>31 March 2016</i>
Financing income	-	1,116	52	51	1,219	1,155
Fee and commission income	-	7	5	24	36	78
Finance cost and estimated distribution to depositors	5,709	169	-	497	6,375	5,116

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

13 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>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>		
<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>
Board Members								
Finance facilities	27	40	36	19	20	19	16,033	45,879
Credit cards	17	15	21	9	8	4	40	36
Deposits	72	78	92	130	145	108	10,021	12,631
Collateral against finance facilities	6	9	15	2	3	5	15,190	11,062
Executive Officers								
Finance facilities	46	45	33	10	11	12	3,360	2,835
Credit cards	41	39	24	6	7	4	166	132
Deposits	73	83	52	75	79	38	9,171	3,470
Collateral against finance facilities	15	14	13	4	5	4	7,549	6,716

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>	
	<i>Total</i>	
	<i>Three months ended</i>	
	<i>31 March 2017</i>	<i>31 March 2016</i>
Board Members		
Financing income	32	55
Executive officers		
Financing income	20	20
	<u>52</u>	<u>75</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>Total</i>	
	<i>Three months ended</i>	
	<i>31 March 2017</i>	<i>31 March 2016</i>
Salaries, allowances and bonuses of key management personnel	5,414	5,309
Termination & long term benefits of key management personnel	486	390
Remuneration of chairman and board members *	142	357
	<u>6,042</u>	<u>6,056</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.

14 SEGMENTAL ANALYSIS

Segment information

<i>31 March 2017</i>	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,300,086	1,739,847	8,687,565	717,097	16,444,595
Total liabilities	2,694,598	114,927	11,094,719	561,367	14,465,611
Total operating income	12,455	27,512	110,929	17,718	168,614
Profit (loss) for the period	10,825	12,712	64,178	(44,701)	43,014

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

14 SEGMENTAL ANALYSIS (continued)

Segment information (continued)

					<i>KD 000's</i>
<i>31 March 2016</i>	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,671,978	2,250,431	8,350,884	466,187	16,739,480
Total liabilities	2,826,486	140,669	11,381,477	384,989	14,733,621
Total operating income	8,145	6,036	111,205	12,156	137,542
Profit (loss) for the period	4,454	(5,333)	69,557	(31,693)	36,985

15 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 2017:

				<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	-	58,257	-	58,257
Financial assets available for sale	943,847	47,834	380,459	1,372,140
<i>Derivative financial assets:</i>				
Forward contracts	-	1,653	-	1,653
Profit rate swaps	-	268	-	268
Currency swaps	-	961	-	961
	943,847	108,973	380,459	1,433,279
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	-	1,620	-	1,620
Profit rate swaps	-	21	-	21
Currency swaps	-	16,991	-	16,991
Embedded precious metals	-	74	-	74
	-	18,706	-	18,706

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

15 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2016.

				KD 000's
Financial assets measured at fair value:	(Level 1)	(Level 2)	(Level 3)	Total
Venture capital at fair value through statement of income	-	58,230	-	58,230
Financial assets available for sale	867,724	48,216	357,507	1,273,447
<i>Derivative financial assets:</i>				
Forward contracts	-	2,017	-	2,017
Profit rate swaps	-	330	-	330
Currency swaps	-	7,665	-	7,665
	<u>867,724</u>	<u>116,458</u>	<u>357,507</u>	<u>1,341,689</u>
				KD 000's
Financial liabilities measured at fair value:	(Level 1)	(Level 2)	(Level 3)	Total
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,540	-	1,540
Profit rate swaps	-	-	-	-
Currency swaps	-	21,037	-	21,037
Embedded precious metals	-	62	-	62
	<u>-</u>	<u>22,639</u>	<u>-</u>	<u>22,639</u>

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 March 2016:

				KD 000's
Financial assets measured at fair value:	(Level 1)	(Level 2)	(Level 3)	Total
Venture capital at fair value through statement of income	-	99,624	-	99,624
Financial assets available for sale	759,176	88,845	261,738	1,109,759
<i>Derivative financial assets:</i>				
Forward contracts	-	5,333	-	5,333
Profit rate swaps	-	622	-	622
Currency swaps	-	13,337	-	13,337
	<u>759,176</u>	<u>207,761</u>	<u>261,738</u>	<u>1,228,675</u>
				KD 000's
Financial liabilities measured at fair value:	(Level 1)	(Level 2)	(Level 3)	Total
<i>Derivative financial liabilities:</i>				
Forward contracts	-	3,858	-	3,858
Profit rate swaps	-	82	-	82
Currency swaps	-	5,888	-	5,888
Embedded precious metals	-	18	-	18
	<u>-</u>	<u>9,846</u>	<u>-</u>	<u>9,846</u>

No transfers have been made between the levels of hierarchy.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at 31 March 2017

16 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 March 2017 amounted to KD 1,178,526 thousand (31 December 2016: KD 1,103,087 thousand and 31 March 2016: KD 1,295,905 thousand).

Fee and commission income include fees of KD 415 thousand (31 March 2016: KD 439 thousand) arising from trust and fiduciary activities.