

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

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

31 MARCH 2013

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C. ("the Bank") and its Subsidiaries (collectively "the Group") as at 31 March 2013 and the related interim condensed consolidated statements of income and comprehensive income for the three month period then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the three month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

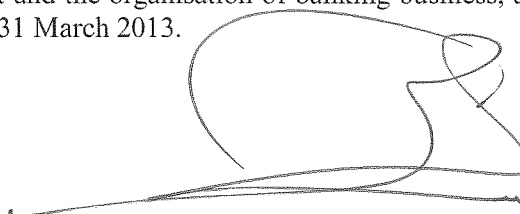
Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 25 of 2012 as amended, or of the articles of association and memorandum of incorporation of the Bank that might have had a material effect on the business of the Bank or on its financial position during the three month period ended 31 March 2013.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the three month period ended 31 March 2013.



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LICENCE NO. 68 A
ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS



BADER A. AL-WAZZAN
LICENCE NO. 62 A
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Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2013

	Notes	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March 2013</i>	<i>31 March 2012</i>
INCOME			
Financing income		144,474	128,246
Investment income		34,248	19,708
Fee and commission income		21,525	14,687
Net gain from foreign currencies		9,226	4,394
Other income		15,037	15,722
		<u>224,510</u>	<u>182,757</u>
EXPENSES			
Staff costs		36,950	29,900
General and administrative expenses		32,258	27,593
Finance costs		15,671	13,808
Depreciation		16,330	17,061
Impairment		41,925	38,217
		<u>143,134</u>	<u>126,579</u>
PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS		<u>81,376</u>	56,178
Estimated distribution to depositors	3	(43,126)	(36,852)
PROFIT AFTER ESTIMATED DISTRIBUTION TO DEPOSITORS		<u>38,250</u>	19,326
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(232)	(205)
National Labour Support Tax (NLST)		(282)	(213)
Zakat (based on Zakat Law No. 46/2006)		(94)	(57)
Reversal of directors' fees	8	385	-
PROFIT FOR THE PERIOD		<u>38,027</u>	<u>18,851</u>
Attributable to:			
Equityholders of the Bank		23,001	20,053
Non-controlling interests		15,026	(1,202)
		<u>38,027</u>	<u>18,851</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK		<u>8.1 fils</u>	<u>7.0 fils</u>
	4		

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

Kuwait Finance House K.S.C and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2013

		<i>KD 000's</i>	
		<i>Three months ended</i>	
<i>Notes</i>		<i>31 March 2013</i>	<i>31 March 2012</i>
	Profit before estimated distribution to depositors	81,376	56,178
	Other comprehensive income (loss)		
	Change in fair value of financial assets available for sale during the period	601	17,960
5	Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts	13	371
5	Loss (gain) realised on financial assets available for sale during the period	1,085	(1,399)
5	Share of other comprehensive income of associates	1,219	1,129
6	Exchange differences on translation of foreign operations	6,607	(1,891)
	Other comprehensive income for the period included directly in fair value reserve and foreign exchange translation reserve	9,525	16,170
	Total comprehensive income before estimated distribution to depositors	90,901	72,348

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

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2013

		<i>KD 000's</i>		
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	
<i>Notes</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>	
ASSETS				
Cash and balances with banks and financial institutions	7	944,223	814,256	877,559
Short-term murabaha		1,318,783	1,185,723	1,670,875
Receivables		6,750,268	6,652,918	5,984,670
Trading properties		257,634	255,925	288,952
Leased assets		1,731,921	1,653,510	1,463,825
Financial assets available for sale		1,400,332	1,376,260	1,356,335
Investment in associates		459,724	452,832	475,941
Investment properties		589,169	557,264	553,235
Other assets		770,017	1,020,937	734,091
Property and equipment		709,626	733,676	775,603
TOTAL ASSETS		14,931,697	14,703,301	14,181,086
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		2,088,018	2,254,850	2,136,792
Depositors' accounts		9,712,632	9,392,676	9,182,487
Other liabilities		731,368	734,985	720,889
TOTAL LIABILITIES		12,532,018	12,382,511	12,040,168
DEFERRED REVENUE		774,273	744,041	679,713
FAIR VALUE RESERVE	5	(6,276)	(9,194)	5,058
FOREIGN EXCHANGE TRANSLATION RESERVE	6	(46,866)	(53,473)	(76,696)
EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK				
Share capital		290,416	290,416	290,416
Share premium		464,766	464,766	464,766
Proposed issue of bonus shares	8	29,042	29,042	-
Treasury shares		(54,028)	(54,028)	(46,813)
Reserves		569,473	569,473	544,361
Profit for the period attributable to equityholders of the Bank		23,001	-	20,053
Proposed cash dividend	8	1,322,670	1,299,669	1,272,783
		28,429	28,429	-
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK		1,351,099	1,328,098	1,272,783
Non-controlling interests		327,449	311,318	260,060
TOTAL EQUITY		1,678,548	1,639,416	1,532,843
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY		14,931,697	14,703,301	14,181,086

MOHAMMED ALI AL-KHUDAIRI
(CHAIRMAN)

MOHAMMAD AL-OMAR
(CHIEF EXECUTIVE OFFICER)

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

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2013

	Attributable to equityholders of the Bank											Non-controlling interests	Total equity		
	Reserves														
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Employees' share options reserve	Treasury shares reserve	Sub total	Profit for the period	Sub total			Proposed cash dividend	Sub total
At 31 December 2011	268,904	464,766	21,512	(46,813)	262,491	270,950	4,244	6,676	544,361	-	1,252,730	39,623	1,292,353	264,659	1,557,012
Movements during the period:															
Issue of bonus shares	21,512	-	(21,512)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	(39,623)	(39,623)	-	(39,623)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	20,053	20,053	-	20,053	(3,397)	(3,397)
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	20,053	20,053	-	20,053	(1,202)	18,851
At 31 March 2012	290,416	464,766	-	(46,813)	262,491	270,950	4,244	6,676	544,361	20,053	1,272,783	-	1,272,783	260,060	1,532,843
Movements during the period:															
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	28,429	28,429	1,105	1,105
Profit for the period	-	-	-	-	-	-	-	-	-	23,001	23,001	-	23,001	15,026	38,027
At 31 March 2013	290,416	464,766	29,042	(54,028)	271,578	286,973	4,246	6,676	569,473	23,001	1,322,670	28,429	1,351,099	327,449	1,678,548

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

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 31 March 2013

	<i>KD 000's</i>	
	<i>Three months ended</i>	
	<i>31 March</i>	<i>31 March</i>
<i>Note</i>	<i>2013</i>	<i>2012</i>
OPERATING ACTIVITIES		
Profit for the period	38,027	18,851
Adjustment for:		
Depreciation	16,330	17,061
Impairment	41,925	38,217
Gain on sale of financial assets available for sale	(2,250)	(1,055)
Dividend income	(2,602)	(4,084)
Sukuk income	(6,578)	(5,081)
Gain on cancellation of aircraft contract	(7,119)	-
Share of results of associates	(6,453)	160
Gain on sale of investment properties	(2,624)	-
Other investment income	(929)	(871)
	<u>67,727</u>	<u>63,198</u>
Changes in operating assets and liabilities		
<i>(Increase) decrease in operating assets:</i>		
Receivables	238,423	(72,008)
Leased assets	(89,117)	(15,266)
Trading properties	(1,709)	(32,497)
Other assets	247,647	(29,180)
Statutory deposit with Central Banks	(29,154)	(67,262)
<i>Increase (decrease) in operating liabilities:</i>		
Due to banks and financial institutions	(166,832)	318,156
Depositors' accounts	319,956	300,642
Other liabilities	(2,827)	36,766
Net cash from operating activities	<u>584,114</u>	<u>502,549</u>
INVESTING ACTIVITIES		
Purchase of financial assets available for sale, net	(33,221)	(32,798)
Purchase of investment properties	(30,510)	(39,599)
Proceeds from sale of investment properties	10,544	25,145
Purchase of property and equipment	(19,257)	(30,517)
Proceeds from sale of property and equipment	26,877	3,964
Purchase of investments in associates	(2,167)	(7,473)
Dividend income received	2,602	14,936
Sukuk income received	6,578	5,081
Cash proceeds from cancellation of aircraft contracts	7,119	-
Net cash used in investing activities	<u>(31,435)</u>	<u>(61,261)</u>
FINANCING ACTIVITIES		
Cash dividends paid	-	(39,623)
Net cash used in financing activities	<u>-</u>	<u>(39,623)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	552,679	401,665
Cash and cash equivalents at 1 January	992,362	1,475,296
CASH AND CASH EQUIVALENTS AT 31 MARCH	7 <u>1,545,041</u>	<u>1,876,961</u>

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

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C. (“the Bank”) and its subsidiaries (collectively “the Group”) for the period ended 31 March 2013 were authorised for issue by the Chairman on 23 April 2013 in accordance with a resolution of the Bank’s Board of Directors on 10 April 2013.

The Bank is a public shareholding company incorporated in Kuwait on 23 March 1977 and was registered as an Islamic bank with the Central Bank of Kuwait on 24 May 2004. It is engaged principally in providing banking services, the purchase and sale of properties, leasing, project construction for its own account as well as for third parties and other trading activities without practising usury. Trading activities are conducted on the basis of purchasing various goods and selling them on murabaha at negotiated profit margins which can be settled in cash or on instalment credit basis. The Bank’s registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

All activities are conducted in accordance with Islamic Shareea’a, as approved by the Bank’s Fatwa and Shareea’a Supervisory Board.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the “Companies Law”), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations, which shall be issued by the Ministry of Industry and Commerce by 26 September 2013 will determine the basis and rules which the Bank shall adopt to regularise its affairs with the Companies Law as amended.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting. Except as noted below, the accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2012. The annual consolidated financial statements for the year ended 31 December 2012 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collaterals) that are not provided specifically.

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

The Group has adopted the following new standards or amendments which are effective as of 1 January 2013

IFRS 10 – Consolidated Financial Statements

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

At 31 March 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has adopted the following new standards or amendments which are effective as of 1 January 2013 (continued)

IFRS 10 – Consolidated Financial Statements (continued)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The Group's management is in the process of assessing the full effect of this standard on the consolidated financial position, and at this stage does not believe that the application of the standard will significantly impact the financial position of the Group.

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

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

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

IFRS 12 – Disclosure of Involvement with Other Entities

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

IFRS 13 – Fair Value measurement

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

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

The management of the Bank is of the opinion that the estimated distribution to depositors is presented for information purposes only, and accordingly the estimated distribution to depositors and the profit for the period attributable to Bank's equityholders should not be relied upon to indicate distribution of profit to all parties concerned for the period of three months ended 31 March 2013 or for the year ending 31 December 2013.

The actual profit to be distributed to all parties concerned will be determined by the Board of Directors of the Bank in accordance with the Bank's articles of association, based on the annual audited results for the year ending 31 December 2013.

In addition to the above, the total comprehensive income before estimated distribution to depositors (as per the interim condensed consolidated statement of comprehensive income) is presented for compliance with the requirements of the revised IAS 1 and is not appropriate for the purpose of determining the estimated distribution to depositors or the profit for the period attributable to the Bank's equityholders.

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

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

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

Diluted earnings per share is calculated by dividing the profit for the period attributable to equityholders of the Bank by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares held by the Group plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

	<i>Three months ended 31 March</i>	
	<i>2013</i>	<i>2012</i>
Profit for the period attributable to equity holders of the Bank (thousands KD)	<u>23,001</u>	<u>20,053</u>
Weighted average number of shares outstanding during the period (thousands shares)	<u>2,842,926</u>	<u>2,852,842</u>
Basic and diluted earnings per share	<u>8.1 fils</u>	<u>7.0 fils</u>

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

5 FAIR VALUE RESERVE

Changes in fair value of financial assets available for sale, currency swaps, profit rate swaps and forward foreign exchange contracts are reported in the fair value reserve. The management of the Bank is of the opinion that this reserve is attributable to both the depositors and equityholders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity attributable to the equityholders of the Bank.

The movement in the fair value reserve is analysed as follows:

	<i>KD 000's</i>		
	<i>(Unaudited)</i> 31 March 2013	<i>(Audited)</i> 31 December 2012	<i>(Unaudited)</i> 31 March 2012
	<i>Currency swaps, profit rate swaps and forward foreign exchange contracts</i>	<i>Total</i>	<i>Total</i>
Financial assets available for sale			
	(10,906)	(9,194)	(13,003)
Change in fair value of financial assets available for sale during the period/year	601	601	17,960
Change in fair value of currency swaps and profit rate swaps, and forward foreign exchange contracts	1,712	-	-
Loss (gain) realised on financial assets available for sale during the period/year	-	13	1,337
Impairment losses transferred to the interim condensed consolidated statement of income	1,085	1,085	1,883
Share of other comprehensive income of associates	-	-	-
Acquisition of non-controlling interest	1,219	1,219	1,129
	-	-	-
Balance at the end of the period/year	(8,001)	(6,276)	5,058

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

6 FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arises on the consolidation of foreign subsidiaries and equity accounting of foreign associates. The management of the Bank is of the opinion that this reserve is attributable to both the depositors and equityholders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity attributable to the equityholders of the Bank.

7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>(Unaudited)</i> 31 March 2013	<i>(Audited)</i> 31 December 2012	<i>(Unaudited)</i> 31 March 2012
Cash	116,405	96,437	64,582
Balances with Central Banks	353,894	345,225	384,908
Balances with banks and financial institutions - current accounts	363,505	192,025	303,904
Balances with banks and financial institutions - exchange of deposits	110,419	180,569	124,165
Cash and balances with banks and financial institutions	<u>944,223</u>	<u>814,256</u>	<u>877,559</u>
Short-term murabaha - maturing within 3 months of contract date	829,039	357,119	838,388
Tawarruq balances with Central Bank of Kuwait (included within short-term international murabaha)	120,031	140,085	335,057
Less: Statutory deposits with Central Banks	<u>(348,252)</u>	<u>(319,098)</u>	<u>(174,043)</u>
Cash and cash equivalents	<u><u>1,545,041</u></u>	<u><u>992,362</u></u>	<u><u>1,876,961</u></u>

8 PROPOSED ISSUE OF BONUS SHARES, CASH DIVIDENDS AND DIRECTORS' FEES

Cash dividends of 10 fils per share proposed for the year ended 31 December 2012, to the Bank's shareholders on record as of the date of the ordinary general assembly, were approved by the Bank's ordinary general assembly of the shareholders held on 7 April 2013.

On 14 January 2013, the Board of Directors of the Bank had proposed Directors' fees of KD 905 thousand (2011: KD 260 thousand) for the year ended 31 December 2012, which was subject to approval by the annual general assembly of the shareholders of the Bank. On 4 April 2013, The Board of Directors of the Bank resolved in their meeting to cancel the Directors fees proposed earlier. Subsequently in the ordinary general assembly meeting of the shareholders of the Bank held on 7 April 2013, the shareholders approved Directors' fees of KD 520 thousand (2011: KD 260 thousand) for the year ended 31 December 2012, and the Bank as a result reversed KD 385 thousand in the interim condensed consolidated financial information for the three months period ended 31 March 2013 (Note 10).

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>(Unaudited)</i> 31 March 2013	<i>(Audited)</i> 31 December 2012	<i>(Unaudited)</i> 31 March 2012
Acceptances and letters of credit	225,722	209,079	149,246
Letter of guarantees	1,322,457	1,220,710	1,045,157
	<u>1,548,179</u>	<u>1,429,789</u>	<u>1,194,403</u>
Capital commitments	<u><u>1,815,015</u></u>	<u><u>1,702,187</u></u>	<u><u>1,693,886</u></u>

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

10 RELATED PARTY TRANSACTIONS

Certain related parties (directors and executive employees, officers of the Group, their families, associated companies and companies of which they are the principal owners) were depositors and finance facilities customers of the Bank, in the ordinary course of business. Such transactions were made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. These transactions are approved by the ordinary general assembly of the equity holders of the Bank.

The balances included in the interim condensed consolidated financial information are as follows:

					<i>KD 000's</i>		
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>(Unaudited) 31 March 2013</i>	<i>(Audited) 31 December 2012</i>	<i>(Unaudited) 31 March 2012</i>
					<i>Total</i>		
Related parties							
Receivables	-	54,905	9,520	105,283	169,708	180,743	193,135
Due to banks and financial institutions	964,307	5,704	-	8,499	978,510	1,046,918	593,750
Depositors' accounts	32,323	21,669	5,817	27,226	87,035	80,409	83,983
Commitments and contingencies	956	4,064	6	16,235	21,261	6,752	10,258
Investment managed by related party	-	14,280	-	14,366	28,646	48,583	41,583

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

					<i>KD 000's</i>	
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board Members and Executive Officers</i>	<i>Other related party</i>	<i>(Unaudited) 31 March 2013</i>	<i>(Unaudited) 31 March 2012</i>
					<i>Total</i>	
Financing income	-	999	68	1,087	2,154	2,027
Fee and commission income	1	23	-	24	48	2
Finance costs	2,071	16	-	183	2,270	2,818

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

10 RELATED PARTY TRANSACTIONS (continued)

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

KD 000's

	The number of Board Members or Executive Officers			The number of related parties			Values	
	(Unaudited) 31 March 2013	(Audited) 31 December 2012	(Unaudited) 31 March 2012	(Unaudited) 31 March 2013	(Audited) 31 December 2012	(Unaudited) 31 March 2012	(Audited) 31 December 2012	(Unaudited) 31 March 2012
Board Members								
Finance facilities	6	6	3	2	2	-	6,834	6,953
Credit cards	7	9	1	3	3	2	43	41
Deposits	33	33	18	42	39	31	2,432	5,648
Collateral against finance facilities	5	5	2	-	-	-	7,982	8,339
Executive Officers								
Finance facilities	10	14	71	3	6	5	4,621	18,923
Credit cards	10	11	9	1	4	4	28	24
Deposits	38	41	22	38	56	52	4,173	5,073
Collateral against finance facilities	7	8	71	2	1	5	6,940	21,269

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

10 RELATED PARTY TRANSACTIONS (continued)

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

	Bank	Subsidiaries	KD 000's	
			(Unaudited) 31 March 2013	(Unaudited) 31 March 2012
Board Members				
Finance income	27	12	39	87
Executive officers				
Finance income	11	18	29	44
	<u>38</u>	<u>30</u>	<u>68</u>	<u>131</u>

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

	Bank	Subsidiaries	KD 000's	
			(Unaudited) 31 March 2013	(Unaudited) 31 March 2012
Salaries, allowances and bonuses of key management personnel	309	2,078	2,387	2,181
Termination benefits of key management personnel	24	163	187	136
Remuneration of chairman and board members *	-	90	90	98
(Reversal of) remuneration of chairman and board members (Note 8)	(385)	-	(385)	-
	<u>(52)</u>	<u>2,331</u>	<u>2,279</u>	<u>2,415</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:

31 March 2013 (Unaudited)	KD 000's				Total
	Treasury	Investment	Banking	Other	
Total assets	4,124,770	3,829,410	5,552,013	1,425,504	14,931,697
Total liabilities	2,200,806	98,913	9,638,865	593,434	12,532,018
Income	17,517	20,403	151,246	35,344	224,510
Profit (loss) before estimated distribution to depositors	5,359	3,569	74,011	(1,563)	81,376

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2013

11 SEGMENTAL ANALYSIS (continued)

<i>31 March 2012 (Unaudited)</i>					<i>KD 000's</i>
	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	3,960,561	3,599,137	5,198,946	1,422,442	14,181,086
Total liabilities	2,263,634	128,757	9,145,446	502,331	12,040,168
Income	15,079	15,562	133,246	18,870	182,757
Profit (loss) before estimated distribution to depositors	7,858	1,229	77,741	(30,650)	56,178

12 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 31 March 2013 amounted to KD 651,398 thousand (31 December 2012: KD 635,086 thousand and 31 March 2012: KD 668,027 thousand).

Fee and commission income include fees of KD 1,137 thousand (31 March 2012: KD 1,102 thousand) arising from trust and fiduciary activities.