

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

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

31 MARCH 2014



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 2014 and the related interim condensed consolidated statement of income, comprehensive income, 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 violations of the Companies Law No. 25 of 2012 as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, during the three month ended 31 March 2014 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 month period ended 31 March 2014 that might have had a material effect on the business of the Bank or on its financial position.

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9 April 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2014

		<i>KD 000's</i>	
		<i>Three months ended</i>	
	<i>Notes</i>	<i>31 March 2014</i>	<i>31 March 2013</i>
CONTINUED OPERATIONS			
REVENUES			
Financing income		146,321	144,474
Investment income		35,333	27,795
Fee and commission income		17,786	21,525
Share of result of associates and joint ventures		150	6,453
Net gain from foreign currencies		4,890	9,226
Other income		19,890	13,556
		<u>224,370</u>	<u>223,029</u>
EXPENSES			
Staff costs		43,939	36,950
General and administrative expenses		44,748	32,258
Finance costs		19,186	15,671
Depreciation and amortization		18,500	16,330
Impairment		14,652	40,444
		<u>141,025</u>	<u>141,653</u>
PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS		83,345	81,376
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations		88	-
PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS		83,433	81,376
Estimated distribution to depositors	3	43,914	43,126
PROFIT AFTER ESTIMATED DISTRIBUTION TO DEPOSITORS		39,519	38,250
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		271	232
National Labour Support Tax (NLST)		567	282
Zakat (based on Zakat Law No. 46/2006)		204	94
Reversal of directors' fees	9	-	(385)
PROFIT FOR THE PERIOD		38,477	38,027
Attributable to:			
Equityholders of the Bank		26,056	23,001
Non-controlling interests		12,421	15,026
		<u>38,477</u>	<u>38,027</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK	4	6.12 fils	6.04 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2014

		<i>KD 000's</i>	
		<i>Three months ended</i>	
<i>Notes</i>		<i>31 March 2014</i>	<i>31 March 2013</i>
	Profit before estimated distribution to depositors	83,433	81,376
	Other comprehensive income (loss)		
	<i>Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:</i>		
	Change in fair value of financial assets available for sale during the period	5 8,158	601
	Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts	5 24	13
	Realised loss on financial assets available for sale during the period	5 101	1,085
	Impairment losses transferred to the interim condensed consolidated statement of income	5 5,027	-
	Share of other comprehensive income of associates and joint ventures	5 298	1,219
	Exchange differences on translation of foreign operations	6 (37,470)	6,607
	Other comprehensive (loss) income for the period included directly in fair value reserve and foreign exchange translation reserve	(23,862)	9,525
	Total comprehensive income before estimated distribution to depositors	59,571	90,901


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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2014

		<i>KD 000's</i>		
			(Audited)	
	Notes	31 March 2014	31 December 2013	31 March 2013
ASSETS				
Cash and balances with banks and financial institutions	7	1,525,759	1,070,486	944,223
Short-term murabaha		3,059,379	2,431,742	1,318,783
Receivables		6,427,921	6,500,300	6,750,268
Trading properties		243,211	288,928	257,634
Leased assets		1,988,310	1,938,479	1,731,921
Financial assets available for sale		1,250,302	1,215,823	1,272,845
Investment in associates and joint ventures		600,062	617,594	587,211
Investment properties		491,206	524,342	589,169
Other assets		619,408	490,732	609,548
Intangible assets		56,534	57,098	45,697
Property and equipment		804,880	812,593	709,626
Leasehold rights		123,480	125,320	114,772
Assets classified as held for sale		62,792	66,353	-
TOTAL ASSETS		17,253,244	16,139,790	14,931,697
LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		3,379,445	2,468,526	2,088,018
Depositors' accounts		10,349,093	10,103,986	9,712,632
Other liabilities		773,283	748,740	731,368
		14,501,821	13,321,252	12,532,018
Liabilities directly associated with assets classified as held for sale		14,369	13,587	-
TOTAL LIABILITIES		14,516,190	13,334,839	12,532,018
DEFERRED REVENUE		823,462	851,730	774,273
FAIR VALUE RESERVE	5	47	(13,561)	(6,276)
FOREIGN EXCHANGE TRANSLATION RESERVE	6	(135,909)	(98,439)	(46,866)
EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK				
Share capital	8	383,350	383,350	290,416
Share premium		720,333	720,333	464,766
Proposed issue of bonus shares	8	-	49,835	29,042
Bonus shares under issuance	8	49,835	-	-
Treasury shares		(52,510)	(56,118)	(54,028)
Reserves		582,733	582,497	569,473
Profit for the period attributable to equity holders of the Bank		26,056	-	23,001
		1,709,797	1,679,897	1,322,670
Proposed cash dividend	8	-	48,968	28,429
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK		1,709,797	1,728,865	1,351,099
Non-controlling interests		339,657	336,356	327,449
TOTAL EQUITY		2,049,454	2,065,221	1,678,548
TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY		17,253,244	16,139,790	14,931,697


 HAMAD ABDUL MOHSEN AL-MARZOUQ
 (CHAIRMAN)


 MOHAMMAD AL-OMAR
 (CHIEF EXECUTIVE OFFICER)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2014

	KD 000's															
	Attributable to equityholders of the Bank										Non- controlling interests	Total equity				
	Reserves															
	Share capital	Share premium	Proposed issue of bonus shares	Bonus shares under issuance	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 2012 (Audited)	290,416	464,766	29,042	-	(54,028)	271,578	286,973	4,246	6,676	569,473	-	1,299,669	28,429	1,328,098	311,318	1,639,416
Movements during the period:																
Net change in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	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
At 31 December 2013 (Audited)	383,350	720,333	49,835	-	(56,118)	283,584	287,942	4,246	6,725	582,497	-	1,679,897	48,968	1,728,865	336,356	2,065,221
Movements during the period:																
Bonus shares under issuance (Note 8)	-	-	(49,835)	49,835	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-	(48,968)	(48,968)	-	(48,968)
Sale of treasury shares	-	-	-	-	3,608	-	-	-	-	-	-	3,608	-	3,608	-	3,608
Profit from sale of treasury shares	-	-	-	-	-	-	-	-	236	236	-	236	-	236	-	236
Net change in non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,120)	(9,120)
Profit for the period	-	-	-	-	-	-	-	-	-	-	26,056	26,056	-	26,056	12,421	38,477
At 31 March 2014	383,350	720,333	-	49,835	(52,510)	283,584	287,942	4,246	6,961	582,733	26,056	1,709,797	-	1,709,797	339,657	2,049,454

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2014

	Note	<i>KD 000's</i>	
		<i>Three months ended</i>	
		<i>31 March 2014</i>	<i>31 March 2013</i>
OPERATING ACTIVITIES			
Profit for the period		38,477	38,027
Adjustment to reconcile profit to net cash flows:			
Depreciation and amortization		18,500	16,330
Impairment		14,652	40,444
Gain on sale of financial assets available for sale		(3,458)	(2,250)
Dividend income		(2,029)	(2,602)
Sukook income		(7,961)	(6,578)
Gain on cancellation of aircraft contract		-	(7,119)
Share of results of associates and joint ventures		(150)	(6,453)
Gain on sale of investment properties		(13,024)	(2,624)
Other investment (income) loss		(5,227)	552
Finance cost		19,186	15,671
		<u>58,966</u>	<u>83,398</u>
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Receivables		(173,091)	238,423
Trading properties		55,259	(1,709)
Leased assets		(38,638)	(89,117)
Other assets		(117,757)	247,647
Leasehold rights		1,840	-
Intangible assets		564	-
Statutory deposit with Central Banks		(19,064)	(29,154)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		910,919	(166,832)
Depositors' accounts		245,355	319,956
Other liabilities		18,470	(2,827)
Finance cost paid		(19,186)	(15,671)
Net cash flows from operating activities		<u>923,637</u>	<u>584,114</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale, net		(50,205)	(33,108)
Purchase of investment properties		(35,495)	(30,510)
Proceeds from sale of investment properties		55,619	10,544
Purchase of property and equipment		(21,583)	(19,257)
Proceeds from sale of property and equipment		14,235	26,877
Purchase of investment in associates and joint ventures, net		(1,915)	(2,167)
Dividend income received		3,793	2,489
Sukook income received		7,961	6,578
Cash proceeds from cancellation of aircraft contracts		-	7,119
Net cash flows used in investing activities		<u>(27,590)</u>	<u>(31,435)</u>
FINANCING ACTIVITIES			
Cash dividends paid		(48,968)	-
Sale of treasury shares		3,844	-
Net cash flows used in financing activities		<u>(45,124)</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS		850,923	552,679
Cash and cash equivalents at 1 January		1,959,000	992,362
CASH AND CASH EQUIVALENTS AT 31 MARCH	7	<u><u>2,809,923</u></u>	<u><u>1,545,041</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C.P. (“the Bank”) and its subsidiaries (collectively “the Group”) for the three month period ended 31 March 2014 were authorised for issue by the Bank’s Board of Directors on 9 April 2014.

The shareholders’ annual general assembly held on 23 March 2014 approved the audited consolidated financial statements of the Group for the year ended 31 December 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.

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 2013. The annual consolidated financial statements for the year ended 31 December 2013 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collaterals) that are not provided specifically.

Operating results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

New standards or amendments which are effective as of 1 January 2014

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in material impact on the financial position or performance of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards or amendments which are effective as of 1 January 2014 (continued)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have not resulted in material impact on the financial position or performance of the Group.

New and revised IASB Standards, but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial information are listed below. The Group intends to adopt those standards when they become effective.

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

**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 month period ended 31 March 2014 or for the year ending 31 December 2014.

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 2014.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

**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>2014</i>	<i>2013</i>
Profit for the period attributable to equityholders of the Bank (thousands KD)	<u>26,056</u>	<u>23,001</u>
Weighted average number of shares outstanding during the period (thousands shares)	<u>4,258,425</u>	<u>3,805,345</u>
Basic and diluted earnings per share	<u>6.12 fils</u>	<u>6.04 fils</u>

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus shares (See Note 8).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

5 FAIR VALUE RESERVE

Changes in the 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. Other reserves represent change in the ownership interest in subsidiaries without loss of control. The management of the Bank is of the opinion that these reserves are attributable to both the depositors and equityholders. As a result, the reporting of these reserves as a separate item on the interim condensed consolidated 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:

	31 March 2014			(Audited) 31 December 2013		31 March 2013
	Financial assets available for sale	Currency swaps, profit rate swaps and forward foreign exchange contracts	Other reserves	Total	Total	Total
Balance at the beginning of the period/year	(6,358)	1,717	(8,920)	(13,561)	(9,194)	(9,194)
Change in fair value of financial assets available for sale during the period/year	8,158	-	-	8,158	(15,130)	601
Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts during the period/year	-	24	-	24	5	13
Realised loss (gain) on financial assets available for sale during the period/year	101	-	-	101	(5,949)	1,085
Impairment losses transferred to the interim condensed consolidated statement of income	5,027	-	-	5,027	15,304	-
Share of other comprehensive income of associates and joint ventures	298	-	-	298	1,403	1,219
Balance at the end of the period/year	7,226	1,741	(8,920)	47	(13,561)	(6,276)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

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>31 March</i>	<i>(Audited)</i>	
	<i>2014</i>	<i>31 December</i>	<i>31 March</i>
		<i>2013</i>	<i>2013</i>
Cash	104,930	147,087	116,405
Balances with Central Banks	940,850	535,639	353,894
Balances with banks and financial institutions - current accounts	479,979	384,341	363,505
Balances with banks and financial institutions - exchange of deposits	-	3,419	110,419
Cash and balances with banks and financial institutions	<u>1,525,759</u>	<u>1,070,486</u>	<u>944,223</u>
Short-term murabaha - maturing within 3 months of contract date	1,137,126	732,279	829,039
Tawarruq balances with Central Bank of Kuwait (included within short-term international murabaha)	625,045	615,178	120,031
Less: Statutory deposits with Central Banks	<u>(478,007)</u>	<u>(458,943)</u>	<u>(348,252)</u>
Cash and cash equivalents	<u><u>2,809,923</u></u>	<u><u>1,959,000</u></u>	<u><u>1,545,041</u></u>

8 SHARE CAPITAL, PROPOSED ISSUE OF BONUS SHARES, BONUS SHARES UNDER ISSUANCE, AND CASH DIVIDENDS PAID

Bonus shares of 13% (2012: 10%) on outstanding shares amounting KD 49,835 thousands and cash dividends of 13 fils per share (2012: 10 fils per share) proposed for the year ended 31 December 2013, to the Bank's shareholders on record as of the date of the general assembly, were approved by the Bank's ordinary general assembly of the shareholders held on 23 March 2014.

Subsequent to the period ended 31 March 2014, the Bank has completed the registration procedures, notified the Kuwait Stock Exchange and adjusted the authorised issued, and fully paid share capital to comprise of 4,331,851 thousand 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 held on 23 March 2014 has approved directors' fees proposed for the year ended 31 December 2013.

In the ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2012 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 11).

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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>31 March 2014</i>	<i>(Audited) 31 December 2013</i>	<i>31 March 2013</i>
Acceptances and letters of credit	260,029	239,822	225,722
Letter of guarantees	1,339,876	1,403,771	1,322,457
Contingences	<u>1,599,905</u>	<u>1,643,593</u>	<u>1,548,179</u>
Capital commitments	<u>1,745,367</u>	<u>1,747,938</u>	<u>1,815,015</u>

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) 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.

At Annual General Assembly of the Bank held on 23 March 2014, new board of director's was elected. Accordingly, all related parties' balances with chairman and members of the new board of directors as at 31 March 2014 have been disclosed (if any), while any recognized gains resulted from related parties' transactions with predecessor members for the period from 1 January 2014 to 23 March 2014 and with new members for the period from 24 March 2014 to 31 March 2014 have been disclosed.

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

	<i>KD 000's</i>						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>31 March 2014</i>	<i>(Audited) 31 December 2013</i>	<i>31 March 2013</i>
					<i>Total</i>		
Related parties							
Receivables	-	77,036	11,799	34,164	122,999	173,934	179,281
Due to banks and financial institutions	1,424,750	25,371	-	4,232	1,454,353	1,068,761	978,510
Depositors' accounts	-	25,403	8,395	24,589	58,388	72,084	90,594
Commitments and contingencies	936	7,768	2	32,688	41,394	21,439	21,263
Investment managed by related party	-	-	-	45,458	45,458	45,522	28,646

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

	<i>KD 000's</i>					
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>31 March 2014</i>	<i>31 March 2013</i>
					<i>Total</i>	
Financing income	-	898	168	638	1,704	2,282
Investment income	-	-	-	150	150	-
Fee and commission income	-	12	2	223	237	50
Finance costs	3,050	25	-	146	3,221	2,270

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11 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>									
	<i>The number of Board Members or Executive Officers</i>			<i>The number of related parties</i>				<i>Values</i>		
	<i>(Audited)</i>			<i>(Audited)</i>				<i>(Audited)</i>		
	<i>31 March 2014</i>	<i>31 December 2013</i>	<i>31 March 2013</i>	<i>31 March 2014</i>	<i>31 December 2013</i>	<i>31 March 2013</i>	<i>31 March 2014</i>	<i>31 December 2013</i>	<i>31 March 2013</i>	<i>31 March 2014</i>
Board Members										
Finance facilities	28	22	32	4	2	2	47,075	8,372	16,056	
Credit cards	13	8	14	1	3	3	17	14	56	
Deposits	63	49	68	23	44	42	6,748	7,247	7,725	
Collateral against finance facilities	11	9	14	-	-	-	19,246	17,744	22,773	
Executive Officers										
Finance facilities	26	24	14	3	5	3	3,565	4,026	3,225	
Credit cards	23	10	13	1	1	1	53	32	27	
Deposits	56	48	44	35	41	38	3,547	2,799	3,126	
Collateral against finance facilities	16	16	9	2	3	2	7,795	7,512	5,010	

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11 RELATED PARTY TRANSACTIONS (continued)

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

	Bank	Subsidiaries	KD 000's	
			Total	
			31 March 2014	31 March 2013
Board Members				
Finance income	6	129	135	166
Executive officers				
Finance income	15	20	35	31
	<u>21</u>	<u>149</u>	<u>170</u>	<u>197</u>

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

	Bank	Subsidiaries	KD 000's	
			Total	
			31 March 2014	31 March 2013
Salaries, allowances and bonuses of key management personnel	571	4,037	4,608	3,295
Termination benefits of key management personnel	116	297	413	264
Remuneration of chairman and board members *	-	695	695	91
Reversal of chairman and board members remuneration (Note 9)	-	-	-	(385)
	<u>687</u>	<u>5,029</u>	<u>5,716</u>	<u>3,265</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:

31 March 2014	KD 000's				Total
	Treasury	Investment	Banking	Other	
Total assets	<u>5,018,577</u>	<u>4,379,117</u>	<u>6,588,571</u>	<u>1,266,979</u>	<u>17,253,244</u>
Total liabilities	<u>3,541,758</u>	<u>133,136</u>	<u>10,336,930</u>	<u>504,366</u>	<u>14,516,190</u>
Income from continued operations	<u>21,764</u>	<u>31,708</u>	<u>143,146</u>	<u>27,752</u>	<u>224,370</u>
Profit (loss) before estimated distribution to depositors	<u>4,813</u>	<u>(1,507)</u>	<u>85,882</u>	<u>(5,755)</u>	<u>83,433</u>

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At 31 March 2014

12 SEGMENTAL ANALYSIS (continued)

	<i>KD 000's</i>				
<i>31 March 2013</i>	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
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 from continued operations	17,517	20,403	151,246	33,863	223,029
Profit (loss) before estimated distribution to depositors	5,359	(6,431)	84,011	(1,563)	81,376

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

As at 31 March 2014, the Group held the following classes of financial instruments measured at fair value:

<i>31 March 2014</i>	<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>
<i>Financial assets available for sale</i>				
Quoted shares	53,242	-	-	53,242
Unquoted shares	-	11,681	54,501	66,182
Managed funds	126,996	-	3,061	130,057
Mutual funds	35,476	7,327	-	42,803
Sukok	547,009	90,992	40,353	678,354
Forward contracts	10,441	-	-	10,441
Profit rate swaps	-	1,485	-	1,485
Currency swaps	1,392	-	-	1,392
Total	774,556	111,485	97,915	983,956

<i>31 December 2013 (Audited)</i>	<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>
<i>Financial assets available for sale</i>				
Quoted shares	56,066	-	-	56,066
Unquoted shares	-	9,839	54,199	64,038
Managed Funds	102,891	2,063	2,580	107,534
Mutual funds	35,537	4,758	-	40,295
Sukok	462,316	82,850	45,285	590,451
Forward contracts	13,622	-	-	13,622
Profit rate swaps	-	1,295	-	1,295
Currency swaps	713	-	-	713
	671,145	100,805	102,064	874,014

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

<i>31 March 2013</i>				<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>
<i>Financial assets available for sale</i>				
Quoted shares	44,790	-	-	44,790
Unquoted shares	-	8,619	97,659	106,278
Managed portfolios	88,933	-	12,159	101,092
Mutual funds	35,914	6,000	-	41,914
Sukok	413,033	109,397	35,912	558,342
Forward contracts	5,506	27	-	5,533
Profit rate swaps	-	2,096	-	2,096
Currency swaps	1,161	-	-	1,161
Total	589,337	126,139	145,730	861,206

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

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data.

Financial assets available for sale classified as level 2 are valued using observable market inputs. For unquoted equity investments, a valuation technique that uses prices and other relevant information generated by the market transactions involving identical similar/assets, liabilities or a group of assets and liabilities is used to determine value. For managed portfolio and mutual funds, fair value is used, where it is determined through the valuation of underlying assets using the latest market transaction. Sukook are valued using the latest market price. Forward contracts, profit rate swaps, and currency swaps are valued by discounting all future expected cash-flows using directly observable and quoted Interest Rate curves and Spot/Forward FX rates from recognised market sources (i.e. Reuters, Bloomberg, FinCAD, etc).

Description of significant unobservable inputs to valuation

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments. In case of financial assets available for sale, the impairment charge in the profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value, other than for debt instruments would only impact equity (through OCI) and, would not have an effect on profit or loss.

No transfers have been made between the levels of hierarchy.

14 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 31 March 2014 amounted to KD 593,685 thousand (31 December 2013: KD 622,422 thousand and 31 March 2013: KD 651,398 thousand).

Fee and commission income include fees of KD 303 thousand (31 March 2013: KD 434 thousand) arising from trust and fiduciary activities.