

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

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

30 SEPTEMBER 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 30 September 2014 and the related interim condensed consolidated statements of income and comprehensive income for the three month and nine month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine 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 nine month ended 30 September 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 nine month period ended 30 September 2014 that might have had a material effect on the business of the Bank or on its financial position.

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13 October 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2014

	Notes	<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September 2014</i>	<i>30 September 2013</i>	<i>30 September 2014</i>	<i>30 September 2013</i>
CONTINUED OPERATIONS					
INCOME					
Financing income		185,591	137,988	472,918	425,036
Finance cost and estimated distribution to depositors	3	(86,437)	(65,806)	(211,190)	(182,326)
Net finance income		99,154	72,182	261,728	242,710
Investment income		25,172	72,355	89,661	150,796
Fee and commission income		21,842	20,205	58,707	61,885
Share of result of associates and joint ventures		(632)	85	1,322	17,173
Net gain from foreign currencies		10,392	7,204	18,729	22,208
Other income		1,762	12,163	45,125	33,961
Total operating income		157,690	184,194	475,272	528,733
EXPENSES					
Staff costs		(46,390)	(39,558)	(137,036)	(116,355)
General and administrative expenses		(32,286)	(33,671)	(99,158)	(97,824)
Depreciation and amortization		(20,010)	(14,314)	(56,608)	(48,470)
Total expenses		(98,686)	(87,543)	(292,802)	(262,649)
Net operating income		59,004	96,651	182,470	266,084
Provisions and impairment		(21,932)	(47,746)	(68,913)	(150,780)
Profit for the period from continued operations before tax and zakat		37,072	48,905	113,557	115,304
(Loss) profit for the period from discontinued operations before tax and zakat		(170)	(2,255)	86	(2,255)
Profit before tax and zakat		36,902	46,650	113,643	113,049
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(365)	(405)	(932)	(913)
National Labour Support Tax (NLST)		(419)	(605)	(1,546)	(1,220)
Zakat (based on Zakat Law No. 46/2006)		(226)	(208)	(643)	(429)
Reversal of directors' fees	9	-	-	-	385
Profit for the period		35,892	45,432	110,522	110,872
Attributable to:					
Shareholders of the Bank		35,526	39,300	90,094	89,122
Non-controlling interests		366	6,132	20,428	21,750
		35,892	45,432	110,522	110,872
Basic and diluted earnings per share attributable to the shareholders of the bank					
	4	8.33 fils	8.77 fils	21.14 fils	22.39 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 30 September 2014

		<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Nine months ended</i>	
<i>Notes</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	
Profit for the period	35,892	45,432	110,522	110,872	
Other comprehensive (loss) income					
<i>Other comprehensive (loss) income 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 (327)	14,899	8,207	5,085	
Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts for the period	5 (6)	113	36	-	
Realised loss (gain) on financial assets available for sale during the period	5 4,183	(5,337)	5,876	(3,762)	
Impairment losses transferred to interim condensed consolidated statement of income	5 5,939	-	15,068	-	
Share of other comprehensive (loss) income of associates and joint ventures	5 (395)	421	605	621	
Exchange differences on translation of foreign operations	6 (12,468)	(43,624)	(25,811)	(44,241)	
Other comprehensive (loss) income for the period	(3,074)	(33,528)	3,981	(42,297)	
Total comprehensive income	32,818	11,904	114,503	68,575	

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

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

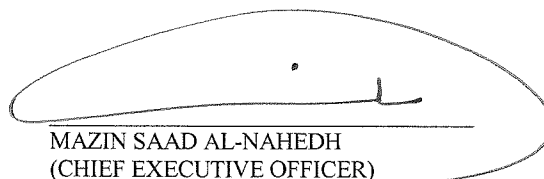
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 September 2014

		<i>KD 000's</i>		
			<i>(Audited)</i>	
	<i>Notes</i>	<i>30 September 2014</i>	<i>31 December 2013</i>	<i>30 September 2013</i>
ASSETS				
Cash and balances with banks and financial institutions	7	1,560,617	1,070,486	966,581
Short-term murabaha		3,258,133	2,431,742	1,263,432
Financing receivables		8,116,415	7,587,049	8,099,066
Trading properties		176,215	288,928	261,783
Financial assets available for sale		1,216,571	1,215,823	1,439,302
Investment in associates and joint ventures		612,520	617,594	511,124
Investment properties		514,225	524,342	536,236
Other assets		609,244	490,732	635,040
Intangible assets		52,456	57,098	42,460
Property and equipment		825,121	812,593	764,024
Leasehold rights		119,161	125,320	127,113
Assets classified as held for sale		38,193	66,353	41,294
TOTAL ASSETS		17,098,871	15,288,060	14,687,455
LIABILITIES, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		3,444,656	2,468,526	2,068,054
Depositors' accounts		10,862,141	10,103,986	9,877,171
Other liabilities		737,738	748,740	775,719
		15,044,535	13,321,252	12,720,944
Liabilities directly associated with assets classified as held for sale		3,464	13,587	3,511
TOTAL LIABILITIES		15,047,999	13,334,839	12,724,455
FAIR VALUE RESERVE	5	16,231	(13,561)	(7,250)
FOREIGN EXCHANGE TRANSLATION RESERVE	6	(124,250)	(98,439)	(97,714)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK				
Share capital	8	433,185	383,350	383,350
Share premium		720,333	720,333	720,333
Issue of bonus shares	8	-	49,835	-
Treasury shares		(52,004)	(56,118)	(33,545)
Reserves		576,817	582,497	565,405
Profit for the period attributable to shareholders of the Bank		90,094	-	89,122
		1,768,425	1,679,897	1,724,665
Cash dividend	8	-	48,968	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,768,425	1,728,865	1,724,665
Non-controlling interests		390,466	336,356	343,299
TOTAL EQUITY		2,158,891	2,065,221	2,067,964
TOTAL LIABILITIES, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY		17,098,871	15,288,060	14,687,455



HAMAD ABDUL MOHSEN AL-MARZOUQ
(CHAIRMAN)



MAZIN SAAD AL-NAHEDH
(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 30 September 2014

KD 000's

	Attributable to shareholders of the Bank										Non-controlling interests	Total equity			
	Reserves														
	Share capital	Share premium	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	Cash dividend	Sub total
At 31 December 2012 (Audited)	290,416	464,767	29,042	(54,028)	271,578	286,973	4,246	6,675	569,472	-	1,299,669	28,429	1,328,098	311,318	1,639,416
Movements during the period:															
Issue of bonus shares (Note 8)	29,042	-	(29,042)	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares for cash (Note 8)	63,892	255,566	-	-	-	-	-	-	-	-	319,458	-	319,458	-	319,458
Cash dividends paid (Note 8)	-	-	-	-	-	-	-	-	-	-	(28,429)	(28,429)	(28,429)	-	(28,429)
Zakat paid	-	-	-	-	(4,115)	(4,115)	-	-	(4,115)	-	(4,115)	-	(4,115)	-	(4,115)
Sale of treasury shares	-	-	-	20,483	-	-	-	48	48	-	20,531	-	20,531	-	20,531
Cash dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,764)	(2,764)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	12,995	12,995
Profit for the period	-	-	-	-	-	-	-	-	-	89,122	89,122	-	89,122	21,750	110,872
At 30 September 2013	383,350	720,333	-	(33,545)	271,578	282,858	4,246	6,723	565,405	89,122	1,724,665	-	1,724,665	343,299	2,067,964
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:															
Issue of bonus shares (Note 8)	49,835	-	(49,835)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid (Note 8)	-	-	-	-	-	(6,020)	-	-	(6,020)	-	(6,020)	(48,968)	(48,968)	-	(48,968)
Zakat paid	-	-	-	-	-	-	-	-	-	-	-	-	(6,020)	-	(6,020)
Sale of treasury shares	-	-	-	4,114	-	-	-	340	340	-	4,454	-	4,454	-	4,454
Cash dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,430)	(3,430)
Participation of non-controlling interest in capital increase of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	18,731	18,731
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	90,094	90,094	-	90,094	18,381	18,381
Profit for the period	-	-	-	-	-	-	-	-	-	90,094	90,094	-	90,094	20,428	110,522
At 30 September 2014	433,185	720,333	-	(52,004)	283,584	281,922	4,246	7,065	576,817	90,094	1,768,425	-	1,768,425	390,466	2,158,891

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 30 September 2014

	<i>KD 000's</i>	
	<i>Nine months ended</i>	
<i>Note</i>	<i>30 September 2014</i>	<i>30 September 2013</i>
OPERATING ACTIVITIES		
Profit for the period	110,522	110,872
Adjustment to reconcile profit to net cash flows:		
Depreciation and amortization	56,608	48,470
Provisions	68,913	150,780
Gain on sale of financial assets available for sale	(13,429)	(12,719)
Dividend income	(4,800)	(10,253)
Sukook income	(26,547)	(19,932)
Gain on cancellation of aircraft contract	-	(7,119)
Share of results of associates and joint ventures	(1,322)	(17,173)
Gain on sale of investment properties	(20,660)	(5,532)
Other investment income	14,928	(25,199)
Finance cost	65,181	48,269
	<u>249,394</u>	<u>260,464</u>
Changes in operating assets and liabilities		
<i>(Increase) decrease in operating assets:</i>		
Financing receivables and short term murabaha	(778,584)	(313,273)
Trading properties	112,713	(5,858)
Other assets	(97,285)	152,194
Statutory deposit with Central Banks	(139,899)	(122,296)
<i>Increase (decrease) in operating liabilities:</i>		
Due to banks and financial institutions	976,130	(186,796)
Depositors' accounts	758,155	484,495
Other liabilities	(1,595)	6,268
Finance cost paid	(65,181)	(48,269)
	<u>1,013,848</u>	<u>226,929</u>
Net cash flows from operating activities		
	<u>1,013,848</u>	<u>226,929</u>
INVESTING ACTIVITIES		
Purchase of financial assets available for sale, net	(51,348)	(75,849)
Purchase of investment properties	(49,807)	(36,319)
Proceeds from sale of investment properties	97,227	59,393
Purchase of property and equipment	(107,745)	(123,394)
Proceeds from sale of property and equipment	26,763	51,674
Proceeds of sale of associates and joint ventures, net	5,404	(9,477)
Dividend income received	12,802	10,253
Sukook income received	26,547	19,932
Cash proceeds from cancellation of aircraft contracts	-	7,119
	<u>(40,157)</u>	<u>(96,668)</u>
Net cash flows used in investing activities		
	<u>(40,157)</u>	<u>(96,668)</u>
FINANCING ACTIVITIES		
Issue of share capital	-	319,458
Cash dividends paid	(48,968)	(28,429)
Zakat paid	(6,020)	(4,115)
Cash dividends paid to non-controlling interests of a subsidiary	(3,430)	(2,764)
Participation of non-controlling interest in capital increase of subsidiaries	18,731	-
Proceeds from sale of treasury shares	4,454	20,531
	<u>(35,233)</u>	<u>304,681</u>
Net cash flows (used in) generated from financing activities		
	<u>(35,233)</u>	<u>304,681</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>938,458</u>	<u>434,942</u>
Cash and cash equivalents at 1 January	1,959,000	992,362
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u>7</u> <u>2,897,458</u>	<u>1,427,304</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 30 September 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 nine month period ended 30 September 2014 were authorised for issue by the Bank’s Board of Directors on 13 October 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 nine month period ended 30 September 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 30 September 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.

IFRS 15 – Revenue from Contracts with customers (“IFRS 15”)

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Bank is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

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 nine months period ended 30 September 2014. 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 2014.

In addition to the above, the total comprehensive income (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 shareholders.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2014

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

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Profit for the period attributable to shareholders` of the Bank (thousands KD)	<u>35,526</u>	<u>39,300</u>	<u>90,094</u>	<u>89,122</u>
Weighted average number of shares outstanding during the period (thousands shares)	<u>4,262,558</u>	<u>4,482,915</u>	<u>4,260,959</u>	<u>3,979,856</u>
Basic and diluted earnings per share	<u>8.33 fils</u>	<u>8.77 fils</u>	<u>21.14 fils</u>	<u>22.39 fils</u>

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

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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 depositors, shareholders and non-controlling interests. 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 shareholders of the Bank.

Fair value reserves include the following:

	30 September 2014			(Audited)		KD 000's
	Financial assets available for sale	Currency swaps, profit rate swaps and forward foreign exchange contracts	Other reserves	31 December 2013	30 September 2013	
Balance at the beginning of the period/year	(6,358)	1,717	(8,920)	(9,194)	(9,194)	
Change in fair value of financial assets available for sale during the period/year	8,207	-	-	(15,130)	5,085	
Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts during the period/year	-	36	-	5	(3,762)	
Realised loss (gain) on financial assets available for sale during the period/year	5,876	-	-	(5,949)	-	
Impairment losses transferred consolidated statement of income	15,068	-	-	15,304	-	
Share of other comprehensive income of associates and joint ventures	605	-	-	1,403	621	
Balance at the end of the period/year	23,398	1,753	(8,920)	(13,561)	(7,250)	

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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 the depositors, shareholders and non-controlling interests. 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 shareholders of the Bank.

7 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 September</i>	<i>(Audited)</i>	
	<i>2014</i>	<i>31 December</i>	<i>30 September</i>
		<i>2013</i>	<i>2013</i>
Cash	174,518	147,087	132,731
Balances with Central Banks	870,465	535,639	508,096
Balances with banks and financial institutions - current accounts	515,634	384,341	272,237
Balances with banks and financial institutions - exchange of deposits	-	3,419	53,517
Cash and balances with banks and financial institutions	1,560,617	1,070,486	966,581
Short-term murabaha - maturing within 3 months of contract date	1,535,627	732,279	652,095
Tawarruq balances with Central Bank of Kuwait (included within receivables)	400,056	615,178	250,022
Less: Statutory deposits with Central Banks	(598,842)	(458,943)	(441,394)
Cash and cash equivalents	<u>2,897,458</u>	<u>1,959,000</u>	<u>1,427,304</u>

8 SHARE CAPITAL, ISSUE OF BONUS SHARES 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) amounting KD 48,968 thousands 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.

Accordingly, the authorised, issued, and fully paid share capital as at 30 September 2014 comprise of 4,331,851 thousand (31 December 2013: 3,833,496 thousand and 30 September 2013: 3,833,496 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 2013 held on 23 March 2014, the shareholders 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 statement of income for the nine month period ended 30 September 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>30 September 2014</i>	<i>(Audited) 31 December 2013</i>	<i>30 September 2013</i>
Acceptances and letters of credit	198,298	239,822	227,469
Letter of guarantees	1,307,007	1,403,771	1,393,063
Contingences	<u>1,505,305</u>	<u>1,643,593</u>	<u>1,620,532</u>
Capital commitments	<u>1,802,392</u>	<u>1,747,938</u>	<u>1,740,976</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) are depositors and finance facilities customers of the Bank, in the ordinary course of business. Such transactions were made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. These transactions are approved by the ordinary general assembly of the shareholders of the Bank.

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 30 September 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 30 September 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>30 September 2014 Total</i>	<i>(Audited) 31 December 2013</i>	<i>30 September 2013</i>
Related parties							
Financing							
receivables	-	81,618	11,658	27,411	120,687	173,934	244,477
Other assets	-	-	-	-	-	-	15,000
Due to banks and financial institutions	1,302,301	26,550	-	4,482	1,333,333	1,068,761	790,342
Depositors' accounts	-	32,179	10,887	19,741	62,807	72,084	60,373
Commitments and contingencies	936	7,857	22	26,472	35,287	21,439	22,198
Investment managed by related party	-	-	-	46,445	46,445	45,522	27,022

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11 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>					
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>30 September 2014</i>	<i>30 September 2013</i>
Financing income	-	2,610	522	1,305	4,437	6,822
Investment income	-	-	-	150	150	-
Fee and commission income	-	833	2	110	945	767
Finance costs	13,555	50	-	570	14,175	5,860
Gain on sale of investment properties	-	-	-	-	-	26,448

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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	
			30 September 2014	30 September 2013
Board Members				
Finance income	12	406	418	477
Executive officers				
Finance income	101	98	199	113
	<u>113</u>	<u>504</u>	<u>617</u>	<u>590</u>

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

	Bank	Subsidiaries	KD 000's	
			30 September 2014	30 September 2013
Salaries, allowances and bonuses of key management personnel	1,141	11,645	12,786	9,877
Termination benefits of key management personnel	235	880	1,115	1,476
Remuneration of chairman and board members *	-	1,396	1,396	539
Reversal of directors fee (Note 9)	-	-	-	(385)
	<u>1,376</u>	<u>13,921</u>	<u>15,297</u>	<u>11,507</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:

30 September 2014	KD 000's				Total
	Treasury	Investment	Banking	Other	
Total assets	<u>5,256,380</u>	<u>2,627,529</u>	<u>7,844,729</u>	<u>1,370,233</u>	<u>17,098,871</u>
Total liabilities	<u>2,971,966</u>	<u>134,281</u>	<u>10,960,909</u>	<u>980,843</u>	<u>15,047,999</u>
Operating income	<u>77,308</u>	<u>69,235</u>	<u>247,448</u>	<u>81,367</u>	<u>475,358</u>
Profit (loss) before tax and zakat	<u>15,913</u>	<u>16,697</u>	<u>122,217</u>	<u>(41,184)</u>	<u>113,643</u>

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12 SEGMENTAL ANALYSIS (continued)

Segment information (continued)

	<i>KD 000's</i>				
<i>30 September 2013</i>	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	3,268,360	2,377,495	7,587,835	1,453,765	14,687,455
Total liabilities	2,141,426	196,036	9,893,958	493,035	12,724,455
Operating income	70,059	85,089	292,231	79,099	526,478
Profit (loss) before tax and zakat	28,413	22,247	95,812	(33,423)	113,049

13 FAIR VALUE HIEARACHY

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.

As at 30 September 2014, the Group held the following classes of financial assets measured at fair value:

<i>30 September 2014</i>	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial assets available for sale	822,623	108,840	122,570	1,054,033
Forward contracts, profit swaps, currency swaps and others	9,027	-	-	9,027
Total	831,650	108,840	122,570	1,063,060

<i>31 December 2013 (Audited)</i>	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial assets available for sale	656,810	99,510	102,064	858,384
Forward contracts, profit swaps, currency swaps and others	14,335	1,295	-	15,630
Total	671,145	100,805	102,064	874,014

<i>30 September 2013</i>	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Financial assets available for sale	661,156	84,501	128,692	874,349
Forward contracts, profit swaps, currency swaps and others	8,641	1,477	-	10,118
Total	669,797	85,978	128,692	884,467

No transfers have been made between the levels of hierarchy.

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14 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 September 2014 amounted to KD 585,150 thousand (31 December 2013: KD 622,422 thousand and 30 September 2013: KD 614,251 thousand).

Fee and commission income include fees of KD 2,176 thousand (30 September 2013: KD 1,711 thousand) arising from trust and fiduciary activities.