

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

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

30 JUNE 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2017

		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
		<i>KD 000's</i>			
	<i>Notes</i>				
CONTINUING OPERATIONS					
Financing income		179,953	175,172	346,971	335,021
Finance cost and estimated distribution to depositors	3	(69,212)	(67,014)	(136,130)	(129,794)
Net finance income		110,741	108,158	210,841	205,227
Investment income		28,679	26,727	55,886	31,349
Fees and commission income		20,929	26,573	42,570	44,701
Net gain from foreign currencies		3,982	4,410	8,450	9,911
Other operating income		10,233	11,062	25,431	23,284
TOTAL OPERATING INCOME		174,564	176,930	343,178	314,472
OPERATING EXPENSES					
Staff costs		(43,325)	(44,614)	(84,528)	(88,026)
General and administrative expenses		(20,970)	(21,865)	(41,428)	(42,864)
Depreciation and amortization		(8,717)	(9,821)	(16,949)	(19,520)
TOTAL OPERATING EXPENSES		(73,012)	(76,300)	(142,905)	(150,410)
Net operating income from continuing operations		101,552	100,630	200,273	164,062
Provisions and impairment		(39,775)	(31,876)	(83,155)	(52,955)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE TAXATION		61,777	68,754	117,118	111,107
Taxation	5	(9,734)	(6,866)	(18,001)	(11,615)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		52,043	61,888	99,117	99,492
DISCONTINUED OPERATIONS					
Loss after tax for the period from discontinued operations		(2,340)	(11,314)	(6,400)	(11,933)
Impairment loss recognised on discontinued operations		-	(16,570)	-	(16,570)
LOSS AFTER TAXATION FOR THE PERIOD FROM DISCONTINUED OPERATIONS	6	(2,340)	(27,884)	(6,400)	(28,503)
PROFIT FOR THE PERIOD		49,703	34,004	92,717	70,989
Attributable to:					
Shareholders of the Bank		43,057	36,775	81,645	70,879
Non-controlling interests		6,646	(2,771)	11,072	110
		49,703	34,004	92,717	70,989
Basic and diluted earnings per share attributable to the shareholders of the Bank	4	7.58 fils	6.48 fils	14.37 fils	12.49 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2017

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2017</i>	<i>30 June 2016</i>	<i>30 June 2017</i>	<i>30 June 2016</i>
Profit for the period	49,703	34,004	92,717	70,989
Other comprehensive (loss) income <i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:</i>				
Change in fair value of financial assets available for sale	(1,698)	3,730	8,383	(6,670)
Realised (gain) loss on financial assets available for sale	(522)	(1,021)	(15,564)	5,267
Impairment losses on financial assets available for sale transferred to interim condensed consolidated statement of income	126	3,987	9,647	6,967
Share of other comprehensive income from associates and joint ventures	441	1,438	679	869
Exchange differences on translation of foreign operations	6,640	(5,598)	(4,559)	162
Other comprehensive (loss) income for the period	4,987	2,536	(1,414)	6,595
Total comprehensive income	54,690	36,540	91,303	77,584
Attributable to:				
Shareholders of the Bank	44,259	39,800	80,120	77,089
Non-controlling interests	10,431	(3,260)	11,183	495
	54,690	36,540	91,303	77,584

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

		<i>KD 000's</i>		
		(Audited)		
	Notes	30 June 2017	31 December 2016	30 June 2016
ASSETS				
Cash and balances with banks and financial institutions	8	1,314,206	1,494,657	1,402,748
Short-term murabaha		2,945,391	2,877,241	3,297,138
Financing receivables		8,914,306	8,175,789	8,450,127
Trading properties		168,888	186,341	200,024
Investments	9	1,670,961	1,456,124	1,469,497
Investment in associates and joint ventures		464,001	469,468	473,882
Investment properties		587,920	590,801	549,256
Other assets		525,820	548,652	541,581
Intangible assets and goodwill		40,693	39,175	48,933
Property and equipment		215,162	216,212	239,989
Assets classified as held for sale	6	318,059	444,893	356,449
TOTAL ASSETS		17,165,407	16,499,353	17,029,624
LIABILITIES				
Due to banks and financial institutions		2,833,834	2,871,651	3,138,196
Depositors' accounts		11,376,994	10,662,140	10,983,971
Other liabilities		750,916	699,245	687,893
Liabilities directly associated with the assets classified as held for sale	6	171,724	227,492	173,799
TOTAL LIABILITIES		15,133,468	14,460,528	14,983,859
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK				
Share capital	10	576,569	524,154	524,154
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	10	-	52,415	-
Treasury shares		(46,440)	(48,824)	(48,988)
Reserves	7	545,040	474,652	573,920
Proposed cash dividend	10	-	87,755	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,795,502	1,810,485	1,769,419
Non-controlling interests		236,437	228,340	276,346
TOTAL EQUITY		2,031,939	2,038,825	2,045,765
TOTAL LIABILITIES AND EQUITY		17,165,407	16,499,353	17,029,624

HAMAD ABDUL MOHSEN AL-MARZOUQ
(CHAIRMAN)

MAZIN SAAD AL-NAHEDH
(GROUP CHIEF EXECUTIVE OFFICER)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2017

	<i>Attributable to shareholders of the Bank</i>								<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 7)</i>	<i>Subtotal</i>	<i>Proposed cash dividend</i>	<i>Subtotal</i>		
Balance at 1 January 2017	524,154	720,333	52,415	(48,824)	474,652	1,722,730	87,755	1,810,485	228,340	2,038,825
Profit for the period	-	-	-	-	81,645	81,645	-	81,645	11,072	92,717
Other comprehensive income (loss)	-	-	-	-	(1,525)	(1,525)	-	(1,525)	111	(1,414)
Total comprehensive income	-	-	-	-	80,120	80,120	-	80,120	11,183	91,303
Zakat	-	-	-	-	(9,682)	(9,682)	-	(9,682)	-	(9,682)
Issue of bonus shares (Note 10)	52,415	-	(52,415)	-	-	-	-	-	-	-
Cash dividends paid (Note 10)	-	-	-	-	-	-	(87,755)	(87,755)	-	(87,755)
Net movement on treasury shares	-	-	-	2,384	(50)	2,334	-	2,334	-	2,334
Disposal of a subsidiary (Note 6)	-	-	-	-	-	-	-	-	(1,434)	(1,434)
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	(1,652)	(1,652)
Balance at 30 June 2017	576,569	720,333	-	(46,440)	545,040	1,795,502	-	1,795,502	236,437	2,031,939

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

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

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

For the period ended 30 June 2017

	<i>Attributable to shareholders of the Bank</i>							<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Proposed issue of bonus shares</i>	<i>Treasury shares</i>	<i>Reserves (Note 7)</i>	<i>Subtotal</i>	<i>Proposed cash dividend</i>	<i>Subtotal</i>		
Balance at 1 January 2016	476,504	720,333	47,650	(50,173)	505,067	1,699,381	79,755	1,779,136	276,353	2,055,489
Profit for the period	-	-	-	-	70,879	70,879	-	70,879	110	70,989
Other comprehensive income	-	-	-	-	6,210	6,210	-	6,210	385	6,595
Total comprehensive income	-	-	-	-	77,089	77,089	-	77,089	495	77,584
Zakat	-	-	-	-	(7,914)	(7,914)	-	(7,914)	-	(7,914)
Issue of bonus shares (Note 10)	47,650	-	(47,650)	-	-	-	-	-	-	-
Cash dividends (Note 10)	-	-	-	-	-	-	(79,755)	(79,755)	-	(79,755)
Net movement in treasury shares	-	-	-	1,185	(322)	863	-	863	-	863
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	(502)	(502)
Balance at 30 June 2016	524,154	720,333	-	(48,988)	573,920	1,769,419	-	1,769,419	276,346	2,045,765

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 June 2017

		<i>KD 000's</i>	
		<i>Six months ended</i>	
	<i>Notes</i>	<i>30 June 2017</i>	<i>30 June 2016</i>
OPERATING ACTIVITIES			
Profit (loss) for the period			
- Continuing operations		99,117	99,492
- Discontinued operations	6	(6,400)	(28,503)
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization		16,949	19,520
Provisions and impairment		83,155	69,525
Gain on sale of investments		(20,419)	(4,581)
Dividend income		(3,794)	(3,343)
Share of results of associates and joint ventures		(6,944)	(3,859)
Gain on sale of trading and investment properties		(1,836)	(6,336)
Other investment income		(13,996)	(6,186)
		145,832	135,729
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Financing receivables		(1,026,604)	(539,739)
Trading properties		20,030	(1,049)
Other assets		46,641	(100,198)
Statutory deposit with Central Banks		(9,449)	(3,565)
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(239,730)	120,929
Depositors' accounts		919,939	350,229
Other liabilities		71,818	90,107
Net cash flows (used in) from operating activities		(71,523)	52,443
INVESTING ACTIVITIES			
Purchase of investments, net		(225,978)	(154,643)
Purchase of investment properties		(5,567)	(13,192)
Proceeds from sale of investment properties		4,678	8,644
Purchase of property and equipment		(13,549)	(38,180)
Proceeds from sale of property and equipment		3,060	11,576
Intangible assets, net		(2,967)	(3,137)
Leasehold rights, net	6	(608)	(9,678)
Proceeds from sale of a subsidiary		5,600	-
Purchase of investment in associates and joint ventures		-	(6,582)
Proceeds from sale of investment in associates and joint ventures		842	488
Dividend received		9,414	10,308
Net cash flows used in investing activities		(225,075)	(194,396)
FINANCING ACTIVITIES			
Cash dividends paid	10	(87,755)	(79,755)
Net movement in treasury shares		2,334	863
Zakat paid		(9,682)	(7,914)
Net cash flows used in financing activities		(95,103)	(86,806)
DECREASE IN CASH AND CASH EQUIVALENTS		(391,701)	(228,759)
Cash and cash equivalents at 1 January		2,092,111	2,572,884
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	1,700,410	2,344,125

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2017

1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C.P. (“the Bank”) and its subsidiaries (collectively “the Group”) for the six months period ended 30 June 2017 were authorised for issue by the Bank’s Board of Directors on 6 July 2017.

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

The Bank is a public shareholding company incorporated in Kuwait on 23 March 1977 and is registered as an Islamic bank with the Central Bank of Kuwait. It is engaged in all Islamic banking activities for its own account as well as for third parties, including financing, purchase and sale of investments, leasing, project construction and other trading activities without practising usury. 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”. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to International Financial Reporting Standards (“IFRS”), relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The annual consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collaterals) that are not provided specifically.

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

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016.

Further, results for the six months period ended 30 June 2017, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

3 FINANCE COST AND ESTIMATED DISTRIBUTION TO DEPOSITORS

The management of the Bank has estimated distribution to depositors and profit attributable to Bank’s shareholders based on the results for the six months period ended 30 June 2017. The actual distribution to depositors and profit attributable to Bank’s shareholders could be different from the amounts presented in the interim condensed consolidated statement of income.

The actual profit to be distributed to all parties concerned will be determined by the Board of Directors of the Bank in accordance with the Bank’s articles of association, based on the annual audited results for the year ending 31 December 2017.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

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

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2017</i>	<i>30 June 2016</i>	<i>30 June 2017</i>	<i>30 June 2016</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	43,057	36,775	81,645	70,879
Weighted average number of shares outstanding during the period (thousands share)	5,682,477	5,677,856	5,681,727	5,677,000
Basic and diluted earnings per share attributable to the shareholders of the Bank	7.58 fils	6.48 fils	14.37 fils	12.49 fils
Basic and diluted earnings per share from continuing operations:				
Profit for the period from continuing operations attributable to shareholders of the Bank (thousand KD)	43,390	53,571	82,709	87,566
Weighted average number of shares outstanding during the period (thousands share)	5,682,477	5,677,856	5,681,727	5,677,000
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	7.64 fils	9.44 fils	14.56 fils	15.42 fils

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

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

5 TAXATION

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2017</i>	<i>30 June 2016</i>	<i>30 June 2017</i>	<i>30 June 2016</i>
				<i>KD 000's</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(444)	(384)	(847)	(739)
National Labour Support Tax (NLST)	(642)	(831)	(1,520)	(1,530)
Zakat (based on Zakat Law No. 46/2006)	(332)	(458)	(729)	(756)
Taxation related to subsidiaries	(8,316)	(5,193)	(14,905)	(8,590)
	(9,734)	(6,866)	(18,001)	(11,615)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2017

6 DISCONTINUED OPERATIONS

- (a) On 30 June 2016, the Board of Directors of the Bank approved to sell the Group's interest in its subsidiary Aref Investment Group (AIG). As a result, the interim condensed consolidated statement of financial position at 30 June 2017 presents the assets and liabilities of AIG as assets classified held for sale and liabilities directly associated with the assets classified as held for sale, respectively, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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

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

- (b) During the period ended 30 June 2017, the Group has sold its entire holding in Public Services Company (PSC), Also certain subsidiaries established for syndication purpose and classified as held for sale were partly syndicated.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

7 RESERVES

The movement of reserves is analysed as follows:

<i>30 June 2017</i>								
<i>KD 000's</i>								
	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Retained earnings</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Other reserves</i>	<i>Total</i>
Balance at 1 January 2017	255,564	255,564	107,099	6,735	25,728	(141,649)	(34,389)	474,652
Profit for the period	-	-	81,645	-	-	-	-	81,645
Other comprehensive income (loss)	-	-	-	-	572	(2,097)	-	(1,525)
Total comprehensive income (loss)	-	-	81,645	-	572	(2,097)	-	80,120
Zakat	-	-	(9,682)	-	-	-	-	(9,682)
Loss on sale of treasury shares	-	-	-	(50)	-	-	-	(50)
Balance at 30 June 2017	255,564	255,564	179,062	6,685	26,300	(143,746)	(34,389)	545,040
<i>30 June 2016</i>								
<i>KD 000's</i>								
	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Retained earnings</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Other reserves</i>	<i>Total</i>
Balance at 1 January 2016	238,252	238,252	124,579	7,084	17,729	(97,233)	(23,596)	505,067
Profit for the period	-	-	70,879	-	-	-	-	70,879
Other comprehensive income	-	-	-	-	5,034	1,176	-	6,210
Total comprehensive income	-	-	70,879	-	5,034	1,176	-	77,089
Zakat	-	-	(7,914)	-	-	-	-	(7,914)
Loss from sale of treasury shares	-	-	-	(322)	-	-	-	(322)
Balance at 30 June 2016	238,252	238,252	187,544	6,762	22,763	(96,057)	(23,596)	573,920

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

8 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 June 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 June 2016</i>
Cash	294,524	251,707	189,615
Balances with Central Banks	625,442	715,371	778,341
Balances with banks and financial institutions - current accounts	394,240	527,579	434,792
Cash and balances with banks and financial institutions	1,314,206	1,494,657	1,402,748
Short term murabaha maturing within 3 months of contract date	837,232	1,119,810	1,444,282
Tawarruq balances with Central Bank of Kuwait maturing within 3 months of contract date	105,077	10,002	80,051
Cash with banks attributable to discontinued operations (Note 6)	17,854	32,152	29,529
Less: Statutory deposits with Central Banks	(573,959)	(564,510)	(612,485)
Cash and cash equivalents	1,700,410	2,092,111	2,344,125

9 INVESTMENTS

This includes investments in Sukook of KD 1,330,550 thousand (31 December 2016: KD 1,099,603 thousand and 30 June 2016: KD 1,029,577 thousand).

10 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS

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

Accordingly, the authorised, issued, and fully paid share capital as at 30 June 2017 comprise of 5,765,693,556 (31 December 2016: 5,241,539,597 and 30 June 2016: 5,241,539,597) shares of 100 fils each.

11 DIRECTORS' FEES

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

12 CONTINGENCIES AND COMMITMENTS

At the financial position date there were outstanding contingencies and commitments entered into in the ordinary course of business in respect of the followings:

	<i>KD 000's</i>		
	<i>30 June 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 June 2016</i>
Acceptances and letters of credit	198,806	146,155	172,739
Letters of guarantee	1,936,269	1,675,716	1,560,985
Contingencies	2,135,075	1,821,871	1,733,724
Capital commitments	381,414	399,058	564,422

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

13 RELATED PARTY TRANSACTIONS

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

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

	<i>KD 000's</i>						
	<i>Major shareholders</i>	<i>Associates</i>	<i>Board members and executive officers</i>	<i>Other related parties</i>	<i>(Audited)</i>		<i>Total</i>
					<i>30 June 2017</i>	<i>31 December 2016</i>	
Related parties							
Financing receivables Due to banks and financial institutions	-	156,638	4,456	11,456	172,550	134,413	116,089
Depositors' accounts	1,375,008	27,314	-	-	1,402,322	1,335,174	1,498,136
Contingencies and commitments	-	47,958	7,063	23,068	78,089	98,435	130,508
Investment managed by related party	436	12,681	2	115	13,234	14,801	8,301
	-	-	-	33,419	33,419	34,108	33,629

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>Six months ended</i>		<i>Total</i>
					<i>30 June 2017</i>	<i>30 June 2016</i>	
Financing income	-	2,433	87	171	2,691	1,871	
Fee and commission income	-	15	7	37	59	190	
Finance cost and estimated distribution to depositors	12,235	271	-	605	13,111	11,155	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>								
	<i>The number of Board Members or Executive Officers</i>			<i>The number of related parties (Relatives of Board Members or Executive Officers)</i>			<i>Values</i>		
	<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>		
	<i>30 June 2017</i>	<i>31 December 2016</i>	<i>30 June 2016</i>	<i>30 June 2017</i>	<i>31 December 2016</i>	<i>30 June 2016</i>	<i>30 June 2017</i>	<i>31 December 2016</i>	<i>30 June 2016</i>
Board Members									
Finance facilities	29	40	29	17	20	16	3,110	16,033	6,648
Credit cards	16	15	18	3	8	8	45	40	33
Deposits	70	78	81	106	145	120	14,227	10,021	9,458
Collateral against finance facilities	5	9	10	2	3	3	2,744	15,190	6,016
Executive Officers									
Finance facilities	43	45	40	10	11	9	2,701	3,360	3,107
Credit cards	39	39	32	9	7	6	143	166	140
Deposits	78	83	76	87	79	73	8,562	9,171	7,258
Collateral against finance facilities	12	14	16	5	5	4	5,600	7,549	8,593

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>KD 000's</i>	
	<i>Total</i>	
	<i>Six months ended</i>	
	<i>30 June 2017</i>	<i>30 June 2016</i>
Board Members		
Financing income	39	80
Executive officers		
Financing income	48	64
	<u>87</u>	<u>144</u>

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

	<i>KD 000's</i>	
	<i>Total</i>	
	<i>Six months ended</i>	
	<i>30 June 2017</i>	<i>30 June 2016</i>
Salaries, allowances and bonuses of key management personnel	10,715	10,675
Termination & long term benefits of key management personnel	698	740
Remuneration of chairman and board members *	340	516
	<u>11,753</u>	<u>11,931</u>

* Remuneration of chairman and board members includes special compensation for additional contributions related to participation in the executive committees in accordance with board of directors' decisions.

14 SEGMENTAL ANALYSIS

Segment information

<i>30 June 2017</i>	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,479,410	1,670,501	9,259,182	756,314	17,165,407
Total liabilities	2,815,234	112,121	11,518,187	687,926	15,133,468
Total operating income	28,004	61,500	231,779	21,895	343,178
Profit (loss) for the period	24,598	41,136	129,679	(102,696)	92,717

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

14 SEGMENTAL ANALYSIS (continued)

Segment information (continued)

	<i>KD 000's</i>				
30 June 2016	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,616,814	1,933,494	8,645,006	834,310	17,029,624
Total liabilities	3,152,987	20,529	11,208,453	601,890	14,983,859
Total operating income	11,153	38,485	233,946	30,888	314,472
Profit (loss) for the period	9,456	14,625	151,061	(104,153)	70,989

15 FAIR VALUES

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

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

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2017:

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	58,329	-	58,329
Financial assets available for sale	1,071,126	49,499	364,448	1,485,073
<i>Derivative financial assets:</i>				
Forward contracts	-	1,901	-	1,901
Profit rate swaps	-	239	-	239
Currency swaps	-	1,449	-	1,449
	1,071,126	111,417	364,448	1,546,991
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,575	-	1,575
Profit rate swaps	-	-	-	-
Currency swaps	-	10,517	-	10,517
Embedded precious metals	-	90	-	90
	-	12,182	-	12,182

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

15 FAIR VALUES (continued)

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2016:

	<i>KD 000's</i>			
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	88,844	-	88,844
Financial assets available for sale	846,843	87,750	324,636	1,259,229
<i>Derivative financial assets:</i>				
Forward contracts	-	1,678	-	1,678
Profit rate swaps	-	550	-	550
Currency swaps	-	10,851	-	10,851
	846,843	189,673	324,636	1,361,152
	846,843	189,673	324,636	1,361,152
				<i>KD 000's</i>
Financial liabilities measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	1,624	-	1,624
Profit rate swaps	-	83	-	83
Currency swaps	-	14,175	-	14,175
Embedded precious metals	-	42	-	42
	-	15,924	-	15,924
	-	15,924	-	15,924

No transfers have been made between the levels of hierarchy.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

15 FAIR VALUES (continued)

The following table below shows a reconciliation of the opening and the closing amount of level 3 financial assets available for sale:

	<i>KD 000's</i>	
	<u>2017</u>	<u>2016</u>
As at 1 January	357,507	266,385
Re-measurement recognised in other comprehensive income	1,980	3,252
Purchases, net	4,961	54,999
As at 30 June	<u>364,448</u>	<u>324,636</u>

16 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 June 2017 amounted to KD 1,117,485 thousand (31 December 2016: KD 1,103,087 thousand and 30 June 2016: KD 1,334,447 thousand).

Fee and commission income include fees of KD 2,754 thousand (30 June 2016: KD 2,357 thousand) arising from trust and fiduciary activities.