

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

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

30 SEPTEMBER 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 September 2017

		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</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	195,103	199,083	542,074	534,104
	Finance cost and estimated distribution to depositors	(83,015)	(78,601)	(219,145)	(208,395)
	Net finance income	112,088	120,482	322,929	325,709
	Investment income	32,276	14,413	88,162	45,762
	Fees and commission income	24,395	23,547	73,436	64,732
	Net gain from foreign currencies	5,120	5,007	13,570	14,918
	Other operating income	7,997	3,411	26,957	30,211
	TOTAL OPERATING INCOME	181,876	166,860	525,054	481,332
	OPERATING EXPENSES				
	Staff costs	(40,830)	(41,666)	(125,358)	(129,692)
	General and administrative expenses	(21,345)	(19,317)	(62,773)	(62,181)
	Depreciation and amortization	(8,225)	(9,661)	(25,174)	(29,181)
	TOTAL OPERATING EXPENSES	(70,400)	(70,644)	(213,305)	(221,054)
	Net operating income from continuing operations	111,476	96,216	311,749	260,278
	Provisions and impairment	(39,471)	(34,612)	(125,100)	(87,567)
	PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE TAXATION	72,005	61,604	186,649	172,711
	Taxation	(8,770)	(5,469)	(24,297)	(17,084)
	PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	63,235	56,135	162,352	155,627
	DISCONTINUED OPERATIONS				
	Loss after tax for the period from discontinued operations	(1,637)	(1,913)	(8,037)	(13,846)
	Impairment loss recognised on discontinued operations	-	-	-	(16,570)
	LOSS AFTER TAXATION FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(1,637)	(1,913)	(8,037)	(30,416)
	PROFIT FOR THE PERIOD	61,598	54,222	154,315	125,211
	Attributable to:				
	Shareholders of the Bank	56,220	52,251	137,865	123,130
	Non-controlling interests	5,378	1,971	16,450	2,081
		61,598	54,222	154,315	125,211
	Basic and diluted earnings per share attributable to the shareholders of the Bank	9.89 fils	9.20 fils	24.26 fils	21.69 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 September 2017

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>
Profit for the period	61,598	54,222	154,315	125,211
Other comprehensive loss				
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:</i>				
Change in fair value of financial assets available for sale	8,032	444	16,415	(6,226)
Realised (gain) loss on financial assets available for sale	(6,390)	(2,280)	(21,954)	2,987
Impairment losses on financial assets available for sale transferred to interim condensed consolidated statement of income	18	1,780	9,665	8,747
Share of other comprehensive (loss) income from associates and joint ventures	(396)	258	283	1,127
Exchange differences on translation of foreign operations	(10,991)	(14,737)	(15,550)	(14,575)
Other comprehensive loss for the period	(9,727)	(14,535)	(11,141)	(7,940)
Total comprehensive income	51,871	39,687	143,174	117,271
Attributable to:				
Shareholders of the Bank	49,826	40,631	129,946	117,720
Non-controlling interests	2,045	(944)	13,228	(449)
	51,871	39,687	143,174	117,271

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 September 2017

		<i>KD 000's</i>		
			(Audited)	
	Notes	30 September 2017	31 December 2016	30 September 2016
ASSETS				
Cash and balances with banks and financial institutions	8	1,229,258	1,494,657	1,459,988
Short-term murabaha		2,947,014	2,877,241	2,899,652
Financing receivables		9,273,888	8,175,789	8,426,584
Trading properties		158,486	186,341	193,721
Investments	9	1,691,061	1,456,124	1,463,636
Investment in associates and joint ventures		452,956	469,468	458,967
Investment properties		585,672	590,801	596,486
Other assets		496,587	548,652	517,916
Intangible assets and goodwill		40,231	39,175	48,290
Property and equipment		216,934	216,212	232,876
Assets classified as held for sale	6	309,166	444,893	344,162
TOTAL ASSETS		17,401,253	16,499,353	16,642,278
LIABILITIES				
Due to banks and financial institutions		2,769,549	2,871,651	2,812,893
Depositors' accounts		11,587,906	10,662,140	10,901,127
Other liabilities		789,337	699,245	675,747
Liabilities directly associated with the assets classified as held for sale	6	170,995	227,492	170,621
TOTAL LIABILITIES		15,317,787	14,460,528	14,560,388
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		(45,835)	(48,824)	(48,988)
Reserves	7	594,907	474,652	614,551
		1,845,974	1,722,730	1,810,050
Proposed cash dividends	10	-	87,755	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,845,974	1,810,485	1,810,050
Non-controlling interests		237,492	228,340	271,840
TOTAL EQUITY		2,083,466	2,038,825	2,081,890
TOTAL LIABILITIES AND EQUITY		17,401,253	16,499,353	16,642,278

ABDUL AZIZ YAAQUB AL NAFISI
(VICE 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 September 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 dividends</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	-	-	-	-	137,865	137,865	-	137,865	16,450	154,315
Other comprehensive loss	-	-	-	-	(7,919)	(7,919)	-	(7,919)	(3,222)	(11,141)
Total comprehensive income	-	-	-	-	129,946	129,946	-	129,946	13,228	143,174
Zakat paid	-	-	-	-	(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 in treasury shares	-	-	-	2,989	(9)	2,980	-	2,980	-	2,980
Disposal of subsidiaries (Note 6)	-	-	-	-	-	-	-	-	(1,434)	(1,434)
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	(2,642)	(2,642)
Balance at 30 September 2017	576,569	720,333	-	(45,835)	594,907	1,845,974	-	1,845,974	237,492	2,083,466

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 September 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 dividends</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	-	-	-	-	123,130	123,130	-	123,130	2,081	125,211
Other comprehensive loss	-	-	-	-	(5,410)	(5,410)	-	(5,410)	(2,530)	(7,940)
Total comprehensive income (loss)	-	-	-	-	117,720	117,720	-	117,720	(449)	117,271
Zakat paid	-	-	-	-	(7,914)	(7,914)	-	(7,914)	-	(7,914)
Issue of bonus shares (Note 10)	47,650	-	(47,650)	-	-	-	-	-	-	-
Cash dividends paid (Note 10)	-	-	-	-	-	-	(79,755)	(79,755)	-	(79,755)
Net movement in treasury shares	-	-	-	1,185	(322)	863	-	863	-	863
Net other changes in non- controlling interests	-	-	-	-	-	-	-	-	(4,064)	(4,064)
Balance at 30 September 2016	524,154	720,333	-	(48,988)	614,551	1,810,050	-	1,810,050	271,840	2,081,890

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 September 2017

		<i>KD 000's</i>	
		<i>Nine months ended</i>	
	<i>Notes</i>	<i>30 September 2017</i>	<i>30 September 2016</i>
OPERATING ACTIVITIES			
Profit (loss) for the period			
- Continuing operations		162,352	155,627
- Discontinued operations	6	(8,037)	(30,416)
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization		25,174	29,181
Provisions and impairment		125,100	87,567
Impairment loss recognised on discontinued operations		-	16,570
Gain on sale of investments		(26,017)	(6,861)
Dividend income		(4,839)	(5,277)
Share of results of associates and joint ventures		(12,239)	(2,821)
Gain on sale of trading and investment properties		(11,631)	(6,810)
Other investment income		(20,844)	(11,364)
		229,019	225,396
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Financing receivables		(1,592,583)	(370,859)
Trading properties		21,969	7,556
Other assets		97,515	(113,208)
Statutory deposit with Central Banks		(20,647)	268
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		(307,857)	2,051
Depositors' accounts		1,130,851	62,300
Other liabilities		70,815	62,176
Net cash flows used in operating activities		(370,918)	(124,320)
INVESTING ACTIVITIES			
Purchase of investments, net		(231,139)	(147,527)
Purchase of investment properties		(7,430)	(9,902)
Proceeds from sale of investment properties		22,473	9,633
Purchase of property and equipment		(23,271)	(37,062)
Proceeds from sale of property and equipment		1,630	17,047
Intangible assets, net		(3,604)	(3,730)
Leasehold rights, net	6	(665)	(13,246)
Proceeds from sale of a subsidiaries		5,600	-
Purchase of investment in associates and joint ventures		(1,960)	(7,151)
Proceeds from sale of investment in associates and joint ventures		12,713	759
Dividend received		15,551	20,571
Net cash flows used in investing activities		(210,102)	(170,608)
FINANCING ACTIVITIES			
Cash dividends paid	10	(87,755)	(79,755)
Net movement in treasury shares		2,980	863
Zakat paid		(9,682)	(7,914)
Net cash flows used in financing activities		(94,457)	(86,806)
DECREASE IN CASH AND CASH EQUIVALENTS		(675,477)	(381,734)
Cash and cash equivalents at 1 January		2,092,111	2,572,884
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	1,416,634	2,191,150

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 September 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 nine months period ended 30 September 2017 were authorised for issue by the Bank’s Board of Directors on 9 October 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 and 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 nine months period ended 30 September 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 nine months period ended 30 September 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 September 2017

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE 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>Nine months ended</i>	
	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>
Basic and diluted earnings per share:				
Profit for the period attributable to shareholders of the Bank (thousand KD)	56,220	52,251	137,865	123,130
Weighted average number of shares outstanding during the period (thousand shares)	5,682,881	5,678,388	5,682,116	5,677,466
Basic and diluted earnings per share attributable to the shareholders of the Bank	9.89 fils	9.20 fils	24.26 fils	21.69 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)	56,566	52,524	139,274	138,998
Weighted average number of shares outstanding during the period (thousand shares)	5,682,881	5,678,388	5,682,116	5,677,466
Basic and diluted earnings per share from continuing operation attributable to the shareholders of the Bank	9.95 fils	9.25 fils	24.51 fils	24.48 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>Nine months ended</i>	
	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>
				<i>KD 000's</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(586)	(545)	(1,433)	(1,284)
National Labour Support Tax (NLST)	(1,155)	(1,097)	(2,675)	(2,627)
Zakat (based on Zakat Law No. 46/2006)	(555)	(569)	(1,284)	(1,325)
Taxation related to subsidiaries	(6,474)	(3,258)	(18,905)	(11,848)
	(8,770)	(5,469)	(24,297)	(17,084)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 September 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 September 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 as at 30 September 2017, the Group has sold its entire holding in Public Services Company (PSC), **and** 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 September 2017

7 RESERVES

The movement of reserves is analysed as follows:

	<i>30 September 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	-	-	137,865	-	-	-	-	137,865
Other comprehensive income (loss)	-	-	-	-	2,050	(9,969)	-	(7,919)
Total comprehensive income (loss)	-	-	137,865	-	2,050	(9,969)	-	129,946
Zakat paid	-	-	(9,682)	-	-	-	-	(9,682)
Net movement on treasury shares	-	-	-	(9)	-	-	-	(9)
Balance at 30 September 2017	255,564	255,564	235,282	6,726	27,778	(151,618)	(34,389)	594,907

	<i>30 September 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	-	-	123,130	-	-	-	-	123,130
Other comprehensive income (loss)	-	-	-	-	5,153	(10,563)	-	(5,410)
Total comprehensive income (loss)	-	-	123,130	-	5,153	(10,563)	-	117,720
Zakat paid	-	-	(7,914)	-	-	-	-	(7,914)
Net movement on treasury shares	-	-	-	(322)	-	-	-	(322)
Balance at 30 September 2016	238,252	238,252	239,795	6,762	22,882	(107,796)	(23,596)	614,551

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

8 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 September 2016</i>
Cash	190,748	251,707	238,514
Balances with Central Banks	618,985	715,371	772,992
Balances with banks and financial institutions - current accounts	419,525	527,579	448,482
Cash and balances with banks and financial institutions	1,229,258	1,494,657	1,459,988
Short term murabaha maturing within 3 months of contract date	691,265	1,119,810	1,271,680
Tawarruq balances with Central Bank of Kuwait maturing within 3 months of contract date	60,016	10,002	35,025
Cash with banks attributable to discontinued operations	21,252	32,152	33,109
Less: Statutory deposits with Central Banks	(585,157)	(564,510)	(608,652)
Cash and cash equivalents	1,416,634	2,092,111	2,191,150

9 INVESTMENTS

This balance includes investments in Sukook of KD 1,358,161 thousand (31 December 2016: KD 1,099,603 thousand and 30 September 2016: KD 1,062,359 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 September 2017 comprise of 5,765,693,556 (31 December 2016: 5,241,539,597 and 30 September 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 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 September 2016</i>
Acceptances and letters of credit	174,624	146,155	144,012
Letters of guarantee	1,931,030	1,675,716	1,613,983
Contingencies	2,105,654	1,821,871	1,757,995
Capital commitments	523,505	399,058	477,494

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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 September 2017</i>	<i>31 December 2016</i>	
Related parties							
Financing receivables	-	250,396	4,378	11,774	266,548	134,413	137,613
Due to banks and financial institutions	1,348,500	27,204	-	-	1,375,704	1,335,174	1,368,530
Depositors' accounts	-	75,959	7,214	30,496	113,669	98,435	100,153
Contingencies and commitments	436	12,678	1	115	13,230	14,801	7,344
Investments managed by related party	-	-	-	33,325	33,325	34,108	33,584

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>Nine months ended</i>		<i>Total</i>
					<i>30 September 2017</i>	<i>30 September 2016</i>	
Financing income	-	5,629	119	234	5,982	3,408	3,408
Fee and commission income	-	22	7	59	88	249	249
Finance cost and estimated distribution to depositors	18,201	531	-	756	19,488	17,026	17,026

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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 September 2017</i>	<i>31 December 2016</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>31 December 2016</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>31 December 2016</i>	<i>30 September 2016</i>
Board Members									
Finance facilities	24	40	30	15	20	21	3,450	16,033	12,164
Credit cards	16	15	13	4	8	8	42	40	44
Deposits	70	78	75	102	145	137	21,439	10,021	10,418
Collateral against finance facilities	6	9	8	4	3	3	4,527	15,190	5,928
Executive Officers									
Finance facilities	46	45	45	12	11	10	2,748	3,360	3,225
Credit cards	40	39	30	8	7	7	187	166	166
Deposits	79	83	78	86	79	74	8,808	9,171	7,322
Collateral against finance facilities	12	14	17	5	5	5	5,601	7,549	8,593

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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>Nine months ended</i>	
	<i>30 September 2017</i>	<i>30 September 2016</i>
Board Members		
Financing income	53	90
Executive officers		
Financing income	66	107
	<u>119</u>	<u>197</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>Nine months ended</i>	
	<i>30 September 2017</i>	<i>30 September 2016</i>
Salaries, allowances and bonuses of key management personnel	14,356	14,019
Termination & long term benefits of key management personnel	947	907
Remuneration of chairman and board members *	421	595
	<u>15,724</u>	<u>15,521</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 September 2017</i>	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,424,065	1,725,794	9,560,974	690,420	17,401,253
Total liabilities	2,758,377	19,157	11,848,525	691,728	15,317,787
Total operating income	47,797	87,838	354,653	34,766	525,054
Profit (loss) for the period	42,763	55,372	206,438	(150,258)	154,315

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

14 SEGMENTAL ANALYSIS (continued)

Segment information (continued)

	<i>KD 000's</i>				
<i>30 September 2016</i>	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,420,990	1,848,521	8,578,681	794,086	16,642,278
Total liabilities	2,995,878	32,105	10,955,640	576,765	14,560,388
Total operating income	26,705	53,761	372,249	28,617	481,332
Profit (loss) for the period	21,190	26,484	248,525	(170,988)	125,211

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 September 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	-	50,506	-	50,506
Financial assets available for sale	1,101,345	49,924	362,154	1,513,423
<i>Derivative financial assets:</i>				
Forward contracts	-	1,320	-	1,320
Profit rate swaps	-	158	-	158
Currency swaps	-	9,267	-	9,267
	<u>1,101,345</u>	<u>111,175</u>	<u>362,154</u>	<u>1,574,674</u>
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	-	1,223	-	1,223
Profit rate swaps	-	240	-	240
Currency swaps	-	10,585	-	10,585
Embedded precious metals	-	101	-	101
	<u>-</u>	<u>12,149</u>	<u>-</u>	<u>12,149</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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:

Financial assets measured at fair value:	<i>KD 000's</i>			
	<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
	<u>867,724</u>	<u>116,458</u>	<u>357,507</u>	<u>1,341,689</u>

Financial liabilities measured at fair value:	<i>KD 000's</i>			
	<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
Currency swaps	-	21,037	-	21,037
Embedded precious metals	-	62	-	62
	<u>-</u>	<u>22,639</u>	<u>-</u>	<u>22,639</u>

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

Financial assets measured at fair value:	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
Venture capital at fair value through statement of income	-	88,814	-	88,814
Financial assets available for sale	801,407	65,411	403,467	1,270,285
<i>Derivative financial assets:</i>				
Forward contracts	-	497	-	497
Profit rate swaps	-	432	-	432
Currency swaps	-	2,671	-	2,671
	<u>801,407</u>	<u>157,825</u>	<u>403,467</u>	<u>1,362,699</u>

Financial liabilities measured at fair value:	<i>KD 000's</i>			
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>Derivative financial liabilities:</i>				
Forward contracts	-	486	-	486
Profit rate swaps	-	33	-	33
Currency swaps	-	10,211	-	10,211
Embedded precious metals	-	46	-	46
	<u>-</u>	<u>10,776</u>	<u>-</u>	<u>10,776</u>

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 September 2017

15 FAIR VALUES (continued)

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

	<i>KD 000's</i>	
	<i>2017</i>	<i>2016</i>
As at 1 January	357,507	266,385
Re-measurement recognised in other comprehensive income	1,108	(312)
Purchases, net	3,539	137,394
As at 30 September	362,154	403,467

16 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2017 amounted to KD 1,101,348 thousand (31 December 2016: KD 1,103,087 thousand and 30 September 2016: KD 1,229,556 thousand).

Fee and commission income include fees of KD 3,855 thousand (30 September 2016: KD 3,252 thousand) arising from trust and fiduciary activities.