

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

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

30 JUNE 2015

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2015

		<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Six months ended</i>	
	<i>Notes</i>	<i>30 June 2015</i>	<i>30 June 2014</i>	<i>30 June 2015</i>	<i>30 June 2014</i>
INCOME					
Financing income		157,585	141,006	319,826	287,327
Finance cost and estimated distribution to depositors	3	(62,765)	(61,653)	(133,003)	(124,753)
Net finance income		94,820	79,353	186,823	162,574
Investment income		21,953	29,156	50,996	64,489
Fees and commission income		19,137	19,079	36,680	36,865
Share of result (loss) of associates and joint ventures		2,680	1,804	(226)	1,954
Net gain from foreign currencies		1,983	3,447	10,332	8,337
Other income		28,802	23,641	47,136	43,619
TOTAL OPERATING INCOME		169,375	156,480	331,741	317,838
EXPENSES					
Staff costs		(47,809)	(46,707)	(95,989)	(90,646)
General and administrative expenses		(21,234)	(27,886)	(44,192)	(53,125)
Depreciation and amortization		(20,727)	(18,098)	(40,578)	(36,598)
TOTAL EXPENSES		(89,770)	(92,691)	(180,759)	(180,369)
Net operating income		79,605	63,789	150,982	137,469
Provisions and impairment		(28,932)	(20,532)	(51,858)	(50,581)
PROFIT BEFORE TAX AND ZAKAT		50,673	43,257	99,124	86,888
Contribution to Kuwait Foundation for the Advancement of Sciences		(335)	(296)	(645)	(567)
National Labour Support Tax		(480)	(560)	(1,114)	(1,127)
Zakat (based on Zakat Law No. 46/2006)		(147)	(213)	(352)	(417)
Taxation related to subsidiaries		(4,337)	(6,035)	(8,866)	(10,147)
PROFIT FOR THE PERIOD		45,374	36,153	88,147	74,630
Attributable to:					
Shareholders of the Bank		32,447	28,512	62,340	54,568
Non-controlling interests		12,927	7,641	25,807	20,062
		45,374	36,153	88,147	74,630
Basic and diluted earnings per share attributable to the shareholders of the Bank	4	6.92 fils	6.08 fils	13.30 fils	11.64 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 June 2015

	<i>KD 000's</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2015</i>	<i>30 June 2014</i>	<i>30 June 2015</i>	<i>30 June 2014</i>
Profit for the period	45,374	36,153	88,147	74,630
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Change in fair value of financial assets available for sale	(10,600)	376	(5,463)	8,534
Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts	-	18	-	42
Realised loss on financial assets available for sale	1,715	1,592	1,036	1,693
Impairment losses on financial assets available for sale transferred to interim condensed consolidated statement of income	3,942	4,102	8,567	9,129
Share of other comprehensive (loss) income of associates and joint ventures	(1,130)	702	(450)	1,000
Exchange differences on translation of foreign operations	3,143	24,127	(17,524)	(13,343)
Other comprehensive (loss) income for the period	(2,930)	30,917	(13,834)	7,055
Total comprehensive income	42,444	67,070	74,313	81,685
Attributable to:				
Shareholders of the Bank	32,342	50,194	62,048	66,223
Non-controlling interests	10,102	16,876	12,265	15,462
	42,444	67,070	74,313	81,685

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 June 2015

		<i>KD 000's</i>		
		30 June	<i>(Audited)</i> 31 December	<i>(Restated)</i> 30 June
	<i>Notes</i>	2015	2014	2014
ASSETS				
Cash and balances with banks and financial institutions	6	1,401,821	1,604,135	1,347,909
Short-term murabaha		3,639,607	3,222,420	3,293,546
Financing receivables		8,267,989	8,118,921	8,028,698
Trading properties		204,764	179,265	175,477
Investments		1,347,653	1,369,484	1,188,437
Investment in associates and joint ventures		459,088	462,710	606,900
Investment properties		501,605	529,285	515,928
Other assets		560,976	639,455	540,330
Intangible assets and goodwill		55,317	61,793	66,767
Property and equipment		922,075	877,362	810,628
Leasehold rights		141,073	117,081	121,457
Assets classified as held for sale		-	-	35,753
TOTAL ASSETS		17,501,968	17,181,911	16,731,830
LIABILITIES				
Due to banks and financial institutions		3,412,913	3,451,262	3,311,768
Depositors' accounts		11,160,670	10,881,392	10,726,959
Other liabilities		805,248	752,216	719,372
Liabilities directly associated with assets classified as held for sale		-	-	3,348
TOTAL LIABILITIES		15,378,831	15,084,870	14,761,447
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK				
Share capital	7	476,504	433,185	433,185
Share premium		720,333	720,333	720,333
Proposed issue of bonus shares	7	-	43,319	-
Treasury shares		(52,816)	(52,497)	(51,944)
Reserves	5	579,811	537,315	577,318
Proposed cash dividend	7	-	63,935	-
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		1,723,832	1,745,590	1,678,892
Non-controlling interests		399,305	351,451	291,491
TOTAL EQUITY		2,123,137	2,097,041	1,970,383
TOTAL LIABILITIES AND EQUITY		17,501,968	17,181,911	16,731,830

HAMAD ABDUL MOHSEN AL-MARZOUQ
(CHAIRMAN)

MAZIN SAAD AL-NAHEDH
(GROUP 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 June 2015

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 5)	Subtotal	Proposed cash dividend			Subtotal
At 1 January 2014 (as previously reported)	383,350	720,333	49,835	(56,118)	582,497	1,679,897	48,968	1,728,865	336,356	2,065,221
Effect of restatement (Note 14)	-	-	-	-	(65,722)	(65,722)	-	(65,722)	(46,278)	(112,000)
At 1 January 2014 (restated)	383,350	720,333	49,835	(56,118)	516,775	1,614,175	48,968	1,663,143	290,078	1,953,221
Profit for the period	-	-	-	-	54,568	54,568	-	54,568	20,062	74,630
Other comprehensive income (loss)	-	-	-	-	11,655	11,655	-	11,655	(4,600)	7,055
Total comprehensive income	-	-	-	-	66,223	66,223	-	66,223	15,462	81,685
Zakat paid	-	-	-	-	(6,020)	(6,020)	-	(6,020)	-	(6,020)
Issue of bonus shares (Note 7)	49,835	-	(49,835)	-	-	-	-	-	-	-
Cash dividends paid (Note 7)	-	-	-	-	-	-	(48,968)	(48,968)	-	(48,968)
Net movement in treasury shares	-	-	-	4,174	340	4,514	-	4,514	-	4,514
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,671)	(2,671)
Net other change in non-controlling interests	-	-	-	-	-	-	-	-	(11,378)	(11,378)
At 30 June 2014 (restated)	433,185	720,333	-	(51,944)	577,318	1,678,892	-	1,678,892	291,491	1,970,383

KD 000's

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) (continued)

Period ended 30 June 2015

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 5)	Subtotal	Proposed cash dividend			Subtotal
At 1 January 2015	433,185	720,333	43,319	(52,497)	537,315	1,681,655	63,935	1,745,590	351,451	2,097,041
Profit for the period	-	-	-	-	62,340	62,340	-	62,340	25,807	88,147
Other comprehensive loss	-	-	-	-	(292)	(292)	-	(292)	(13,542)	(13,834)
Total comprehensive income	-	-	-	-	62,048	62,048	-	62,048	12,265	74,313
Zakat paid	-	-	-	-	(6,327)	(6,327)	-	(6,327)	-	(6,327)
Issue of bonus shares (Note 7)	43,319	-	(43,319)	-	-	-	-	-	-	-
Cash dividends paid (Note 7)	-	-	-	(319)	-	(311)	(63,935)	(63,935)	-	(63,935)
Net movement on treasury shares	-	-	-	-	8	(311)	-	(311)	-	(311)
Acquisition of non-controlling interests	-	-	-	-	(13,233)	(13,233)	-	(13,233)	13,233	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,315)	(2,315)
Net other changes in non-controlling interests	-	-	-	-	-	-	-	-	24,671	24,671
At 30 June 2015	476,504	720,333	-	(52,816)	579,811	1,723,832	-	1,723,832	399,305	2,123,137

KD 000's

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 June 2015

	<i>KD 000's</i>	
	<i>Six months ended</i>	
<i>Note</i>	<i>30 June 2015</i>	<i>30 June 2014</i>
OPERATING ACTIVITIES		
Profit for the period	88,147	74,630
Adjustment to reconcile profit to net cash flows:		
Depreciation and amortization	40,578	36,598
Provisions and impairment	51,858	50,581
Gain on sale of investments	(5,556)	(7,522)
Dividend income	(5,408)	(4,401)
Sukook income	(20,567)	(15,640)
Share of (losses) results of associates and joint ventures	226	(1,954)
Gain on sale of investment properties	(4,066)	(18,383)
Other investment income	(2,831)	(2,740)
	<u>142,381</u>	<u>111,169</u>
Changes in operating assets and liabilities		
<i>(Increase) decrease in operating assets:</i>		
Financing receivables	(243,468)	(634,486)
Leased assets	61,911	(17,500)
Trading properties	(22,624)	113,451
Other assets	73,243	(43,387)
Leasehold rights	(621)	3,863
Intangible assets	(7,060)	657
Statutory deposit with Central Banks	37,085	(74,599)
<i>Increase (decrease) in operating liabilities:</i>		
Due to banks and financial institutions	(38,349)	843,242
Depositors' accounts	279,278	622,973
Other liabilities	33,216	(52,915)
Net cash flows from operating activities	<u>314,992</u>	<u>872,468</u>
INVESTING ACTIVITIES		
Proceeds from sale (purchase) of financial assets available for sale, net	19,303	(5,300)
Purchase of investment properties	(15,247)	(33,470)
Proceeds from sale of investment properties	25,407	73,972
Purchase of property and equipment	(90,710)	(50,830)
Proceeds from sale of property and equipment	33,241	19,662
Purchase of investment in associates and joint ventures	(3,155)	(46,863)
Proceeds of sale of associates and joint ventures	1,494	49,157
Dividend received	11,451	7,439
Sukook income received	20,567	15,640
Net cash flows from investing activities	<u>2,351</u>	<u>29,407</u>
FINANCING ACTIVITIES		
Cash dividends paid	(63,935)	(48,968)
Cash dividends paid to non-controlling interests of a subsidiary	(2,315)	(2,671)
Net movement in treasury shares	(311)	4,514
Zakat paid	(6,327)	(6,020)
Net cash flows used in financing activities	<u>(72,888)</u>	<u>(53,145)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 January	244,455	848,730
	<u>2,433,322</u>	<u>1,959,000</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>6</u> <u>2,677,777</u>	<u>2,807,730</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 June 2015

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 month period ended 30 June 2015 were authorised for issue by the Bank’s Board of Directors on 9 July 2015.

The shareholders’ annual general assembly held on 16 March 2015 approved the audited consolidated financial statements of the Group for the year ended 31 December 2014.

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. 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 2014, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 July 2014 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 2014 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 six month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

New and revised IASB Standards, but not yet effective

Number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, have not been applied in preparing these interim condensed consolidated financial information. None of these are expected to have a significant effect on the interim condensed consolidated financial information of the Group except for the IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**New and revised IASB Standards, but not yet effective (continued)**

The Group is currently assessing the impact of above standards and plans to adopt the new standards on the required effective date.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014, the Group has applied these amendments for the first time in these interim condensed consolidated financial statements and did not result in any material impact on the accounting policies, financial position or performance of the Group. They include:

- *IFRS 2 Share-based Payment*
- *IFRS 3 Business Combinations*
- *IFRS 8 Operating Segments*
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
- *IAS 24 Related Party Disclosures*

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014, the Group has applied these amendments for the first time in these interim condensed consolidated financial statements and did not result in any material impact on the accounting policies, financial position or performance of the Group. They include:

- *IFRS 3 Business Combinations*
- *IFRS 13 Fair Value Measurement*
- *IAS 40 Investment Property*
- *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to IAS 27: Equity Method in Separate Financial Statements*

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 2015. 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 2015.

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 June</i>		<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Profit for the period attributable to shareholders of the Bank (thousand KD)	<u>32,447</u>	<u>28,512</u>	<u>62,340</u>	<u>54,568</u>
Weighted average number of shares outstanding during the period (thousands share)	<u>4,688,740</u>	<u>4,686,352</u>	<u>4,688,829</u>	<u>4,688,347</u>
Basic and diluted earnings per share	<u>6.92 fils</u>	<u>6.08 fils</u>	<u>13.30 fils</u>	<u>11.64 fils</u>

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus issue (Note 7).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

5 RESERVES

The movement in reserves is analysed as follows:

	30 June 2014							30 June 2015										
	Statutory reserve	Voluntary reserve	Retained earnings	Employees' share options reserve	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total	Statutory reserve	Voluntary reserve	Retained earnings	Employees' share options reserve	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
	KD 000's																	
As at 1 January 2014	283,584	287,942	-	4,246	6,725	-	-	-	582,497	-	-	-	-	-	-	-	(8,920)	(65,722)
(as previously reported)	-	-	-	-	-	(360)	(56,442)	-	(65,722)	-	-	-	-	-	-	-	-	-
Effect of restatement (Note 14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 1 January 2014 (restated)	283,584	287,942	-	4,246	6,725	(360)	(56,442)	(8,920)	516,775	-	-	-	-	-	-	-	-	54,568
Profit for the period	-	-	54,568	-	-	20,719	(9,064)	-	54,568	-	-	-	-	-	-	-	-	11,655
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	54,568	-	-	20,719	(9,064)	-	66,223	-	-	-	-	-	-	-	-	(6,020)
Zakat paid	-	(6,020)	-	-	-	-	-	-	(6,020)	-	-	-	-	-	-	-	-	340
Profit on sale of treasury shares	-	-	-	-	340	-	-	-	340	-	-	-	-	-	-	-	-	-
Balance at 30 June 2014 (restated)	283,584	281,922	54,568	4,246	7,065	20,359	(65,506)	(8,920)	577,318	-	-	-	-	-	-	-	-	-
	KD 000's																	
Balance at 1 January 2015	238,252	238,252	108,224	4,246	7,078	4,493	(54,310)	(8,920)	537,315	-	-	-	-	-	-	-	-	62,340
Profit for the period	-	-	62,340	-	-	2,481	(2,773)	-	62,340	-	-	-	-	-	-	-	-	(292)
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	62,340	-	-	2,481	(2,773)	-	62,048	-	-	-	-	-	-	-	-	(6,327)
Zakat paid	-	-	(6,327)	-	-	-	-	-	(6,327)	-	-	-	-	-	-	-	-	8
Profit on sale of treasury shares	-	-	-	-	8	-	-	-	8	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(13,233)	(13,233)	-	-	-	-	-	-	-	-	-
Balance at 30 June 2015	238,252	238,252	164,237	4,246	7,086	6,974	(57,083)	(22,153)	579,811	-	-	-	-	-	-	-	-	-

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2015

6 CASH AND CASH EQUIVALENTS

	<i>KD 000's</i>		
	<i>30 June 2015</i>	<i>(Audited) 31 December 2014</i>	<i>30 June 2014</i>
Cash	215,277	176,362	214,336
Balances with Central Banks	734,776	857,021	675,331
Balances with banks and financial institutions - current accounts	451,768	570,752	438,242
Balances with banks and financial institutions - exchange of deposits	-	-	20,000
Cash and balances with banks and financial institutions	<u>1,401,821</u>	<u>1,604,135</u>	<u>1,347,909</u>
Short term murabaha maturing within 3 months of contract date	1,435,089	1,000,390	1,493,327
Tawarruq balances with Central Bank of Kuwait maturing within 3 months of contract date	425,042	450,057	500,036
Less: Statutory deposits with Central Banks	<u>(584,175)</u>	<u>(621,260)</u>	<u>(533,542)</u>
Cash and cash equivalents	<u><u>2,677,777</u></u>	<u><u>2,433,322</u></u>	<u><u>2,807,730</u></u>

7 SHARE CAPITAL, ISSUE OF BONUS SHARES AND CASH DIVIDENDS PAID

Bonus shares of 10% (2013: 13%) on outstanding shares amounting KD 43,319 thousands (2013: KD 49,835 thousand) and cash dividends of 15 fils per share (2013: 13 fils per share) amounting KD 63,935 (2013: KD 48,968 thousands) proposed for the year ended 31 December 2014, 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 16 March 2015.

Accordingly, the authorised, issued, and fully paid share capital as at 30 June 2015 comprise of 4,765,035 thousand (31 December 2014: 4,331,851 thousand and 30 June 2014: 4,331,851 thousand) shares of 100 fils each.

8 DIRECTORS' FEES

In the ordinary general assembly meeting of the shareholders of the Bank for the year ended 31 December 2014 held on 16 March 2015, the shareholders approved directors' fees proposed for the year ended 31 December 2014.

9 CONTINGENCIES AND COMMITMENTS

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

	<i>KD 000's</i>		
	<i>30 June 2015</i>	<i>(Audited) 31 December 2014</i>	<i>30 June 2014</i>
Acceptances and letters of credit	163,718	168,358	251,713
Letter of guarantees	1,266,590	1,316,912	1,406,934
Contingences	<u>1,430,308</u>	<u>1,485,270</u>	<u>1,658,647</u>
Capital commitments	<u><u>2,045,879</u></u>	<u><u>1,981,592</u></u>	<u><u>1,839,403</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

10 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.

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 June 2015</i>	<i>(Audited) 31 December 2014</i>	<i>Total 30 June 2014</i>
Related parties							
Financing receivables	-	75,935	10,116	8,507	94,558	121,693	110,965
Due to banks and financial institutions	1,324,268	32,741	-	3,483	1,360,492	1,239,719	1,367,553
Depositors' accounts	-	42,000	11,651	25,002	78,653	70,423	44,573
Contingencies and commitments	936	8,121	22	25,737	34,816	36,268	40,878
Investment managed by related party	-	-	-	40,914	40,914	33,453	45,482

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 June 2015</i>	<i>30 June 2014</i>
Financing income	-	1,790	336	197	2,323	3,090
Investment income	-	-	-	-	-	150
Fee and commission income	-	40	4	670	714	498
Finance costs	8,472	11	-	490	8,973	7,995

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
At 30 June 2015

10 RELATED PARTY TRANSACTIONS (continued)

Details of the interests of Board Members and Executive Officers of the Bank and all consolidated subsidiaries 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>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>		
30 June 2015	31 December 2014	30 June 2014	30 June 2015	31 December 2014	30 June 2014	30 June 2015	31 December 2014	30 June 2014	
Board Members									
Finance facilities	41	31	29	10	7	3	36,226	41,539	49,468
Credit cards	19	8	11	1	2	1	30	17	14
Deposits	88	68	58	21	22	15	14,201	12,218	10,415
Collateral against finance facilities	17	10	11	-	-	-	18,704	16,885	17,401
Executive Officers									
Finance facilities	28	35	26	2	3	3	2,750	4,168	4,070
Credit cards	20	15	22	1	-	1	66	59	40
Deposits	57	63	54	16	25	31	2,434	3,224	4,342
Collateral against finance facilities	13	17	15	1	2	2	5,635	11,444	9,794

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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At 30 June 2015

10 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>30 June 2015</i>	<i>30 June 2014</i>
Board Members		
Finance income	233	244
Executive officers		
Finance income	103	90
	<u>336</u>	<u>334</u>

Salaries, allowances and bonuses 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>30 June 2015</i>	<i>30 June 2014</i>
Salaries, allowances and bonuses of key management personnel	10,373	8,598
Termination benefits of key management personnel	481	901
Remuneration of chairman and board members *	841	1,319
	<u>11,695</u>	<u>10,818</u>

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

11 SEGMENTAL ANALYSIS

Segment information

For management purposes the Group is organised into three major business segments:

<i>30 June 2015</i>	<i>KD 000's</i>				
	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	5,413,582	4,438,411	6,213,794	1,436,181	17,501,968
Total liabilities	3,067,296	160,069	11,178,727	972,739	15,378,831
Total operating income	19,907	51,315	197,552	62,967	331,741
Profit for the period	17,067	25,130	69,438	(23,488)	88,147

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

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At 30 June 2015

11 SEGMENTAL ANALYSIS (continued)

Segment information (continued)

	<i>KD 000's</i>				
<i>30 June 2014</i>	<i>Treasury</i>	<i>Investments</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	4,932,557	4,389,256	6,063,603	1,346,414	16,731,830
Total liabilities	2,823,850	227,503	10,834,882	875,212	14,761,447
Total operating income	12,705	63,846	190,609	50,678	317,838
Profit for the period	12,029	19,665	62,790	(19,854)	74,630

12 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 2015:

	<i>KD 000's</i>			<i>Total</i>
Financial assets measured at fair value:	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	
Venture capital at fair value through statement of income	-	133,974	-	133,974
Financial assets available for sale	764,674	107,925	96,559	969,158
<i>Derivative financial assets:</i>				
Forward contracts	4,112	-	-	4,112
Profit rate swaps	-	822	-	822
Currency swaps	2,938	-	-	2,938
	<u>771,724</u>	<u>242,721</u>	<u>96,559</u>	<u>1,111,004</u>
Financial liabilities measured at fair value:				
<i>Derivative financial liabilities:</i>				
Forward contracts	4,390	-	-	4,390
Profit rate swaps	-	36	-	36
Currency swaps	4,368	-	-	4,368
Embedded precious metals	11	-	-	11
	<u>8,769</u>	<u>36</u>	<u>-</u>	<u>8,805</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

12 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2014.

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	-	133,974	-	133,974
Financial assets available for sale	780,293	107,788	105,923	994,004
<i>Derivative financial assets:</i>				
Forward contracts	2,742	-	-	2,742
Profit rate swaps	-	939	-	939
Currency swaps	2,735	-	-	2,735
	<u>785,770</u>	<u>242,701</u>	<u>105,923</u>	<u>1,134,394</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	1,858	-	-	1,858
Profit rate swaps	-	7	-	7
Currency swaps	1,431	-	-	1,431
Embedded precious metals	61	-	-	61
	<u>3,350</u>	<u>7</u>	<u>-</u>	<u>3,357</u>

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2014:

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	-	127,487	-	127,487
Financial assets available for sale	770,775	121,425	115,480	1,007,680
<i>Derivative financial assets:</i>				
Forward contracts	6,422	-	-	6,422
Profit rate swaps	-	1,378	-	1,378
Currency swaps	1,384	-	-	1,384
	<u>778,581</u>	<u>250,290</u>	<u>115,480</u>	<u>1,144,351</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	3,346	-	-	3,346
Currency swaps	773	-	-	773
Embedded precious metals	64	-	-	64
	<u>4,183</u>	<u>-</u>	<u>-</u>	<u>4,183</u>

No transfers have been made between the levels of hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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13 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 June 2015 amounted to KD 588,667 thousand (31 December 2014: KD 579,028 thousand and 30 June 2014: KD 601,831 thousand).

Fee and commission income include fees of KD 1,421 thousand (30 June 2014: KD 1,325 thousand) arising from trust and fiduciary activities.

14 COMPARATIVE INFORMATION

During the period ended 30 June 2015 and the year ended 31 December 2014, management of the Bank presented fair value reserve and foreign currency translation reserve as separate components within the interim condensed consolidated statement of changes in equity, instead of reporting them separately between liabilities and equity in the consolidated statement of financial position. This also led to a change in the presentation of the interim condensed consolidated statement of comprehensive income as it now begins with the "profit of the period", instead of "profit before distribution to depositors". These changes did not affect previously reported figures in the interim condensed consolidated statement of income.

Accordingly, the comparative information in the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position, and the interim condensed consolidated statement of changes in equity for the previous period ended 30 June 2014 have been restated to conform with the current presentation.