

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

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

**30 JUNE 2012**

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT FINANCE HOUSE K.S.C.

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance House K.S.C. ("the Bank") and its Subsidiaries (collectively "the Group") as at 30 June 2012 and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

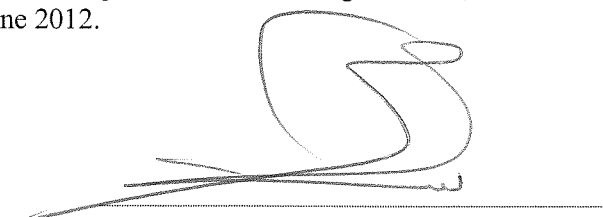
### *Report on Other Legal and Regulatory Requirements*

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Bank that might have had a material effect on the business of the Bank or on its financial position during the six month period ended 30 June 2012.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the six month period ended 30 June 2012.



WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
OF ERNST & YOUNG  
AL AIBAN, AL OSAIMI & PARTNERS



BADER A. AL-WAZZAN  
LICENCE NO. 62 A  
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AL-FAHAD, AL-WAZZAN & CO.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2012

	Notes	<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June 2012</i>	<i>30 June 2011</i>	<i>30 June 2012</i>	<i>30 June 2011</i>
<b>INCOME</b>					
Financing income		121,109	125,874	249,355	250,480
Investment income		57,238	30,414	76,946	59,023
Fee and commission income		17,453	15,315	32,140	31,944
Net gain (loss) from foreign currencies		7,119	(4,417)	11,513	(4,573)
Other income		8,769	20,743	24,491	43,589
		<u>211,688</u>	<u>187,929</u>	<u>394,445</u>	<u>380,463</u>
<b>EXPENSES</b>					
Staff costs		32,218	30,462	62,118	61,442
General and administrative expenses		23,019	23,829	50,612	49,937
Finance costs		6,142	15,382	19,950	28,578
Depreciation		15,313	15,271	32,374	31,510
Impairment		71,000	55,306	109,217	106,983
		<u>147,692</u>	<u>140,250</u>	<u>274,271</u>	<u>278,450</u>
<b>PROFIT BEFORE ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
Estimated distribution to depositors	3	63,996 (31,702)	47,679 (35,695)	120,174 (68,554)	102,013 (74,437)
<b>PROFIT AFTER ESTIMATED DISTRIBUTION TO DEPOSITORS</b>					
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		32,294	11,984	51,620	27,576
Provision for National Labour Support Tax (NLST)		(226)	(236)	(431)	(464)
Provision for Zakat (based on Zakat Law No. 46/2006)		(219)	(346)	(432)	(347)
		(67)	(120)	(124)	(114)
<b>PROFIT FOR THE PERIOD</b>					
		<u>31,782</u>	<u>11,282</u>	<u>50,633</u>	<u>26,651</u>
<b>Attributable to:</b>					
Equityholders of the Bank		22,081	22,844	42,134	45,469
Non-controlling interests		9,701	(11,562)	8,499	(18,818)
		<u>31,782</u>	<u>11,282</u>	<u>50,633</u>	<u>26,651</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>					
	4	<u>7.8 fils</u>	<u>7.9 fils</u>	<u>14.8 fils</u>	<u>15.8 fils</u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

Period ended 30 June 2012

		<i>KD 000's</i>			
		<i>Three months ended</i>		<i>Six months ended</i>	
<i>Notes</i>	<i>30 June 2012</i>	<i>30 June 2011</i>	<i>30 June 2012</i>	<i>30 June 2011</i>	
	<b>Profit before estimated distribution to depositors</b>	<b>63,996</b>	47,679	<b>120,174</b>	102,013
	<b>Other comprehensive (loss) income</b>				
	Change in fair value of financial assets available for sale during the period	5 (16,938)	(1,064)	1,022	(2,020)
	Change in fair value of currency swaps, profit rate swaps, and forward foreign exchange contracts	5 173	(712)	544	(1,075)
	(Gain) loss realised on financial assets available for sale during the period	5 (12,232)	(330)	(13,631)	5,618
	Impairment losses transferred to the interim condensed consolidated statement of income	5 12,210	5,381	12,210	17,103
	Share of other comprehensive (loss) income of associates	5 (2,978)	187	(1,849)	(569)
	Exchange differences on translation of foreign operations	6 18,716	(14,996)	16,825	(41,941)
	<b>Other comprehensive (loss) income for the period included directly in fair value reserve and foreign exchange translation reserve</b>	<b>(1,049)</b>	<b>(11,534)</b>	<b>15,121</b>	<b>(22,884)</b>
	<b>Total comprehensive income before estimated distribution to depositors</b>	<b>62,947</b>	<b>36,145</b>	<b>135,295</b>	<b>79,129</b>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2012

		<i>KD 000's</i>		
		<i>(Unaudited)</i> 30 June 2012	<i>(Audited)</i> 31 December 2011	<i>(Unaudited)</i> 30 June 2011
<b>ASSETS</b>				
Cash and balances with banks and financial institutions	7	730,510	619,554	437,154
Short-term murabaha		1,611,335	1,478,052	1,453,059
Receivables		6,083,757	5,864,821	5,721,001
Trading properties		293,863	273,686	287,641
Leased assets		1,497,631	1,422,442	1,353,258
Financial assets available for sale		1,347,348	1,302,177	1,279,489
Investment in associates		450,918	490,062	377,017
Investment properties		541,499	536,358	622,752
Other assets		707,810	705,551	609,724
Property and equipment		750,057	767,130	779,623
<b>TOTAL ASSETS</b>		<b>14,014,728</b>	<b>13,459,833</b>	<b>12,920,718</b>
<b>LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and financial institutions		2,346,724	1,818,636	1,846,991
Depositors' accounts		8,894,485	8,881,845	8,359,893
Other liabilities		605,011	681,673	673,718
<b>TOTAL LIABILITIES</b>		<b>11,846,220</b>	<b>11,382,154</b>	<b>10,880,602</b>
<b>DEFERRED REVENUE</b>		<b>701,334</b>	<b>608,475</b>	<b>538,542</b>
<b>FAIR VALUE RESERVE</b>	5	<b>(14,707)</b>	<b>(13,003)</b>	<b>(23,942)</b>
<b>FOREIGN EXCHANGE TRANSLATION RESERVE</b>	6	<b>(57,980)</b>	<b>(74,805)</b>	<b>(31,443)</b>
<b>EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>				
Share capital	8	290,416	268,904	268,904
Share premium		464,766	464,766	464,766
Proposed issue of bonus shares		-	21,512	-
Treasury shares		(54,028)	(46,813)	(35,506)
Reserves		544,361	544,361	523,693
Profit for the period attributable to equityholders of the Bank		42,134	-	45,469
Proposed cash dividend		1,287,649	1,252,730	1,267,326
		-	39,623	-
<b>TOTAL EQUITY ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE BANK</b>		<b>1,287,649</b>	<b>1,292,353</b>	<b>1,267,326</b>
Non-controlling interests		252,212	264,659	289,633
<b>TOTAL EQUITY</b>		<b>1,539,861</b>	<b>1,557,012</b>	<b>1,556,959</b>
<b>TOTAL LIABILITIES, DEFERRED REVENUE, FAIR VALUE RESERVE, FOREIGN EXCHANGE TRANSLATION RESERVE AND EQUITY</b>		<b>14,014,728</b>	<b>13,459,833</b>	<b>12,920,718</b>

SAMIR YAQOOB AL NAFISI  
(CHAIRMAN)

MOHAMMAD AL-OMAR  
(CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Kuwait Finance House K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2012

	<i>KD 000's</i>														
	<i>Attributable to equityholders 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>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Reserves</i>		<i>Profit for the period</i>	<i>Sub total</i>	<i>Proposed cash dividend</i>	<i>Sub total</i>	<i>Non- controlling interests</i>	<i>Total equity</i>	
At 31 December 2010	248,985	464,766	19,919	(26,722)	254,288	270,359	4,239	5,192	534,078	-	1,241,026	49,304	1,290,330	311,999	1,602,329
Movements during the period:															
Issue of bonus shares (Note 8)	19,919	-	(19,919)	-	-	-	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	(11,894)	-	-	(11,894)	-	(11,894)	-	(11,894)	-	(11,894)
Cash dividends paid	-	-	-	-	-	-	-	-	-	(49,304)	(49,304)	-	(49,304)	-	(49,304)
Net movement in treasury shares	-	-	-	(8,784)	-	-	-	-	-	-	(8,784)	-	(8,784)	-	(8,784)
Profit on sale of treasury shares	-	-	-	-	-	-	-	1,509	1,509	-	1,509	-	1,509	-	1,509
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,548)	(3,548)
Profit (loss) for the period	-	-	-	-	-	-	-	-	45,469	45,469	45,469	-	45,469	(18,818)	26,651
At 30 June 2011	268,904	464,766	-	(35,506)	254,288	258,465	4,239	6,701	523,693	45,469	1,267,326	-	1,267,326	289,633	1,556,959
At 31 December 2011	268,904	464,766	21,512	(46,813)	262,491	270,950	4,244	6,676	544,361	-	1,252,730	39,623	1,292,353	264,659	1,557,012
Movements during the period:															
Issue of bonus shares (Note 8)	21,512	-	(21,512)	-	-	-	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	-	-	(39,623)	(39,623)	-	(39,623)	-	(39,623)
Net movement in treasury shares	-	-	-	(7,215)	-	-	-	-	-	-	(7,215)	-	(7,215)	-	(7,215)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,946)	(20,946)
Profit for the period	-	-	-	-	-	-	-	-	42,134	42,134	42,134	-	42,134	8,499	50,633
At 30 June 2012	290,416	464,766	-	(54,028)	262,491	270,950	4,244	6,676	544,361	42,134	1,287,649	-	1,287,649	252,212	1,539,861

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

Period ended 30 June 2012

	Note	<i>KD 000's</i>	
		<i>Six months ended</i>	
		<i>30 June 2012</i>	<i>30 June 2011</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		50,633	26,651
Adjustment for:			
Depreciation		32,374	31,510
Impairment		109,217	106,983
Dividend income		(8,780)	(7,496)
Gain on sale of investments		(30,750)	(1,653)
Sukuk income		(10,725)	(6,532)
Share of (gain) loss of associates		(1,126)	737
Other investment income		(23,457)	(1,329)
		<u>117,386</u>	<u>148,871</u>
Changes in operating assets and liabilities			
<i>(Increase) decrease in operating assets:</i>			
Receivables		(257,856)	(536,890)
Leased assets		(71,456)	(66,415)
Trading properties		(17,243)	(86,450)
Other assets		(30,674)	10,859
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		528,089	(364,589)
Depositors' accounts		12,638	710,813
Other liabilities		(93,743)	52,352
Net cash from (used in) operating activities		<u>187,141</u>	<u>(131,449)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets available for sale, net		36,156	(119,102)
Purchase of investment properties		(177,971)	(91,568)
Proceeds from sale of investment properties		200,584	16,504
Purchase of property and equipment		(37,617)	(99,711)
Proceeds from sale of property and equipment		14,824	21,306
Purchase of investment in associates		12,055	(38,184)
Sukuk income received		10,725	6,532
Dividend income received		26,484	9,554
Net cash from (used in) in investing activities		<u>85,240</u>	<u>(294,669)</u>
<b>FINANCING ACTIVITIES</b>			
Cash dividends paid		(39,623)	(49,304)
Purchase of treasury shares, net		(7,215)	(7,275)
Net cash used in financing activities		<u>(46,838)</u>	<u>(56,579)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>225,543</b>	<b>(482,697)</b>
Cash and cash equivalents at 1 January		<u>1,475,296</u>	<u>1,519,915</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	7	<u><u>1,700,839</u></u>	<u><u>1,037,218</u></u>

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

### 1 INCORPORATION AND REGISTRATION

The interim condensed consolidated financial information of Kuwait Finance House K.S.C. ("the Bank") and its subsidiaries (collectively "the Group") for the period ended 30 June 2012 were authorised for issue by the Chairman on 9 August 2012 in accordance with a resolution of the Bank's Board of Directors on 8 July 2012.

The Bank is a public shareholding company incorporated in Kuwait on 23 March 1977 and was registered as an Islamic bank with the Central Bank of Kuwait on 24 May 2004. It is engaged principally in providing banking services, the purchase and sale of properties, leasing, project construction for its own account as well as for third parties and other trading activities without practising usury. Trading activities are conducted on the basis of purchasing various goods and selling them on murabaha at negotiated profit margins which can be settled in cash or on instalment credit basis. The Bank's registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

All activities are conducted in accordance with Islamic Shareea'a, as approved by the Bank's Fatwa and Shareea'a Supervisory Board.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting. Except as noted below, the accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011. The annual consolidated financial statements for the year ended 31 December 2011 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 collateral) that are not provided specifically.

Operating results for the six months period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Group.

### 3 ESTIMATED DISTRIBUTION TO DEPOSITORS AND PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITYHOLDERS OF THE BANK

The management of the Bank is of the opinion that the estimated distribution to depositors is presented for information purposes only, and accordingly the estimated distribution to depositors and the profit for the period attributable to Bank's equityholders should not be relied upon to indicate distribution of profit to all parties concerned for the period ended 30 June 2012 or for the year ending 31 December 2012.

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 2012.

In addition to the above, the total comprehensive income before estimated distribution to depositors (as per the interim condensed consolidated statement of comprehensive income) is presented for compliance with the requirements of the revised IAS 1 and is not appropriate for the purpose of determining the estimated distribution to depositors or the profit for the period attributable to the Bank's equityholders.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2012

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

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

Diluted earnings per share is calculated by dividing the profit for the period attributable to equityholders of the Bank by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares held by the Group plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit for the period attributable to equity holders of the Bank (thousands KD)	<u>22,081</u>	<u>22,844</u>	<u>42,134</u>	<u>45,469</u>
Weighted average number of shares outstanding during the period (thousands shares)	<u>2,849,354</u>	<u>2,875,926</u>	<u>2,851,098</u>	<u>2,877,790</u>
Basic and diluted earnings per share	<u>7.8 fils</u>	<u>7.9 fils</u>	<u>14.8 fils</u>	<u>15.8 fils</u>

The comparative basic and diluted earnings per share have been restated for bonus shares issued on 26 March 2012 (See Note 8).

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

5 FAIR VALUE RESERVE

Changes in fair value of financial assets available for sale, currency swaps, profit rate swaps and forward foreign exchange contracts are reported in the fair value reserve. The management of the Bank is of the opinion that this reserve is attributable to both the depositors and equityholders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity attributable to the equityholders of the Bank.

The movement in the fair value reserve is analysed as follows:

	<i>KD 000's</i>		
	(Unaudited) 30 June 2012	(Audited) 31 December 2011	(Unaudited) 30 June 2011
	Currency swaps, profit rate swaps and forward foreign exchange contracts	Total	Total
Available for sale investments			
	(13,378)	(13,003)	(42,999)
Change in fair value of financial assets available for sale during the period/year	1,022	1,022	(2,020)
Change in fair value of currency swaps and profit rate swaps, and forward foreign exchange contracts	544	544	(1,075)
(Gain) loss realised on financial assets available for sale during the period/year	(13,631)	(13,631)	5,618
Impairment losses transferred to the interim condensed consolidated statement of income	12,210	12,210	17,103
Share of other comprehensive (loss) income of associates	(1,849)	(1,849)	(569)
Balance at the end of the period/year	(15,626)	(14,707)	(23,942)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2012

**6 FOREIGN EXCHANGE TRANSLATION RESERVE**

The foreign exchange translation reserve arises on the consolidation of foreign subsidiaries and equity accounting of foreign associates. The management of the Bank is of the opinion that this reserve is attributable to both the depositors and equityholders. As a result, the reporting of this reserve as a separate item on the interim condensed consolidated statement of financial position enables a fairer presentation than its inclusion under equity attributable to the equityholders of the Bank.

**7 CASH AND CASH EQUIVALENTS**

	<i>KD 000's</i>		
	<i>(Unaudited)</i> 30 June 2012	<i>(Audited)</i> 31 December 2011	<i>(Unaudited)</i> 30 June 2011
Cash	68,495	91,990	66,389
Balances with Central Banks	305,644	239,103	211,481
Balances with banks and financial institutions - current accounts	258,871	192,377	145,951
Balances with banks and financial institutions - exchange of deposits	97,500	96,084	13,333
Cash and balances with banks and financial institutions	<u>730,510</u>	<u>619,554</u>	<u>437,154</u>
Short-term murabaha - maturing within 3 months of contract date	555,137	757,733	477,038
Tawarruq balances with Central Bank of Kuwait (included within short-term international murabaha)	415,192	98,009	123,026
Cash and cash equivalents	<u><u>1,700,839</u></u>	<u><u>1,475,296</u></u>	<u><u>1,037,218</u></u>

**8 SHARE CAPITAL**

Following approval of the ordinary and extraordinary general assembly meeting of the equityholders' of the Bank held on 26 March 2012, the authorised share capital of the Bank was increased from KD 268,904 thousand to KD 290,416 thousand by way of issuance of 8% bonus shares amounting to KD 21,512 thousand (30 June 2011: KD 19,919 thousand). Accordingly, the authorised, issued and fully paid-up share capital at 30 June 2012, comprises 2,904,164 thousand shares (31 December 2011: 2,689,041 thousand shares and 30 June 2011: 2,689,041 thousand shares) of 100 fils each.

**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>(Unaudited)</i> 30 June 2012	<i>(Audited)</i> 31 December 2011	<i>(Unaudited)</i> 30 June 2011
Acceptances and letters of credit	168,283	142,951	179,782
Letter of guarantees	1,138,869	994,683	941,001
	<u>1,307,152</u>	<u>1,137,634</u>	<u>1,120,783</u>
Capital commitments	<u><u>1,731,281</u></u>	<u><u>1,544,753</u></u>	<u><u>1,036,212</u></u>

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2012

10 RELATED PARTY TRANSACTIONS

Certain related parties (directors and executive employees, officers of the Group, their families, associated companies and companies of which they are the principal owners) were depositors and finance facilities customers of the Bank, in the ordinary course of business. Such transactions were made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. These transactions are approved by the ordinary general assembly of the equity holders of the Bank. The balances included in the interim condensed consolidated financial information 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>	<b>(Unaudited) 30 June 2012</b>	<i>(Audited) 31 December 2011</i>	<i>(Unaudited) 30 June 2011</i>
					<b>Total</b>		
<b>Related parties</b>							
Receivables	-	59,228	11,433	93,251	<b>163,912</b>	169,054	152,432
Due to banks and financial institutions	637,557	-	-	15,107	<b>652,664</b>	550,343	580,206
Depositors' accounts	42,129	10,441	5,925	27,275	<b>85,770</b>	84,703	86,552
Commitments and contingencies	797	4,422	9	5,007	<b>10,235</b>	10,271	10,222

Kuwait Finance House K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

10 RELATED PARTY TRANSACTIONS (continued)

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

KD 000's

	The number of Board Members or Executive Officers		The number of related parties				Values	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2011	31 December 2011	30 June 2012	30 June 2011
<b>Board Members</b>								
Finance facilities	3	4	-	1	2		6,356	12,765
Credit cards	4	4	3	-	-		43	36
Deposits	18	24	31	31	37		3,720	4,043
Collateral against finance facilities	2	3	-	-	-		8,283	9,921
<b>Executive Officers</b>								
Finance facilities	10	11	4	5	3		4,794	4,184
Credit cards	10	9	4	3	3		29	28
Deposits	21	22	45	51	46		3,905	3,414
Collateral against finance facilities	9	8	3	3	2		6,101	6,007

Compensation of key management personnel is as follows:

	KD 000's	
	(Unaudited)	(Unaudited)
	30 June 2012	30 June 2011
Short-term employee benefits	5,603	5,637
Termination benefits	656	391
	<u>6,259</u>	<u>6,028</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2012

**11 SEGMENTAL ANALYSIS***Segment information*

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

					<i>KD 000's</i>
<i>30 June 2012 (Unaudited)</i>	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	3,128,406	3,558,944	5,942,740	1,384,638	14,014,728
Total liabilities	1,930,430	181,206	8,968,166	766,418	11,846,220
Income	35,585	56,918	262,659	39,283	394,445
Profit (loss) before estimated distribution to depositors	2,796	39,515	98,676	(20,813)	120,174

					<i>KD 000's</i>
<i>30 June 2011 (Unaudited)</i>	<i>Treasury</i>	<i>Investment</i>	<i>Banking</i>	<i>Other</i>	<i>Total</i>
Total assets	3,009,530	3,381,020	5,294,364	1,235,804	12,920,718
Total liabilities	1,573,933	293,466	8,261,311	751,892	10,880,602
Income	28,989	32,755	263,850	54,869	380,463
Profit (loss) before estimated distribution to depositors	3,457	(20,847)	131,955	(12,552)	102,013

**12 FIDUCIARY ASSETS**

The aggregate value of assets held in a trust or fiduciary capacity by the Bank at 30 June 2012 amounted to KD 686,626 thousand (31 December 2011: KD 672,584 thousand and 30 June 2011: KD 803,050 thousand).

Fee and commission income include fees of KD 1,671 thousand (30 June 2011: KD 1,579 thousand) arising from trust and fiduciary activities.