

Consolidated Statement of Financial Position

| | 31 Dec 2013 BD 000 | 31 Dec 2012 BD 000 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and balances with banks and Central Bank of Bahrain | 54,733 | 41,525 |
| Murabaha and due from banks | 117,902 | 100,672 |
| Financing contracts with customers | 600,544 | 551,717 |
| Investments | 268,276 | 258,475 |
| Investment in joint ventures and associates | 168,669 | 167,749 |
| Investment in real estate | 147,785 | 153,498 |
| Receivables, prepayments and other assets | 115,196 | 124,525 |
| Goodwill and intangibles | 383 | 28,497 |
| Premises and equipment | 10,342 | 46,824 |
| | 1,483,830 | 1,473,482 |
| Assets of disposal group classified as held for sale | 81,317 | - |
| TOTAL ASSETS | 1,565,147 | 1,473,482 |
| LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS, AND OWNERS' EQUITY | | |
| LIABILITIES | | |
| Customers' current accounts | 77,293 | 51,561 |
| Murabaha and due to banks | 216,363 | 213,078 |
| Murabaha due to non-banks | 300,490 | 235,861 |
| Other liabilities | 33,715 | 40,109 |
| Subordinated murabaha payable | 98,790 | 99,197 |
| | 726,651 | 639,806 |
| Liabilities associated with disposal group classified as held for sale | 18,210 | - |
| | 744,861 | 639,806 |
| EQUITY OF INVESTMENT ACCOUNT HOLDERS | 452,504 | 451,870 |
| OWNERS' EQUITY | | |
| Equity attributable to shareholders of the parent | | |
| Share capital | 177,140 | 177,140 |
| Share premium | 71,403 | 71,403 |
| Treasury shares | (21,923) | - |
| Statutory reserve | 16,053 | 15,314 |
| General reserve | 28,237 | 28,237 |
| Fair value through equity reserve | 977 | 61 |
| Property fair value reserve | 35,540 | 37,719 |
| Foreign currency translation reserve | (1,448) | (1,455) |
| Retained earnings | 40,454 | 31,622 |
| | 346,433 | 360,041 |
| Non-controlling stakeholders | 17,900 | 21,765 |
| Non-controlling stakeholders of disposal group classified as held for sale | 3,449 | - |
| | 367,782 | 381,806 |
| TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY | 1,565,147 | 1,473,482 |
| OFF-BALANCE SHEET: | | |
| EQUITY OF INVESTMENT ACCOUNT HOLDERS | 99,176 | 95,200 |
| CONTINGENT LIABILITIES AND COMMITMENTS | 57,952 | 44,918 |

Consolidated Statement of Income

| | Year ended 31 Dec 2013 BD 000 | Year ended 31 Dec 2012 BD 000 |
|--|----------------------------------|----------------------------------|
| Continuing operations | | |
| Income from retail and corporate banking activities | 42,945 | 42,946 |
| Income from investment activities | 8,746 | 13,700 |
| Share of income of joint ventures and associates | 1,943 | 654 |
| Other (loss) income | (542) | 3,072 |
| Operating income | 53,092 | 60,372 |
| Return on equity of investment account holders, net of mudarib share | (7,745) | (8,713) |
| Profit on murabaha and due to banks, murabaha due to non-banks and subordinated murabaha payable | (14,094) | (15,964) |
| Net operating income | 31,253 | 35,695 |
| Staff costs | 12,982 | 12,446 |
| Depreciation | 1,637 | 2,082 |
| (Reversals) Provisions - net | (1,217) | 417 |
| Other expenses | 11,977 | 12,050 |
| Total operating expenses | 25,379 | 26,995 |
| Net income for the year from continuing operations | 5,874 | 8,700 |
| Discontinued operations | | |
| Net (loss) income for the year from assets classified as held for sale | (129) | 950 |
| NET INCOME FOR THE GROUP BEFORE ADJUSTMENT FOR NON-CONTROLLING STAKEHOLDERS | 5,745 | 9,650 |
| Adjustment attributable to non-controlling stakeholders | 2,214 | 775 |
| Adjustment attributable to non-controlling stakeholders of assets held for sale | (567) | (382) |
| NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | 7,392 | 10,043 |

Consolidated Statement of Cash Flows

| | Year ended 31 Dec 2013 BD 000 | Year ended 31 Dec 2012 BD 000 |
|---|----------------------------------|----------------------------------|
| OPERATING ACTIVITIES | | |
| Net income for the year from continuing operations | 5,874 | 8,700 |
| Net (loss) income for the year from assets classified as held for sale | (129) | 950 |
| Net income for the group before adjustment for non-controlling stakeholders | 5,745 | 9,650 |
| Adjustments for: | | |
| Share of income of joint ventures and associates | (1,943) | (654) |
| Depreciation | 1,637 | 2,082 |
| (Reversals) Provisions - net | (1,217) | 417 |
| Net unrealised (gain) loss on investments | (967) | 696 |
| Net gain on sale of investments | (3,452) | (5,132) |
| Net gain on sale of investment in real estate | (1,151) | (3,323) |
| Operating (loss) income before changes in operating assets and liabilities | (1,348) | 3,736 |
| Changes in operating assets and liabilities: | | |
| Mandatory reserve with Central Bank of Bahrain | (3,340) | 3,940 |
| Financing contracts with customers | (42,733) | 47,412 |
| Receivables, prepayments and other assets | 8,897 | 17,032 |
| Murabaha and due to banks | 3,285 | (363) |
| Murabaha due to non-banks | 64,629 | (54,827) |
| Subordinated murabaha payable | (407) | (989) |
| Customers' current accounts | 25,732 | (22,241) |
| Other liabilities | (5,324) | (916) |
| Net cash flows from (used in) operating activities | 49,391 | (7,216) |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (18,702) | (1,885) |
| Proceeds from sale / maturity of investments | 11,116 | 33,140 |
| Purchase of investments in joint ventures | - | (45,888) |
| Purchase / construction of investment in real estate | (1,300) | (2,462) |
| Proceeds from sale of investment in real estate | 10,355 | 15,379 |
| Purchase of equipment | (1,342) | (1,474) |
| Net cash flows from (used in) investing activities | 127 | (3,190) |
| FINANCING ACTIVITIES | | |
| Net movement in equity of investment account holders | 634 | 6,582 |
| Net movement in share of non-controlling stakeholders | (1,651) | (481) |
| Purchase of treasury shares | (21,923) | - |
| Net cash flows (used in) from financing activities | (22,940) | 6,101 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 26,578 | (4,305) |
| Cash and cash equivalents at 1 January | 116,462 | 120,767 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 143,040 | 116,462 |

Consolidated Statement of Changes in Owners' Equity

| | Attributable to shareholders of the parent | | | | | | | | | Non-controlling stakeholders of disposal group classified as held for sale BD 000 | Total owners' equity BD 000 | | |
|---|--|-------------------------|---------------------------|-----------------------------|---------------------------|---|---------------------------------------|--|-----------------------------|--|--------------------------------|-----------------|----------------|
| | Share capital BD 000 | Share premium BD 000 | Treasury shares BD 000 | Statutory reserve BD 000 | General reserve BD 000 | Fair value through equity reserve BD 000 | Property fair value reserve BD 000 | Foreign currency translation reserve BD 000 | Retained earnings BD 000 | | | Total BD 000 | |
| Balance at 1 January 2013 | 177,140 | 71,403 | - | 15,314 | 28,237 | 61 | 37,719 | (1,455) | 31,622 | 360,041 | 21,765 | - | 381,806 |
| Net income (loss) for the year | - | - | - | - | - | - | - | - | 7,392 | 7,392 | (2,214) | 567 | 5,745 |
| Other comprehensive income for the year | - | - | - | - | - | 916 | - | 7 | - | 923 | - | - | 923 |
| Total comprehensive income (loss) for the year | - | - | - | - | - | 916 | - | 7 | 7,392 | 8,315 | (2,214) | 567 | 6,668 |
| Repurchase of shares | - | - | (21,923) | - | - | - | - | - | - | (21,923) | - | - | (21,923) |
| Net transfer from property fair value reserve | - | - | - | - | - | - | (2,179) | - | 2,179 | - | - | - | - |
| Transfer to statutory reserve | - | - | - | 739 | - | - | - | - | (739) | - | - | - | - |
| Net movement in share of non-controlling stakeholders | - | - | - | - | - | - | - | - | - | - | (1,651) | 2,882 | 1,231 |
| Balance at 31 December 2013 | 177,140 | 71,403 | (21,923) | 16,053 | 28,237 | 977 | 35,540 | (1,448) | 40,454 | 346,433 | 17,900 | 3,449 | 367,782 |
| Balance at 1 January 2012 | 177,140 | 71,403 | - | 14,310 | 28,237 | 332 | 43,662 | (1,439) | 16,640 | 350,285 | 22,639 | - | 372,924 |
| Net income (loss) for the year | - | - | - | - | - | - | - | - | 10,043 | 10,043 | (393) | - | 9,650 |
| Other comprehensive loss for the year | - | - | - | - | - | (271) | - | (16) | - | (287) | - | - | (287) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | (271) | - | (16) | 10,043 | 9,756 | (393) | - | 9,363 |
| Net transfer from property fair value reserve | - | - | - | - | - | - | (5,943) | - | 5,943 | - | - | - | - |
| Transfer to statutory reserve | - | - | - | 1,004 | - | - | - | - | (1,004) | - | - | - | - |
| Net movement in share of non-controlling stakeholders | - | - | - | - | - | - | - | - | - | - | (481) | - | (481) |
| Balance at 31 December 2012 | 177,140 | 71,403 | - | 15,314 | 28,237 | 61 | 37,719 | (1,455) | 31,622 | 360,041 | 21,765 | - | 381,806 |

These statements have been extracted from the consolidated financial statements for the year ended 31 December 2013 which have been audited by Ernst & Young, who have expressed an unqualified opinion on 17 February 2014. Kuwait Finance House (Bahrain) B.S.C. (c) is licensed by CBB as an Islamic retail bank.

Yaqoob Yusuf Majed
Chairman of the Board of Directors

Abdulhakeem Yaqoob Alkhayyat
Managing Director and Chief Executive Officer