

## Interim Consolidated Statement of Financial Position

	Reviewed 30 June 2014 BD 000	Audited 31 Dec 2013 BD 000
<b>ASSETS</b>		
Cash and balances with banks and Central Bank of Bahrain	49,498	54,733
Murabaha and due from banks	193,916	117,902
Financing contracts with customers	593,391	600,544
Investments	301,831	268,276
Investment in joint ventures and associates	167,046	168,669
Investment in real estate	142,125	147,785
Receivables, prepayments and other assets	111,801	115,196
Goodwill and intangibles	148	383
Premises and equipment	10,123	10,342
	<b>1,569,879</b>	<b>1,483,830</b>
Assets of disposal group classified as held for sale	48,170	81,317
<b>TOTAL ASSETS</b>	<b>1,618,049</b>	<b>1,565,147</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customers' current accounts	106,113	77,293
Murabaha and due to banks	212,330	216,363
Murabaha due to non-banks	312,425	300,490
Other liabilities	35,401	33,715
Subordinated murabaha payable	99,005	98,790
	<b>765,274</b>	<b>726,651</b>
Liabilities associated with disposal group classified as held for sale	5,255	18,210
	<b>770,529</b>	<b>744,861</b>
<b>EQUITY OF INVESTMENT ACCOUNT HOLDERS</b>	<b>479,502</b>	<b>452,504</b>
<b>OWNERS' EQUITY</b>		
<b>Equity attributable to shareholders of the parent</b>		
Share capital	177,140	177,140
Share premium	71,403	71,403
Treasury shares	(21,923)	(21,923)
Statutory reserve	16,053	16,053
General reserve	28,237	28,237
Fair value through equity reserve	169	977
Property fair value reserve	33,799	35,540
Foreign currency translation reserve	84	(1,448)
Retained earnings	44,969	40,454
	<b>349,931</b>	<b>346,433</b>
<b>Non-controlling stakeholders</b>	<b>18,087</b>	<b>17,900</b>
<b>Non-controlling stakeholders of disposal group classified as held for sale</b>	<b>-</b>	<b>3,449</b>
	<b>368,018</b>	<b>367,782</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY</b>	<b>1,618,049</b>	<b>1,565,147</b>
<b>OFF-BALANCE SHEET:</b>		
<b>EQUITY OF INVESTMENT ACCOUNT HOLDERS</b>	<b>113,586</b>	<b>99,176</b>
<b>COMMITMENTS AND CONTINGENT ITEMS</b>	<b>43,604</b>	<b>57,952</b>

## Interim Consolidated Statement of Income

	Three months ended 30 June		Six months ended 30 June	
	2014 BD 000	2013 BD 000	2014 BD 000	2013 BD 000
<b>Continuing operations</b>				
Income from retail and corporate banking activities	10,264	10,356	20,980	20,686
Income from investment activities	2,492	1,332	5,911	2,728
Share of (loss) income of joint ventures and associates	(216)	(26)	(1,026)	698
Other income	767	477	1,604	2,989
<b>Operating income</b>	<b>13,307</b>	<b>12,139</b>	<b>27,469</b>	<b>27,101</b>
Return on equity of investment account holders, net of mudarib share	(1,519)	(2,797)	(3,394)	(4,697)
Profit on murabaha and due to banks, murabaha due to non-banks, and subordinated murabaha payable	(3,425)	(3,819)	(6,983)	(7,382)
<b>Net operating income</b>	<b>8,363</b>	<b>5,523</b>	<b>17,092</b>	<b>15,022</b>
Staff costs	3,337	3,268	6,617	6,977
Depreciation	423	444	808	939
Provisions, net	(7)	(1,592)	288	(1,592)
Other expenses	2,897	2,876	6,610	6,458
<b>Total operating expenses</b>	<b>6,650</b>	<b>4,996</b>	<b>14,323</b>	<b>12,782</b>
<b>Net income for the period from continuing operations</b>	<b>1,713</b>	<b>527</b>	<b>2,769</b>	<b>2,240</b>
<b>Discontinued operations</b>				
Net loss for the period from disposal group classified as held for sale	-	(1,587)	-	(2,587)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>1,713</b>	<b>(1,060)</b>	<b>2,769</b>	<b>(347)</b>
<b>Attributable to:</b>				
Shareholders of the parent	1,279	(600)	2,774	444
Non-controlling stakeholders	434	(460)	(5)	(791)
	<b>1,713</b>	<b>(1,060)</b>	<b>2,769</b>	<b>(347)</b>

## Interim Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014 BD 000	2013 BD 000
<b>OPERATING ACTIVITIES</b>		
Net income for the period from continuing operations	2,769	2,240
Net loss from disposal group classified as held for sale	-	(2,587)
Net income (loss) for the group before adjustment for non-controlling stakeholders	2,769	(347)
Adjustments for:		
Provisions, net	288	(1,592)
Depreciation	808	939
Share of loss (income) of joint ventures and associates	1,026	(698)
Gain on sale of investment in real estate	(2,242)	(79)
Gain on sale of investments	(1,255)	-
Foreign exchange loss (income)	1,152	(707)
Net unrealised gain on investments	(335)	-
Operating income (loss) before changes in operating assets and liabilities	2,211	(2,484)
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank of Bahrain	(2,910)	845
Financing contracts with customers	7,475	(10,652)
Receivables, prepayments and other assets	(2,275)	1,257
Goodwill and intangibles	(235)	1,986
Customers' current accounts	28,820	17,078
Murabaha and due to banks	(4,033)	17,874
Murabaha due to non-banks	11,935	7,761
Other liabilities	1,412	2,010
Subordinated murabaha payable	215	(1,384)
Net cash flows from operating activities	42,615	34,291
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(35,456)	(13,758)
Proceeds from sale of investment in real estate	13,028	3,440
Proceeds from sale / maturity of investments	3,373	-
Purchase of investment in real estate	-	(128)
Purchase of premises and equipment - net	(589)	(1,240)
Proceeds from disposal of held for sale subsidiary	17,905	-
Net cash flows used in investing activities	(1,739)	(11,686)
<b>FINANCING ACTIVITY</b>		
Net movement in equity of investment account holders	26,998	12,850
Net cash flows from financing activity	26,998	12,850
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>67,874</b>	<b>35,455</b>
Cash and cash equivalents at 1 January	143,040	116,462
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>210,914</b>	<b>151,917</b>

## Interim Consolidated Statement of Changes in Owners' Equity

	Attributable to shareholders of the parent									Non-controlling stakeholders of disposal group classified as held for sale	Total equity		
	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 2014	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
Net income (loss) for the period	-	-	-	-	-	-	-	-	2,774	2,774	(5)	-	2,769
Net transfer from fair value through equity reserve	-	-	-	-	-	(1,228)	-	-	-	(1,228)	-	-	(1,228)
Other movements in comprehensive income for the period	-	-	-	-	-	420	-	1,532	-	1,952	-	-	1,952
Net movement in comprehensive income for the period	-	-	-	-	-	(808)	-	1,532	2,774	3,498	(5)	-	3,493
Net transfer from property fair value reserve	-	-	-	-	-	-	(1,741)	-	1,741	-	-	-	-
Net movement in non-controlling stakeholders	-	-	-	-	-	-	-	-	-	-	192	(3,449)	(3,257)
<b>Balance at 30 June 2014</b>	<b>177,140</b>	<b>71,403</b>	<b>(21,923)</b>	<b>16,053</b>	<b>28,237</b>	<b>169</b>	<b>33,799</b>	<b>84</b>	<b>44,969</b>	<b>349,931</b>	<b>18,087</b>	<b>-</b>	<b>368,018</b>
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 period	-	-	-	-	-	-	-	-	444	444	(791)	-	(347)
Other movements in comprehensive income for the period	-	-	-	-	-	1,495	-	(309)	-	1,186	-	-	1,186
Net movement in comprehensive income for the period	-	-	-	-	-	1,495	-	(309)	444	1,630	(791)	-	839
Net transfer from property fair value reserve	-	-	-	-	-	-	(839)	-	839	-	-	-	-
Net movement in non-controlling stakeholders	-	-	-	-	-	-	-	-	-	-	909	-	909
Balance at 30 June 2013	177,140	71,403	-	15,314	28,237	1,556	36,880	(1,764)	32,905	361,671	21,883	-	383,554

These statements have been extracted from the interim condensed consolidated financial statements for the period ended 30 June 2014, reviewed by Ernst & Young. These financial statements were approved by the Board of Directors on 20 August 2014. Kuwait Finance House (Bahrain) B.S.C. (c) is licensed by CBB as an Islamic retail bank.

Yaqoub Yousif Majed  
Chairman of the Board of Directors

Abdulhakeem Yaqoub Alkhayyat  
Managing Director and Chief Executive Officer