

## Interim Consolidated Statement of Financial Position

	Reviewed 30 September 2014 BD 000	Audited 31 December 2013 BD 000
<b>ASSETS</b>		
Cash and balances with banks and Central Bank of Bahrain	56,581	54,733
Murabaha and due from banks	177,783	117,902
Financing contracts with customers	613,980	600,544
Investments	307,181	268,276
Investment in joint ventures and associates	161,975	168,669
Investment in real estate	125,654	147,785
Receivables, prepayments and other assets	104,589	115,196
Goodwill and intangibles	-	383
Premises and equipment	9,908	10,342
	1,557,651	1,483,830
Assets of disposal group classified as held for sale	49,903	81,317
<b>TOTAL ASSETS</b>	<b>1,607,554</b>	<b>1,565,147</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY LIABILITIES</b>		
Customers' current accounts	118,386	77,293
Murabaha and due to banks	169,819	216,363
Murabaha due to non-banks	331,513	300,490
Other liabilities	25,268	33,715
Subordinated murabaha payable	96,859	98,790
	741,845	726,651
Liabilities associated with disposal group classified as held for sale	4,527	18,210
	746,372	744,861
<b>EQUITY OF INVESTMENT ACCOUNT HOLDERS</b>	<b>498,987</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	744	977
Property fair value reserve	33,138	35,540
Foreign currency translation reserve	95	(1,448)
Retained earnings	46,511	40,454
	351,398	346,433
<b>Non-controlling stakeholders</b>	<b>10,797</b>	<b>17,900</b>
<b>Non-controlling stakeholders of disposal group classified as held for sale</b>	<b>-</b>	<b>3,449</b>
	362,195	367,782
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY</b>	<b>1,607,554</b>	<b>1,565,147</b>
<b>OFF-BALANCE SHEET:</b>		
<b>EQUITY OF INVESTMENT ACCOUNT HOLDERS</b>	<b>123,635</b>	<b>99,176</b>
<b>COMMITMENTS AND CONTINGENT ITEMS</b>	<b>48,524</b>	<b>57,952</b>

## Interim Consolidated Statement of Income

	Three months ended 30 September		Nine months ended 30 September	
	2014 BD 000	2013 BD 000	2014 BD 000	2013 BD 000
<b>CONTINUING OPERATIONS</b>				
Income from retail and corporate banking activities	10,127	11,458	31,107	32,144
Income from investment activities	2,432	1,479	8,343	4,207
Share of (loss) income of joint ventures and associates	(425)	488	(1,451)	1,186
Other income	219	1,043	1,823	4,032
<b>OPERATING INCOME</b>	<b>12,353</b>	<b>14,468</b>	<b>39,822</b>	<b>41,569</b>
Return on equity of investment account holders, net of mudarib share	(1,467)	(2,122)	(4,861)	(6,819)
Profit on murabaha and due to banks, murabaha due to non-banks, and subordinated murabaha payable	(3,332)	(3,362)	(10,315)	(10,744)
<b>NET OPERATING INCOME</b>	<b>7,554</b>	<b>8,984</b>	<b>24,646</b>	<b>24,006</b>
Staff costs	3,145	3,409	9,762	10,386
Depreciation	405	451	1,213	1,390
Provisions, net	931	(42)	1,219	(1,634)
Other expenses	3,784	3,730	10,394	10,188
<b>TOTAL OPERATING EXPENSES</b>	<b>8,265</b>	<b>7,548</b>	<b>22,588</b>	<b>20,330</b>
<b>NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>(711)</b>	<b>1,436</b>	<b>2,058</b>	<b>3,676</b>
<b>DISCONTINUED OPERATIONS</b>				
Net income (loss) for the period from disposal group classified as held for sale	1,574	(389)	1,574	(2,976)
<b>NET INCOME FOR THE PERIOD</b>	<b>863</b>	<b>1,047</b>	<b>3,632</b>	<b>700</b>
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the Parent	881	1,581	3,655	2,025
Non-controlling stakeholders	(18)	(534)	(23)	(1,325)
	863	1,047	3,632	700

## Interim Consolidated Statement of Cash Flows

	Nine months ended 30 September	
	2014 BD 000	2013 BD 000
<b>OPERATING ACTIVITIES</b>		
Net profit for the period from continuing operations	2,058	3,676
Net income (loss) from disposal group classified as held for sale	1,574	(2,976)
Net profit for the group before adjustment for non-controlling stakeholders	3,632	700
Adjustments for:		
Provisions, net	1,219	(1,634)
Depreciation	1,213	1,390
Share of loss (income) of joint ventures and associates	1,451	(1,186)
Gain on sale of investment in real estate	(2,568)	(191)
Gain on sale of investments	(1,341)	(424)
Foreign exchange loss (income)	985	(417)
Net unrealised gain on investments	(722)	(882)
Operating income (loss) before changes in operating assets and liabilities	3,869	(2,644)
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank of Bahrain	(4,960)	(1,550)
Murabaha and due from banks	1,986	-
Financing contracts with customers	(14,655)	1,477
Receivables, prepayments and other assets	10,607	1,904
Goodwill and intangibles	383	-
Customers' current accounts	41,093	24,382
Murabaha and due to banks	(46,544)	(14,944)
Murabaha due to non-banks	31,023	33,967
Other liabilities	(8,447)	8,779
Subordinated murabaha payable	(1,931)	(629)
Net cash flows from operating activities	12,424	50,742
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(44,064)	(17,782)
Proceeds from sale of investment in real estate	15,717	4,640
Proceeds from sale / maturity of investment	3,468	774
Purchase of investment in real estate	-	(128)
Purchase of premises and equipment - net	(779)	(5,945)
Proceeds from disposal of held for sale subsidiary	17,905	-
Distribution from investment in a joint venture	4,150	-
Net cash flows used in investing activities	(3,603)	(18,441)
<b>FINANCING ACTIVITIES</b>		
Net movement in equity of investment account holders	46,483	(6,322)
Purchase of treasury shares	-	(21,923)
Net cash flows from (used in) financing activities	46,483	(28,245)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>55,304</b>	<b>4,056</b>
Cash and cash equivalents at 1 January	143,040	116,462
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>198,344</b>	<b>120,518</b>

## Interim Consolidated Statement of Changes in Owners' Equity

### Equity attributable to Shareholders of the Parent

	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	Non-controlling stakeholders BD 000	Non-controlling stakeholders of disposal group classified as held for sale BD 000	Total equity 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 profit (loss) for the period	-	-	-	-	-	-	-	-	3,655	3,655	(23)	-	3,632
Net transfer from fair value through equity reserve	-	-	-	-	-	(1,228)	-	-	-	(1,228)	-	-	(1,228)
Other movements in comprehensive income for the period	-	-	-	-	-	995	-	1,543	-	2,538	-	-	2,538
Net movement in comprehensive income for the period	-	-	-	-	-	(233)	-	1,543	3,655	4,965	(23)	-	4,942
Net transfer from property fair value reserve	-	-	-	-	-	-	(2,402)	-	2,402	-	-	-	-
Net movement in non-controlling stakeholders	-	-	-	-	-	-	-	-	-	-	(7,080)	(3,449)	(10,529)
<b>BALANCE AT 30 SEPTEMBER 2014</b>	<b>177,140</b>	<b>71,403</b>	<b>(21,923)</b>	<b>16,053</b>	<b>28,237</b>	<b>744</b>	<b>33,138</b>	<b>95</b>	<b>46,511</b>	<b>351,398</b>	<b>10,797</b>	<b>-</b>	<b>362,195</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 profit (loss) for the period	-	-	-	-	-	-	-	-	2,025	2,025	(1,325)	-	700
Other movements in comprehensive income for the period	-	-	-	-	-	1,169	-	(39)	-	1,130	-	-	1,130
Net movement in comprehensive income for the period	-	-	-	-	-	1,169	-	(39)	2,025	3,155	(1,325)	-	1,830
Repurchase of shares	-	-	(21,923)	-	-	-	-	-	-	(21,923)	-	-	(21,923)
Net transfer from property fair value reserve	-	-	-	-	-	-	(983)	-	983	-	-	-	-
Net movement in non-controlling stakeholders	-	-	-	-	-	-	-	-	-	-	1,165	-	1,165
<b>BALANCE AT 30 SEPTEMBER 2013</b>	<b>177,140</b>	<b>71,403</b>	<b>(21,923)</b>	<b>15,314</b>	<b>28,237</b>	<b>1,230</b>	<b>36,736</b>	<b>(1,494)</b>	<b>34,630</b>	<b>341,273</b>	<b>21,605</b>	<b>-</b>	<b>362,878</b>

These statements have been extracted from the interim condensed consolidated financial statements for the period ended 30 September 2014, reviewed by Ernst & Young. These financial statements were approved by the Board of Directors on 12 November 2014. Kuwait Finance House (Bahrain) B.S.C. (c) is licensed by CBB as an Islamic retail bank.

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Abdulhakeem Yaqoub Alkhatayy  
Managing Director and Chief Executive Officer