



**AL AHLI BANK OF KUWAIT K.S.C.P. AND ITS
SUBSIDIARIES**

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

30 SEPTEMBER 2019



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL AHLI BANK OF KUWAIT K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) and its subsidiaries (collectively “the Group”) as at 30 September 2019 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months 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.

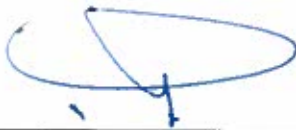
Report on other Legal and Regulatory Requirements

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 violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation, as amended, during the nine months period ended 30 September 2019 that might have had a material effect on the business of the Bank or on its financial position.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on other Legal and Regulatory Requirements (continued)

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 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, as amended, during the nine months period ended 30 September 2019 that might have had a material effect on the business of the Bank or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)



TALAL Y. AL-MUZAINI
LICENCE NO. 209A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

18 November 2019
Kuwait

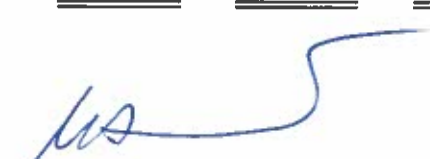
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

As at 30 September 2019

		(Audited)		
		30 September	31 December	30 September
		2019	2018	2018
	Notes	KD 000	KD 000	KD 000
ASSETS				
Cash and balances with banks		864,248	702,233	783,147
Kuwait Government treasury bonds		188,343	257,161	249,733
Central Bank of Kuwait bonds		136,929	127,646	115,040
Loans and advances		3,197,388	3,025,992	3,122,496
Investment securities	5	277,379	289,917	223,649
Investment in an associate		23,116	21,896	20,882
Premises and equipment		65,659	55,710	54,957
Intangible assets		18,047	16,865	16,918
Other assets		53,358	51,008	39,886
TOTAL ASSETS		4,824,467	4,548,428	4,626,708
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		635,449	501,134	561,631
Customers' deposits		3,237,799	3,114,504	3,140,864
Medium term notes	7	151,696	150,612	150,481
Other liabilities		125,218	105,813	106,678
TOTAL LIABILITIES		4,150,162	3,872,063	3,959,654
EQUITY				
Share capital		161,917	161,917	161,917
Share premium		108,897	108,897	108,897
Treasury shares	8	(5,054)	(5,053)	(5,053)
Reserves		316,767	319,042	309,762
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		582,527	584,803	575,523
Perpetual Tier 1 capital notes	8	90,750	90,750	90,750
Non-controlling interests		1,028	812	781
TOTAL EQUITY		674,305	676,365	667,054
TOTAL LIABILITIES AND EQUITY		4,824,467	4,548,428	4,626,708



 Salah Ahmed Al Serhan
 Deputy Chairman



 Michel Accad
 Group Chief Executive Officer

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
For the period ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		KD 000	KD 000	KD 000	KD 000
Interest income		63,290	57,602	184,711	161,745
Interest expense		(31,999)	(26,241)	(89,444)	(71,676)
NET INTEREST INCOME		31,291	31,361	95,267	90,069
Net fees and commission income		7,475	7,972	24,147	23,044
Net foreign exchange gain		1,552	2,336	3,824	4,409
Net gain on investment securities		938	243	1,952	4,010
Dividend income		511	150	1,690	2,551
Share of results from an associate		711	533	2,180	2,206
Other operating income		175	362	644	514
OPERATING INCOME		42,653	42,957	129,704	126,803
Staff expenses		(9,508)	(8,473)	(28,325)	(26,211)
Other operating expenses		(6,269)	(6,225)	(18,160)	(18,251)
Depreciation and amortisation		(1,347)	(1,230)	(4,034)	(3,647)
OPERATING EXPENSES		(17,124)	(15,928)	(50,519)	(48,109)
OPERATING PROFIT FOR THE PERIOD		25,529	27,029	79,185	78,694
Provision / impairment losses	9	(32,109)	(17,926)	(60,597)	(48,435)
(LOSS) PROFIT FOR THE PERIOD BEFORE TAXATION		(6,580)	9,103	18,588	30,259
Taxation	10	(520)	(1,133)	(3,037)	(3,136)
NET (LOSS) PROFIT FOR THE PERIOD		(7,100)	7,970	15,551	27,123
Attributable to:					
Shareholders of the Bank		(7,143)	7,940	15,428	27,058
Non-controlling interests		43	30	123	65
		(7,100)	7,970	15,551	27,123
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	11	(7) fils	5 fils	5 fils	17 fils

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**
For the period ended 30 September 2019

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2019	2018	2019	2018
	KD 000	KD 000	KD 000	KD 000
Net (loss) profit for the period	(7,100)	7,970	15,551	27,123
Items that will not be reclassified subsequently to interim condensed consolidated income statement:				
<i>Equity instruments at fair value through other comprehensive income:</i>				
- Effect of net changes in fair value	661	(1,605)	3,676	(1,400)
	661	(1,605)	3,676	(1,400)
Items that are or may be reclassified subsequently to interim condensed consolidated income statement:				
<i>Debt instruments at fair value through other comprehensive income:</i>				
- Effect of net changes in fair value	1,742	1,261	7,052	(1,698)
- Allowance for expected credit losses	(47)	(48)	(38)	(62)
- Recycling of net gain on sale	(735)	(13)	(1,439)	(70)
	960	1,200	5,575	(1,830)
<i>Foreign currency translation:</i>				
- Exchange difference on translation of foreign operations	337	45	2,264	22
	1,297	1,245	7,839	(1,808)
Other comprehensive income (loss) for the period	1,958	(360)	11,515	(3,208)
Total comprehensive (loss) income for the period	(5,142)	7,610	27,066	23,915
Attributable to:				
Shareholders of the Bank	(5,211)	7,584	26,850	23,863
Non-controlling interests	69	26	216	52
	(5,142)	7,610	27,066	23,915

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2019

	Attributable to shareholders of the Bank													
	Reserves											Perpetual Tier 1 capital Notes	Non- controlling interests	Total equity
	Share capital KD 000	Share premium KD 000	Treasury shares (Note 8) KD 000	Statutory reserve KD 000	Voluntary reserve KD 000	Treasury shares reserve (Note 8) KD 000	Other reserves (Note 8) KD 000	Cumulative changes in fair value KD 000	Retained earnings KD 000	Total reserves KD 000	Total KD 000			
Balance as at 1 January 2019	161,917	108,897	(5,053)	79,498	79,051	8,065	(5,828)	1,677	156,579	319,042	584,803	90,750	812	676,365
Net profit for the period	-	-	-	-	-	-	-	-	15,428	15,428	15,428	-	123	15,551
Other comprehensive income for the period	-	-	-	-	-	-	2,231	9,191	-	11,422	11,422	-	93	11,515
Total comprehensive income for the period	-	-	-	-	-	-	2,231	9,191	15,428	26,850	26,850	-	216	27,066
Interest payment on Perpetual Tier 1 capital Notes	-	-	-	-	-	-	-	-	(6,638)	(6,638)	(6,638)	-	-	(6,638)
Transfer due to disposal of equity investments at FVOCI	-	-	-	-	-	-	-	338	(338)	-	-	-	-	-
Dividends (Note 8)	-	-	-	-	-	-	-	-	(22,487)	(22,487)	(22,487)	-	-	(22,487)
Purchase of treasury shares	-	-	(1)	-	-	-	-	-	-	-	(1)	-	-	(1)
Balance as at 30 September 2019	161,917	108,897	(5,054)	79,498	79,051	8,065	(3,597)	11,206	142,544	316,767	582,527	90,750	1,028	674,305

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)
For the period ended 30 September 2019

	<i>Attributable to shareholders of the Bank</i>													
	<i>Reserves</i>											<i>Perpetual Tier 1 capital notes</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
	<i>Share capital KD 000</i>	<i>Share premium KD 000</i>	<i>Treasury shares (Note 8) KD 000</i>	<i>Statutory reserve KD 000</i>	<i>Voluntary reserve KD 000</i>	<i>Treasury shares reserve (Note 8) KD 000</i>	<i>Other reserves (Note 8) KD 000</i>	<i>Cumulative changes in fair value KD 000</i>	<i>Retained earnings KD 000</i>	<i>Total reserves KD 000</i>	<i>Total KD 000</i>			
Balance as at 1 January 2018	161,917	108,897	(5,053)	75,032	74,585	8,065	(6,359)	10,616	144,310	306,249	572,010	-	729	572,739
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	436	(728)	(292)	(292)	-	-	(292)
Balance as at 1 January 2018 (restated)	161,917	108,897	(5,053)	75,032	74,585	8,065	(6,359)	11,052	143,582	305,957	571,718	-	729	572,447
Net profit for the period	-	-	-	-	-	-	-	-	27,058	27,058	27,058	-	65	27,123
Other comprehensive income (loss) for the period	-	-	-	-	-	-	22	(3,217)	-	(3,195)	(3,195)	-	(13)	(3,208)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	22	(3,217)	27,058	23,863	23,863	-	52	23,915
Dividends (Note 8)	-	-	-	-	-	-	-	-	(19,275)	(19,275)	(19,275)	-	-	(19,275)
Transfer due to disposal of equity investments at FVOCI	-	-	-	-	-	-	-	200	(200)	-	-	-	-	-
<i>Perpetual Tier 1 capital notes:</i>														
Proceeds from issuance	-	-	-	-	-	-	-	-	-	-	-	90,750	-	90,750
Transaction costs on issue	-	-	-	-	-	-	-	-	(783)	(783)	(783)	-	-	(783)
Balance as at 30 September 2018	161,917	108,897	(5,053)	75,032	74,585	8,065	(6,337)	8,035	150,382	309,762	575,523	90,750	781	667,054

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 30 September 2019

	Note	<i>Nine months ended</i>	
		<i>30 September</i>	
		<i>2019</i>	<i>2018</i>
		<i>KD 000</i>	<i>KD 000</i>
OPERATING ACTIVITIES			
Net profit for the period before taxation		18,588	30,259
Adjustments for:			
Net gain on sale of FVOCI securities		(1,439)	(70)
Dividend income		(1,690)	(2,551)
Share of results from an associate		(2,180)	(2,206)
Depreciation and amortisation		4,034	3,647
Provision / impairment losses	9	60,597	48,435
Operating profit before changes in operating assets and liabilities		77,910	77,514
<i>Changes in operating assets and liabilities</i>			
Deposits with banks		(112,886)	107,663
Kuwait Government treasury bonds		68,818	94,857
Central Bank of Kuwait bonds		(9,283)	10,555
Investments at fair value through profit or loss		(1,040)	(749)
Loans and advances		(207,575)	(96,338)
Other assets		(1,967)	7,782
Due to banks and other financial institutions		130,508	(34,532)
Customers' deposits		89,744	203,508
Other liabilities		9,906	2,694
Taxes paid		(4,122)	(3,041)
Net cash flows from operating activities		40,013	369,913
INVESTING ACTIVITIES			
Purchase of investment securities		(218,932)	(157,721)
Proceeds from sale of investment securities		252,177	113,902
Net purchase of premises and equipment		(3,707)	(4,719)
Dividend received from Investment in an associate		960	880
Dividend income received		1,690	2,551
Net cash flows from (used in) investing activities		32,188	(45,107)
FINANCING ACTIVITIES			
Interest paid on Tier 1 capital notes		(6,638)	-
Dividends paid		(22,487)	(19,275)
Treasury shares purchased		(1)	-
Proceeds from issue of Tier 1 capital securities		-	90,750
Transaction costs on issue of Perpetual Tier 1 Capital Securities		-	(783)
Net cash flows (used in) from financing activities		(29,126)	70,692
Foreign currency translation difference		4,562	474
NET INCREASE IN CASH AND CASH EQUIVALENTS		47,637	395,972
Cash and cash equivalents as at 1 January		630,668	320,435
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER		678,305	716,407
Cash and cash equivalents comprise:			
Cash in hand and in current account with other banks		41,393	55,223
Balances with the Central Banks (original maturity not exceeding thirty days)		396,538	325,688
Deposits with banks (original maturity not exceeding thirty days)		240,374	335,496
		678,305	716,407

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
30 September 2019**

1 INCORPORATION AND REGISTRATION

Al Ahli Bank of Kuwait K.S.C.P. (“the Bank”) is a public shareholding company incorporated in Kuwait on 23 May 1967 and is registered as a Bank with the Central Bank of Kuwait (CBK). Its registered office is at Al Safat Square, Ahmed Al Jaber Street, Kuwait City. It is engaged in banking in Kuwait, United Arab Emirates and Egypt.

The interim condensed consolidated financial information of the Bank and its subsidiaries (collectively “the Group”) for the period ended 30 September 2019 were approved by the Bank’s Board of Directors on 18 November 2019.

2 BASIS OF PREPARATION

- (a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.
- (b) The accounting policies used in the preparation of this 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 2018, except for the adoption of IFRS 16: Leases (“IFRS 16”) from 1 January 2019 as explained in note 3 below. The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with the regulations issued by CBK for financial services institutions in the State of Kuwait. The regulations require the expected credit loss on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance with CBK guidelines or provisions as required by the CBK instructions.
- (c) Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.
- (d) The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018. Further, results for the nine months period ended 30 September 2019, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 16

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The Group has adopted modified restrospective approach in accordance with IFRS 16 and elected not to restate the comparative financial information. The Group did not record the impact in opening retained earnings and recognised right of use of assets and lease liabilities of the leases. The Group presents right-of-use assets in ‘premises and equipments’ and lease liabilities in ‘other liabilities’ in the interim condensed consolidated statement of financial position.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
30 September 2019**
4 SEGMENTAL INFORMATION

The Group is organised into segments that engage in business activities which earns revenue and incurs expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. The Group's operating segments are as follows:

- Commerical Banking - Comprising a full range of credit facilities, deposit and related banking services provided to its corporate and institutional customers.
- Retail and Private Banking - Comprising a full range of products and services to customers which includes loans, credit cards and wealth and asset management.
- Treasury and Investments - Comprising of treasury services provided to customers and balance sheet management activities including money market, derivatives, propriety investment activities, asset management and residual impact of inter-segment fund transfer pricing.

Segmental information for the nine months period ended and as at 30 September is as follows:

	<i>Commercial banking KD 000</i>	<i>Retail and Private banking KD 000</i>	<i>Treasury and Investments KD 000</i>	<i>Total KD 000</i>
2019				
Net interest income	50,874	36,455	7,938	95,267
Operating income	72,241	48,416	9,047	129,704
Segment results	9,328	25,964	7,443	42,735
Unallocated expense				(24,147)
Profit for the period before taxation				18,588
Segment assets	2,658,444	684,552	1,396,303	4,739,299
Unallocated assets				85,168
Total assets				4,824,467
Segment liabilities	1,130,028	1,891,473	1,062,010	4,083,511
Unallocated liabilities				66,651
Total liabilities				4,150,162
2018				
Net interest income	50,739	34,024	5,306	90,069
Operating income	70,897	43,071	12,835	126,803
Segment results	21,900	22,894	10,759	55,553
Unallocated expense				(25,294)
Profit for the period before taxation				30,259
Segment assets	2,617,662	651,748	1,286,535	4,555,945
Unallocated assets				70,763
Total assets				4,626,708
Segment liabilities	1,168,405	1,790,984	946,951	3,906,340
Unallocated liabilities				53,314
Total liabilities				3,959,654

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
30 September 2019**
4 SEGMENTAL INFORMATION (continued)
Geographic information:

The following table show the Group's operating income and segment assets from international operations:

	2019	2018
	KD 000	KD 000
Operating income	35,401	28,481
Segment assets	1,046,703	957,830

5 INVESTMENT SECURITIES

	30 September	<i>(Audited)</i> 31 December	30 September
	2019	2018	2018
	KD 000	KD 000	KD 000
Fair value through other comprehensive income (FVOCI)	235,882	252,191	187,769
Amortised cost (AC)	28,239	25,508	26,043
Fair value through profit or loss (FVTPL)	13,258	12,218	9,837
	<u>277,379</u>	<u>289,917</u>	<u>223,649</u>

Fair value hierarchy of investments carried at fair value is as follows:

	30 September 2019		<i>(Audited)</i> 31 December 2018		30 September 2018	
	KD 000		KD 000		KD 000	
	FVTPL	FVOCI	FVTPL	FVOCI	FVTPL	FVOCI
Level 1:						
Equity	-	4,240	58	2,439	87	2,971
Debt securities						
- Government	-	65,609	-	82,042	-	42,065
- Non Government	-	38,040	-	39,019	-	19,369
Level 2:						
Debt securities						
- Government	166	61,720	483	55,925	477	62,541
- Non Government	-	41,890	-	49,169	-	31,664
Managed funds & Portfolios	13,092	-	11,677	-	9,273	-
Level 3:						
Equity	-	24,383	-	23,597	-	29,159
	<u>13,258</u>	<u>235,882</u>	<u>12,218</u>	<u>252,191</u>	<u>9,837</u>	<u>187,769</u>

Fair values of financial instruments that are carried at amortised cost are not materially different from their carrying values.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the securities classified under level 2 and level 3 were altered by 5 per cent.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
30 September 2019**
6 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (directors and senior management of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence and associate of the Group) who were customers of the Group during the period. The terms of these transactions are approved by the Group's management.

In the normal course of business, these related parties have deposits with the Group and credit facilities granted to them by the Group. The balances included in the interim condensed consolidated financial information are as follows:

	30 September 2019 KD 000	<i>(Audited)</i> 31 December 2018 KD 000	30 September 2018 KD 000
Loans and advances	24,247	23,542	27,002
Customers' deposits	48,761	44,014	46,887
Investment securities	2,503	2,688	2,914
Managed portfolios	633	660	689
Commitment and contingent liabilities	11,955	41,343	37,469

Loans and advances to related parties are collateralised

Interest income and interest expense includes KD 821 thousand (30 September 2018: KD 925 thousand) and KD 834 thousand (30 September 2018: KD 652 thousand) respectively on transactions with related parties.

Key management compensation

Compensation for key management is as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2019 KD 000	2018 KD 000	2019 KD 000	2018 KD 000
Salaries and other benefits	808	763	2,570	2,267
Post employment benefits	40	40	145	206
	848	803	2,715	2,473

7 MEDIUM TERM NOTES

During 2017, the Bank established a USD 1.5 billion Reg S Euro Medium Term Note ("EMTN") programme. Under the EMTN programme, the Bank has successfully issued Senior Unsecured Bonds (the "Bonds") amounting to USD 500 million with a term of five years maturing in April 2022. The bonds are listed on the Irish Stock Exchange and carry a fixed coupon of 3.50% per annum payable on a semi-annual basis.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
30 September 2019**
8 EQUITY

(a) The shareholders at the Annual General Meeting held on 16 March 2019 approved the distribution of cash dividend of 14 fils per share for the year ended 31 December 2018 (31 December 2017: cash dividend of 12 fils per share) which was subsequently paid. Treasury shares are not entitled to any cash dividends.

(b) Treasury shares and Treasury shares reserve:

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
Number of shares held	12,954,609	12,953,609	12,953,409
Percentage of shares held	0.80%	0.80%	0.80%
Market value (KD 000)	3,886	3,821	3,769
Weighted average market value per share (fils)	311	307	315

The balance in the treasury share reserve account is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from general reserve throughout the holding period of these treasury shares.

(c) Movement in other reserves is as below:

	<i>Property revaluation reserve KD 000</i>	<i>Foreign currency translation reserve KD 000</i>	<i>Employee benefit plan reserve KD 000</i>	<i>Total other reserves KD 000</i>
At 1 January 2018	7,833	(13,915)	(277)	(6,359)
Other comprehensive income for the period	5	17	-	22
As at 30 September 2018	<u>7,838</u>	<u>(13,898)</u>	<u>(277)</u>	<u>(6,337)</u>
At 1 January 2019	8,091	(13,788)	(131)	(5,828)
Other comprehensive income (loss) for the period	58	2,187	(14)	2,231
As at 30 September 2019	<u>8,149</u>	<u>(11,601)</u>	<u>(145)</u>	<u>(3,597)</u>

(d) Perpetual Tier 1 Capital Notes

The Bank on 26 September 2018 has issued Basel III compliant Perpetual Additional Tier 1 Capital Notes (the securities"), amounting to USD 300 million and is classified as equity. The notes are perpetual, subordinated, unsecured and redeemable at the option of the bank at or after first call date of 26 September 2023. The notes carry a coupon of 7.25% till first call date and thereafter will be reset at five years interval. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
30 September 2019**
9 PROVISION / IMPAIRMENT LOSSES

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2019	2018	2019	2018
	KD 000	KD 000	KD 000	KD 000
Provision charge for credit losses on credit facilities	32,017	17,780	60,334	48,230
Expected credit (release) losses on other financial assets	92	146	263	205
	32,109	17,926	60,597	48,435

Expected Credit Losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 145,549 thousand as at 30 September 2019, which is KD 75,551 thousand lower than the provision of KD 221,100 thousand for credit losses under CBK Instructions.

10 TAXATION

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2019	2018	2019	2018
	KD 000	KD 000	KD 000	KD 000
Kuwait Foundation for the Advancement of Sciences	(67)	75	146	255
National Labour Support Tax	(185)	208	407	709
Zakat	(74)	84	163	284
Tax on overseas locations	846	766	2,321	1,888
	520	1,133	3,037	3,136

11 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK

Basic and diluted earnings per share are computed by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of shares outstanding during the period:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2019	2018	2019	2018
Net (loss) profit for the period attributable to shareholders of the Bank (KD 000)	(7,143)	7,940	15,428	27,058
Less: Interest payment on perpetual teir 1 capital notes (KD 000)	(3,322)	-	(6,638)	-
Adjusted net (loss) profit for the period attributable to shareholders of the Bank (KD 000)	(10,465)	7,940	8,790	27,058
Weighted average number of the Bank's issued and paid-up shares	1,619,166,234	1,619,166,234	1,619,166,234	1,619,166,234
Less: weighted average number of treasury shares	(12,953,989)	(12,952,825)	(12,953,737)	(12,952,682)
Adjusted weighted average number of shares outstanding during the period	1,606,212,245	1,606,213,409	1,606,212,497	1,606,213,552
Basic and diluted (loss) earnings per share attributable to shareholders of the Bank	(7) fils	5 fils	5 fils	17 fils

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)
30 September 2019**
12 COMMITMENTS AND CONTINGENT LIABILITIES

Financial instruments with contractual amounts representing credit risk.

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
	KD 000	KD 000	KD 000
Acceptances	55,144	43,650	27,588
Letters of credit	167,047	164,775	186,036
Guarantees	824,367	826,869	877,265
	<u>1,046,558</u>	<u>1,035,294</u>	<u>1,090,889</u>

Total commitments to extend credit at the statement of financial position date amounted to KD 256,678 thousand (31 December 2018: KD 369,849 thousand and 30 September 2018: KD 358,099 thousand).

13 DERIVATIVE INSTRUMENTS

The notional or contractual amounts of outstanding derivative instruments together with their fair values are as follows:

	30 September 2019			<i>(Audited)</i> 31 December 2018			30 September 2018		
	<i>Assets</i>	<i>Liabilities</i>	<i>Contractual amounts</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Contractual amounts</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Contractual amounts</i>
	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>
<i>Held for hedging:</i>									
<i>Fair value hedges</i>									
Interest rate swaps	321	386	51,810	435	798	75,036	887	1,489	74,987
<i>Held for trading:</i>									
Forward foreign exchange contracts	13	251	100,575	225	103	106,620	567	280	137,356
	<u>334</u>	<u>637</u>	<u>152,385</u>	<u>660</u>	<u>901</u>	<u>181,656</u>	<u>1,454</u>	<u>1,769</u>	<u>212,343</u>

All derivative contracts are fair valued using observable market inputs and are classified as level 2.