



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

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

**30 SEPTEMBER 2018**



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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 2018 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 2018 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 2018 that might have had a material effect on the business of the Bank or on its financial position.



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



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

9 October 2018  
Kuwait

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

As at 30 September 2018

|  |              | (Audited)        |                  |
|--|--------------|------------------|------------------|
|  | 30 September | 31 December      | 30 September     |
|  | 2018         | 2017             | 2017             |
|  | Notes        | KD 000           | KD 000           |
| <b>ASSETS</b>  |              |                  |                  |
| Cash and balances with banks                           |              | 783,147          | 445,961          |
| Kuwait Government treasury bonds                       |              | 249,733          | 345,595          |
| Central Bank of Kuwait bonds                           |              | 115,040          | 140,559          |
| Loans and advances                                     |              | 3,122,496        | 3,066,214        |
| Investment securities                                  | 3 & 5        | 223,649          | 172,294          |
| Investment in an associate                             |              | 20,882           | 19,118           |
| Premises and equipment                                 |              | 54,957           | 51,368           |
| Intangible assets                                      |              | 16,918           | 17,473           |
| Other assets   |              | 39,886           | 41,931           |
| <b>TOTAL ASSETS</b>                                    |              | <b>4,626,708</b> | <b>4,300,513</b> |
| <b>LIABILITIES AND EQUITY</b>                          |              |                  |                  |
| <b>LIABILITIES</b>                                     |              |                  |                  |
| Due to banks and other financial institutions          |              | 561,631          | 514,052          |
| Customers' deposits                                    |              | 3,140,864        | 2,979,713        |
| Medium term borrowings                                 |              | 150,481          | 150,488          |
| Other liabilities                                      |              | 106,678          | 93,588           |
| <b>TOTAL LIABILITIES</b>                               |              | <b>3,959,654</b> | <b>3,737,841</b> |
| <b>EQUITY</b>  |              |                  |                  |
| Share capital  |              | 161,917          | 161,917          |
| Share premium  |              | 108,897          | 108,897          |
| Treasury shares  | 7            | (5,053)          | (5,003)          |
| Reserves   |              | 309,762          | 296,155          |
| <b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b> |              | <b>575,523</b>   | <b>561,966</b>   |
| Perpetual Tier 1 capital securities                    | 7            | 90,750           | -                |
| Non-controlling interests                              |              | 781              | 706              |
| <b>TOTAL EQUITY</b>                                    |              | <b>667,054</b>   | <b>562,672</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                    |              | <b>4,626,708</b> | <b>4,300,513</b> |


 A blue ink signature of Talal Mohamed Reza Behbehani, written over a horizontal line.
 

Talal Mohamed Reza Behbehani  
Chairman


 A blue ink signature of Michel Accad, written over a horizontal line.
 

Michel Accad  
Group Chief Executive Officer

The attached notes 1 to 12 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 2018**

|  | Notes | Three months ended |          | Nine months ended |          |
|--|-------|--------------------|----------|-------------------|----------|
|  |       | 30 September       |          | 30 September      |          |
|  |       | 2018               | 2017     | 2018              | 2017     |
|  |       | KD 000             | KD 000   | KD 000            | KD 000   |
| Interest income                              |       | 57,602             | 48,649   | 161,745           | 138,338  |
| Interest expense                             |       | (26,241)           | (19,547) | (71,676)          | (55,441) |
| <b>NET INTEREST INCOME</b>                   |       | <b>31,361</b>      | 29,102   | <b>90,069</b>     | 82,897   |
| Net fees and commission income               |       | 7,972              | 7,217    | 23,044            | 22,628   |
| Net foreign exchange gain                    |       | 2,336              | 1,001    | 4,409             | 3,452    |
| Net gain on investment securities            |       | 243                | 168      | 4,010             | 461      |
| Dividend income                              |       | 150                | 296      | 2,551             | 1,797    |
| Share of results from an associate           |       | 533                | 701      | 2,206             | 1,736    |
| Other operating income                       |       | 362                | 672      | 514               | 1,735    |
| <b>OPERATING INCOME</b>                      |       | <b>42,957</b>      | 39,157   | <b>126,803</b>    | 114,706  |
| Staff expenses                               |       | (8,473)            | (7,988)  | (26,211)          | (24,342) |
| Other operating expenses                     |       | (6,225)            | (5,848)  | (18,251)          | (16,532) |
| Depreciation and amortisation                |       | (1,230)            | (953)    | (3,647)           | (2,653)  |
| <b>OPERATING EXPENSES</b>                    |       | <b>(15,928)</b>    | (14,789) | <b>(48,109)</b>   | (43,527) |
| <b>OPERATING PROFIT FOR THE PERIOD</b>       |       | <b>27,029</b>      | 24,368   | <b>78,694</b>     | 71,179   |
| Provision / impairment losses                | 8     | (17,926)           | (17,783) | (48,435)          | (46,359) |
| <b>PROFIT FOR THE PERIOD BEFORE TAXATION</b> |       | <b>9,103</b>       | 6,585    | <b>30,259</b>     | 24,820   |
| Taxation                                     | 9     | (1,133)            | (678)    | (3,136)           | (2,659)  |
| <b>NET PROFIT FOR THE PERIOD</b>             |       | <b>7,970</b>       | 5,907    | <b>27,123</b>     | 22,161   |
| <b>Attributable to:</b>                      |       |                    |          |                   |          |
| Shareholders of the Bank                     |       | 7,940              | 5,880    | 27,058            | 22,094   |
| Non-controlling interests                    |       | 30                 | 27       | 65                | 67       |
|  |       | <b>7,970</b>       | 5,907    | <b>27,123</b>     | 22,161   |
| <b>BASIC AND DILUTED EARNINGS PER SHARE</b>  |       |                    |          |                   |          |
| <b>ATTRIBUTABLE TO THE</b>                   |       |                    |          |                   |          |
| <b>SHAREHOLDERS OF THE BANK</b>              | 10    | <b>5 fils</b>      | 4 fils   | <b>17 fils</b>    | 14 fils  |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**
**For the period ended 30 September 2018**

|  | <i>Three months ended</i> |                     | <i>Nine months ended</i> |                     |
|--|---------------------------|---------------------|--------------------------|---------------------|
|  | <i>30 September</i>       | <i>30 September</i> | <i>30 September</i>      | <i>30 September</i> |
|  | <b>2018</b>               | <b>2017</b>         | <b>2018</b>              | <b>2017</b>         |
|  | <b>KD 000</b>             | <b>KD 000</b>       | <b>KD 000</b>            | <b>KD 000</b>       |
| <b>Net profit for the period</b>   | <b>7,970</b>              | <b>5,907</b>        | <b>27,123</b>            | <b>22,161</b>       |
| <b><i>Items that will not be reclassified subsequently to interim condensed consolidated income statement:</i></b>   |                           |                     |                          |                     |
| <i>Equity instruments at fair value through other comprehensive income:</i>  |                           |                     |                          |                     |
| - Effect of net changes in fair value  | <b>(1,605)</b>            | -                   | <b>(1,400)</b>           | -                   |
|  | <b>(1,605)</b>            | -                   | <b>(1,400)</b>           | -                   |
| <b><i>Items that are or may be reclassified subsequently to interim condensed consolidated income statement:</i></b> |                           |                     |                          |                     |
| <i>Debt instruments at fair value through other comprehensive income:</i>  |                           |                     |                          |                     |
| - Effect of net changes in fair value  | <b>1,261</b>              | -                   | <b>(1,698)</b>           | -                   |
| - Allowance for expected credit losses   | <b>(48)</b>               | -                   | <b>(62)</b>              | -                   |
| - Recycling of net gain on sale  | <b>(13)</b>               | -                   | <b>(70)</b>              | -                   |
|  | <b>1,200</b>              | -                   | <b>(1,830)</b>           | -                   |
| <i>Investments available for sale:</i>   |                           |                     |                          |                     |
| - Effect of net changes in fair values   | -                         | 1,043               | -                        | 3,195               |
| - Recycling of impairment  | -                         | -                   | -                        | 431                 |
| - Recycling of net gain on sale  | -                         | (164)               | -                        | (448)               |
|  | -                         | 879                 | -                        | 3,178               |
| <i>Foreign currency translation:</i>   |                           |                     |                          |                     |
| - Exchange difference on translation of foreign operations   | <b>45</b>                 | 156                 | <b>22</b>                | (754)               |
|  | <b>1,245</b>              | 1,035               | <b>(1,808)</b>           | 2,424               |
| <b>Other comprehensive (loss) income for the period</b>  | <b>(360)</b>              | 1,035               | <b>(3,208)</b>           | 2,424               |
| <b>Total comprehensive income for the period</b>   | <b>7,610</b>              | 6,942               | <b>23,915</b>            | 24,585              |
| <b>Attributable to:</b>  |                           |                     |                          |                     |
| Shareholders of the Bank   | <b>7,584</b>              | 6,911               | <b>23,863</b>            | 24,525              |
| Non-controlling interests  | <b>26</b>                 | 31                  | <b>52</b>                | 60                  |
|  | <b>7,610</b>              | 6,942               | <b>23,915</b>            | 24,585              |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**
**For the period ended 30 September 2018**

|  | <i>Attributable to shareholders of the Bank</i> |                          |   |                              |                              |   |  |   |                              |                           |                |  |   |                         |
|--|---|--------------------------|---|------------------------------|------------------------------|---|--|---|------------------------------|---------------------------|----------------|--|---|-------------------------|
|  | <i>Reserves</i>                                 |                          |   |                              |                              |   |  |   |                              |                           |                | <i>Perpetual<br/>Tier 1<br/>capital<br/>securities</i> | <i>Non-<br/>controlling<br/>interests</i> | <i>Total<br/>equity</i> |
|  | <i>Share<br/>capital</i>                        | <i>Share<br/>premium</i> | <i>Treasury<br/>shares<br/>(Note 7)</i> | <i>Statutory<br/>reserve</i> | <i>Voluntary<br/>reserve</i> | <i>Treasury<br/>shares<br/>reserve<br/>(Note 7)</i> | <i>Other<br/>reserves<br/>(Note 7)</i> | <i>Cumulative<br/>changes in<br/>fair<br/>value</i> | <i>Retained<br/>earnings</i> | <i>Total<br/>reserves</i> | <i>Total</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>KD 000</i>                | <i>KD 000</i>             | <i>KD 000</i>  | <i>KD 000</i>  | <i>KD 000</i>                             | <i>KD 000</i>           |
| <b>Balance as at 1 January 2018</b>                                    | <b>161,917</b>                                  | <b>108,897</b>           | <b>(5,053)</b>                          | <b>75,032</b>                | <b>74,585</b>                | <b>8,065</b>  | <b>(6,359)</b>                         | <b>10,616</b>                                       | <b>144,310</b>               | <b>306,249</b>            | <b>572,010</b> | -  | <b>729</b>                                | <b>572,739</b>          |
| Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 3) | -   | -                        | -                                       | -                            | -                            | -   | -                                      | 436   | (728)                        | (292)                     | (292)          | -  | -   | (292)                   |
| <b>Balance as at 1 January 2018 (restated)</b>                         | <b>161,917</b>                                  | <b>108,897</b>           | <b>(5,053)</b>                          | <b>75,032</b>                | <b>74,585</b>                | <b>8,065</b>  | <b>(6,359)</b>                         | <b>11,052</b>                                       | <b>143,582</b>               | <b>305,957</b>            | <b>571,718</b> | -  | <b>729</b>                                | <b>572,447</b>          |
| 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 7)   | -   | -                        | -                                       | -                            | -                            | -   | -                                      | -   | (19,275)                     | (19,275)                  | (19,275)       | -  | -   | (19,275)                |
| Transfer due to disposal of equity investments at FVOCI                | -   | -                        | -                                       | -                            | -                            | -   | -                                      | 200   | (200)                        | -                         | -              | -  | -   | -                       |
| <i>Perpetual Tier 1 capital securities:</i>                            |   |                          |   |                              |                              |   |  |   |                              |                           |                |  |   |                         |
| Proceeds from issuance   | -   | -                        | -                                       | -                            | -                            | -   | -                                      | -   | -                            | -                         | -              | 90,750   | -   | 90,750                  |
| Transaction costs on issue   | -   | -                        | -                                       | -                            | -                            | -   | -                                      | -   | (783)                        | (783)                     | (783)          | -  | -   | (783)                   |
| <b>Balance as at 30 September 2018</b>                                 | <b>161,917</b>                                  | <b>108,897</b>           | <b>(5,053)</b>                          | <b>75,032</b>                | <b>74,585</b>                | <b>8,065</b>  | <b>(6,337)</b>                         | <b>8,035</b>  | <b>150,382</b>               | <b>309,762</b>            | <b>575,523</b> | <b>90,750</b>  | <b>781</b>                                | <b>667,054</b>          |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)**
**For the period ended 30 September 2018**

|   | <i>Attributable to shareholders of the Bank</i> |                      |                                 |                          |                          |   |                                |   |                          |                       |                |                                  |                     |
|---|---|----------------------|---------------------------------|--------------------------|--------------------------|---|--------------------------------|---|--------------------------|-----------------------|----------------|----------------------------------|---------------------|
|   | <i>Reserves</i>                                 |                      |                                 |                          |                          |   |                                |   |                          |                       |                | <i>Non-controlling interests</i> | <i>Total equity</i> |
|   | <i>Share capital</i>                            | <i>Share premium</i> | <i>Treasury shares (Note 7)</i> | <i>Statutory reserve</i> | <i>Voluntary reserve</i> | <i>Treasury shares reserve (Note 7)</i> | <i>Other reserves (Note 7)</i> | <i>Cumulative changes in fair value</i> | <i>Retained earnings</i> | <i>Total reserves</i> | <i>Total</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>KD 000</i>            | <i>KD 000</i>         | <i>KD 000</i>  |                                  |                     |
| Balance as at 1 January 2017                            | 161,917   | 108,897              | (4,958)                         | 71,251                   | 70,804                   | 8,065                                   | (4,692)                        | 9,991                                   | 133,882                  | 289,301               | 555,157        | 646                              | 555,803             |
| Net profit for the period                               | -   | -                    | -                               | -                        | -                        | -                                       | -                              | -                                       | 22,094                   | 22,094                | 22,094         | 67                               | 22,161              |
| Other comprehensive (loss) income for the period        | -   | -                    | -                               | -                        | -                        | -                                       | (745)                          | 3,176                                   | -                        | 2,431                 | 2,431          | (7)                              | 2,424               |
| <b>Total comprehensive (loss) income for the period</b> | <b>-</b>  | <b>-</b>             | <b>-</b>                        | <b>-</b>                 | <b>-</b>                 | <b>-</b>                                | <b>(745)</b>                   | <b>3,176</b>                            | <b>22,094</b>            | <b>24,525</b>         | <b>24,525</b>  | <b>60</b>                        | <b>24,585</b>       |
| Dividends paid (Note 7)                                 | -   | -                    | -                               | -                        | -                        | -                                       | -                              | -                                       | (17,671)                 | (17,671)              | (17,671)       | -                                | (17,671)            |
| Treasury shares purchased                               | -   | -                    | (45)                            | -                        | -                        | -                                       | -                              | -                                       | -                        | -                     | (45)           | -                                | (45)                |
| <b>Balance as at 30 September 2017</b>                  | <b>161,917</b>                                  | <b>108,897</b>       | <b>(5,003)</b>                  | <b>71,251</b>            | <b>70,804</b>            | <b>8,065</b>                            | <b>(5,437)</b>                 | <b>13,167</b>                           | <b>138,305</b>           | <b>296,155</b>        | <b>561,966</b> | <b>706</b>                       | <b>562,672</b>      |

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



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
For the period ended 30 September 2018**

|   | Notes | <i>Nine months ended</i> |               |
|---|-------|--------------------------|---------------|
|   |       | <i>30 September</i>      |               |
|   |       | <i>2018</i>              | <i>2017</i>   |
|   |       | <i>KD 000</i>            | <i>KD 000</i> |
| <b>OPERATING ACTIVITIES</b>   |       |                          |               |
| Net profit for the period before taxation                                     |       | <b>30,259</b>            | 24,820        |
| Adjustments for:  |       |                          |               |
| Net gain on sale of investment securities                                     |       | <b>(70)</b>              | (448)         |
| Dividend income   |       | <b>(2,551)</b>           | (1,797)       |
| Depreciation and amortisation   |       | <b>3,647</b>             | 2,653         |
| Share of results from an associate  |       | <b>(2,206)</b>           | (1,736)       |
| Provision / impairment losses   | 8     | <b>48,435</b>            | 46,359        |
| Operating profit before changes in operating assets and liabilities           |       | <b>77,514</b>            | 69,851        |
| <i>Changes in operating assets and liabilities</i>                            |       |                          |               |
| Deposits with banks   |       | <b>107,663</b>           | 50,574        |
| Kuwait Government treasury bonds  |       | <b>94,857</b>            | (122,453)     |
| Central Bank of Kuwait bonds  |       | <b>10,555</b>            | 33,156        |
| Investments at fair value through profit or loss                              |       | <b>(749)</b>             | -             |
| Loans and advances  |       | <b>(96,338)</b>          | (82,517)      |
| Other assets  |       | <b>7,782</b>             | 1,599         |
| Due to banks and other financial institutions                                 |       | <b>(34,532)</b>          | (220,776)     |
| Customers' deposits   |       | <b>203,508</b>           | 79,065        |
| Other liabilities   |       | <b>2,694</b>             | 276           |
| Taxes paid  |       | <b>(3,041)</b>           | (3,502)       |
| Net cash flows from (used in) operating activities                            |       | <b>369,913</b>           | (194,727)     |
| <b>INVESTING ACTIVITIES</b>   |       |                          |               |
| Purchase of investment securities   |       | <b>(157,721)</b>         | (61,376)      |
| Proceeds from sale of investment securities                                   |       | <b>113,902</b>           | 130,159       |
| Net purchase of premises and equipment  |       | <b>(4,719)</b>           | (7,037)       |
| Dividend received from Investment in an associate                             |       | <b>880</b>               | 880           |
| Dividend income received  |       | <b>2,551</b>             | 1,797         |
| Net cash flows (used in) from investing activities                            |       | <b>(45,107)</b>          | 64,423        |
| <b>FINANCING ACTIVITIES</b>   |       |                          |               |
| Dividends paid  |       | <b>(19,275)</b>          | (17,671)      |
| Proceeds from issue of Tier 1 capital securities                              | 7     | <b>90,750</b>            | -             |
| Transaction costs on issue of Perpetual Tier 1 Capital Securities             |       | <b>(783)</b>             | -             |
| Proceeds from issue of medium term notes                                      |       | -                        | 150,488       |
| Purchase of treasury shares   |       | -                        | (45)          |
| Net cash flows from financing activities                                      |       | <b>70,692</b>            | 132,772       |
| Foreign currency translation difference                                       |       | <b>474</b>               | (703)         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                              |       | <b>395,972</b>           | 1,765         |
| Cash and cash equivalents as at 1 January                                     |       | <b>320,435</b>           | 337,030       |
| <b>CASH AND CASH EQUIVALENTS AS AT 30 September</b>                           |       | <b>716,407</b>           | 338,795       |
| <b>Cash and cash equivalents comprise:</b>                                    |       |                          |               |
| Cash in hand and in current account with other banks                          |       | <b>55,223</b>            | 38,874        |
| Balances with the Central Banks (original maturity not exceeding thirty days) |       | <b>325,688</b>           | 83,615        |
| Deposits with banks (original maturity not exceeding thirty days)             |       | <b>335,496</b>           | 216,306       |
|   |       | <b>716,407</b>           | 338,795       |

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

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

**At 30 September 2018**

**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 2018 were approved by the Bank's Board of Directors on 9 October 2018.

**2 BASIS OF PREPARATION**

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" except as noted below.

- (a) The annual consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the adoption of IFRS 9: Financial Instruments ("IFRS 9") from 1 January 2018 as explained below.
- (b) The Group has adopted IFRS 9: Financial Instruments ("IFRS 9"), effective 1 January 2018, except for the requirement of Expected Credit Losses ("ECL") on credit facilities which has been replaced by CBK requirements for credit losses. The accounting policies on first time IFRS 9 adoption are disclosed in Note 3.
- (c) The Group has also adopted IFRS 15: Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The adoption of IFRS 15 and other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 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 2017. Further, results for the nine months period ended 30 September 2018, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**

**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 9**

The Group has adopted IFRS 9 issued in July 2014 with a date of initial application of 1 January 2018, with the exception of requirements of the expected credit losses on credit facilities as noted above in Note 2. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the groups accounting policies resulting from the adoption of IFRS 9 are summarised below:

**Classification and measurement of financial assets and financial liabilities**

The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

**Business model assessment & SPPI test**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*The SPPI test*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met the Solely Payments of Principal and Interest test (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)****At 30 September 2018****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 9 (continued)****Classification and measurement of financial assets and financial liabilities (continued)*****Financial assets***

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI),
- Fair Value Through Profit and Loss (FVTPL)

All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as investments at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the consolidated income statement.

***Amortised cost (AC)***

The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated income statement. Any gain or loss on derecognition is recognised in the consolidated income statement.

***Fair value through other comprehensive income (FVOCI)******Debt instruments at FVOCI***

The Group classifies debt instruments at FVOCI if it meets both of the following conditions:-

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated income statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated income statement.

***Equity instruments at FVOCI***

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated income statement when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

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

**At 30 September 2018**

**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 9 (Continued)**

**Classification and measurement of financial assets and financial liabilities (continued)**

***Financial assets (continued)***

***Fair Value Through Profit and Loss (FVTPL)***

The Group classifies financial assets as FVTPL when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated income statement. Interest income and dividends are recognised in the consolidated income statement according to the terms of the contract, or when the right to payment has been established.

***Financial liabilities***

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group has applied the new impairment model except for credit facilities (Refer Note 2). No impairment loss is recognised on equity investments.

The Group applies three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

**Stage 1: 12 months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

**Stage 2: Lifetime ECL – not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

**Stage 3: Lifetime ECL – credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**
**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 9 (Continued)**
**Impairment of financial assets (continued)**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Macro-economic factors are considered for this purpose by applying forward looking information such as gross domestic product, consumer price index, oil prices, unemployment rate etc. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC. In the case of debt instruments measured at FVOCI, the Group recognises the ECL charge in the consolidated income statement and a corresponding amount is recognised in OCI with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position.

**Hedge accounting**

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

**Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.
- b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
  - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

The impact of this change in accounting policy as at 1st January 2018 is as follows

|   | <i>Retained<br/>earnings KD 000's</i> | <i>Fair value reserve<br/>KD 000's</i> |
|---|---------------------------------------|--|
| <b><i>Impact on reclassification and re-measurements:</i></b>   |                                       |  |
| Managed funds classified from AFS to FVTPL  | (75)                                  | 75                                     |
| <b><i>Impact on recognition of ECL under IFRS 9 on financial assets other than credit facilities:</i></b> |                                       |  |
| Debt financial assets at FVOCI  | (361)                                 | 361                                    |
| Financial assets at amortised cost (deducted from the carrying value)                                     | (292)                                 | -                                      |
| <b>Total impact on date of initial application</b>  | <b>(728)</b>                          | <b>436</b>                             |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**
**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 9 (Continued)**
**Transition (continued)**

The Group previously did not have any impairment allowance on debt securities and held to maturity in accordance with IAS 39.

The following table shows reconciliation of original classification and carrying value in accordance with IAS 39 and the new measurement classification under IFRS 9 for the Group's financial assets as at 1 January 2018.

| <b>Financial assets</b>          | <b>IAS 39<br/>Classification</b> | <b>IFRS 9<br/>Classification</b> | <b>IAS 39 Carrying<br/>Value<br/>KD 000</b> | <b>IFRS 9 Transition<br/>Impact<br/>KD 000</b> | <b>IFRS 9 Carrying<br/>Value<br/>KD 000</b> |
|----------------------------------|----------------------------------|----------------------------------|---|--|---|
| Cash and balances with Banks     | Loans & receivables              | Amortised cost                   | 495,519                                     | (250)  | 495,269                                     |
| Kuwait Government treasury bonds | Loans & receivables              | Amortised cost                   | 344,590                                     | (1)  | 344,589                                     |
| Central Bank of Kuwait bonds     | Loans & receivables              | Amortised cost                   | 125,595                                     | -  | 125,595                                     |
| Loans & advances                 | Loans & receivables              | Amortised cost                   | 3,075,065                                   | -  | 3,075,065                                   |
| <i>Investment Securities:-</i>   |                                  |                                  |   |  |   |
| -Debt Securities                 | Held to Maturity                 | Amortised cost                   | 27,395                                      | (38)   | 27,357                                      |
| -Debt Securities                 | Available for Sale               | Fair Value through OCI           | 117,477                                     | -  | 117,477                                     |
| - Equity                         | Fair Value through P&L           | Fair Value through P&L           | 95  | -  | 95  |
| - Equity                         | Available for Sale               | Fair Value through OCI           | 28,584                                      | -  | 28,584                                      |
| -Managed Funds                   | Available for Sale               | Fair Value through P&L           | 8,994                                       | -  | 8,994                                       |
| Other assets                     | Loans & receivables              | Amortised cost                   | 47,887                                      | (3)  | 47,884                                      |
| <b>Total</b>                     |                                  |                                  | <b>4,271,201</b>                            | <b>(292)</b>                                   | <b>4,270,909</b>                            |

The Group adopted IFRS 9 except for the requirement of Expected Credit Losses ("ECL") on credit facilities (refer Note 2) and hence there is no transition impact on loans & advances.

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**
**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 Banking           | - Comprising a full range of products and services to customers which includes loans, credit cards, deposits and wealth management .  |
| Treasury and Investments | - Comprising of treasury services provided to customers and balance sheet managemet activities including money market, derivatives, propreity 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:

| <b>2018</b>                           | <b>Commercial<br/>banking<br/>KD 000</b> | <b>Retail<br/>banking<br/>KD 000</b> | <b>Treasury and<br/>Investments<br/>KD 000</b> | <b>Total<br/>KD 000</b> |
|---------------------------------------|--|--------------------------------------|--|-------------------------|
| 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)  
At 30 September 2018**
**4 SEGMENTAL INFORMATION (continued)**

| 2017                                  | <i>Commercial<br/>banking<br/>KD 000</i> | <i>Retail banking<br/>KD 000</i> | <i>Treasury and<br/>Investments<br/>KD 000</i> | <i>Total<br/>KD 000</i> |
|---------------------------------------|--|----------------------------------|--|-------------------------|
| Net interest income                   | 50,953                                   | 30,227                           | 1,717  | 82,897                  |
| Operating income                      | 67,795                                   | 39,128                           | 7,783  | 114,706                 |
| Segment results                       | 20,779                                   | 19,768                           | 6,126  | 46,673                  |
| Unallocated expense                   |  |                                  |  | (21,853)                |
| Profit for the period before taxation |  |                                  |  | 24,820                  |
| Segment assets                        | 2,587,971                                | 597,367                          | 1,036,438                                      | 4,221,776               |
| Unallocated assets                    |  |                                  |  | 78,737                  |
| Total assets                          |  |                                  |  | 4,300,513               |
| Segment liabilities                   | 1,029,295                                | 1,747,380                        | 916,560  | 3,693,235               |
| Unallocated liabilities               |  |                                  |  | 44,606                  |
| Total liabilities                     |  |                                  |  | 3,737,841               |

**Geographic information:**

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

|                  | <b>2018<br/>KD 000</b> | 2017<br>KD 000 |
|------------------|------------------------|----------------|
| Operating income | <b>28,481</b>          | 24,206         |
| Segment assets   | <b>957,830</b>         | 798,616        |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**
**5 INVESTMENT SECURITIES**

Valuation of investments securities carried at fair value is categorised as follows:

|                            | <b>30 September 2018</b> |                | <i>(Audited)</i><br><b>31 December 2017</b> |                               | <b>30 September 2017</b> |                               |
|----------------------------|--------------------------|----------------|---|-------------------------------|--------------------------|-------------------------------|
|                            | <b>KD 000</b>            |                | <b>KD 000</b>                               |                               | <b>KD 000</b>            |                               |
|                            | <b>FVTPL</b>             | <b>FVOCI</b>   | <b>FVTPL</b>                                | <i>Available for<br/>Sale</i> | <b>FVTPL</b>             | <i>Available for<br/>Sale</i> |
| <b>Level 1:</b>            |                          |                |   |                               |                          |                               |
| Equity                     | <b>87</b>                | <b>2,971</b>   | 95  | 3,007                         | -                        | 4,640                         |
| Debt securities            |                          |                |   |                               |                          |                               |
| - Government               | -                        | <b>42,065</b>  | -   | 34,133                        | -                        | 25,518                        |
| - Non Government           | -                        | <b>19,369</b>  | -   | 19,716                        | -                        | 21,449                        |
| <b>Level 2:</b>            |                          |                |   |                               |                          |                               |
| Debt securities            |                          |                |   |                               |                          |                               |
| - Government               | <b>477</b>               | <b>62,541</b>  | -   | 30,846                        | -                        | 27,453                        |
| - Non Government           | -                        | <b>31,664</b>  | -   | 32,782                        | -                        | 20,792                        |
| Managed funds & Portfolios | <b>9,273</b>             | -              | -   | 8,994                         | -                        | 21,657                        |
| <b>Level 3:</b>            |                          |                |   |                               |                          |                               |
| Equity                     | -                        | <b>29,159</b>  | -   | 25,577                        | -                        | 27,508                        |
|                            | <b>9,837</b>             | <b>187,769</b> | 95  | 155,055                       | -                        | 149,017                       |

Investment securities includes financial instruments carried at amortised cost amounted to KD 26,043 thousand (31 December 2017: KD 27,395 thousand and 30 September 2017: KD 23,277 thousand). 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)  
At 30 September 2018**
**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 Board of Directors.

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:

|                                       | <b>30 September<br/>2018<br/>KD 000</b> | <i>(Audited)</i><br>31 December<br>2017<br>KD 000 | 30 September<br>2017<br>KD 000 |
|---------------------------------------|---|---|--------------------------------|
| Loans and advances                    | <b>27,002</b>                           | 42,469  | 45,277                         |
| Customers' deposits                   | <b>46,887</b>                           | 43,783  | 39,799                         |
| Investment securities                 | <b>2,914</b>                            | 2,914   | 2,612                          |
| Managed portfolio                     | <b>689</b>                              | 778   | 728                            |
| Commitment and contingent liabilities | <b>37,469</b>                           | 20,894  | 20,424                         |

Interest income and interest expense includes KD 925 thousand (30 September 2017: KD 1,452 thousand) and KD 652 thousand (30 September 2017: KD 663 thousand) respectively on transactions with related parties.

**Key management compensation**

Compensation for key management is as follows:

|                             | <i>Three months ended<br/>30 September</i> |                | <i>Nine months ended<br/>30 September</i> |                |
|-----------------------------|--|----------------|---|----------------|
|                             | <b>2018<br/>KD 000</b>                     | 2017<br>KD 000 | <b>2018<br/>KD 000</b>                    | 2017<br>KD 000 |
| Salaries and other benefits | <b>763</b>                                 | 742            | <b>2,267</b>                              | 2,258          |
| Post employment benefits    | <b>40</b>                                  | 41             | <b>206</b>                                | 151            |
|                             | <b>803</b>                                 | 783            | <b>2,473</b>                              | 2,409          |

**7 EQUITY**

- (a) The shareholders at the Annual General Meeting held on 17 March 2018 approved the distribution of cash dividend of 12 fils per share for the year ended 31 December 2017 (31 December 2016: cash dividend of 11 fils per share) which was subsequently paid. Treasury shares are not entitled to any cash dividends.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**
**7 EQUITY (continued)**

(b) Treasury shares and Treasury shares reserve:

|  | <b>30 September<br/>2018</b> | <i>(Audited)</i><br>31 December<br>2017 | 30 September<br>2017 |
|--|------------------------------|---|----------------------|
| Number of shares held                          | <u>12,953,409</u>            | <u>12,952,609</u>                       | <u>12,786,509</u>    |
| Percentage of shares held                      | <u>0.80%</u>                 | <u>0.80%</u>                            | <u>0.79%</u>         |
| Market value (KD 000)                          | <u>3,769</u>                 | <u>3,769</u>                            | <u>3,951</u>         |
| Weighted average market value per share (fils) | <u>315</u>                   | <u>305</u>                              | <u>306</u>           |

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<br/>revaluation<br/>reserve<br/>KD 000</i> | <i>Foreign<br/>currency<br/>translation<br/>reserve<br/>KD 000</i> | <i>Employee<br/>benefit plan<br/>reserve &amp;<br/>other reserves<br/>KD 000</i> | <i>Total other<br/>reserves<br/>KD 000</i> |
|---|--|--|--|--|
| At 1 January 2017                         | 8,519  | (13,047)   | (164)  | (4,692)                                    |
| Other comprehensive loss for the period   | (11)   | (731)  | (3)  | (745)                                      |
| As at 30 September 2017                   | <u>8,508</u>   | <u>(13,778)</u>  | <u>(167)</u>   | <u>(5,437)</u>                             |
| <b>At 1 January 2018</b>                  | <b>7,833</b>   | <b>(13,915)</b>  | <b>(277)</b>   | <b>(6,359)</b>                             |
| Other comprehensive income for the period | 5  | 17   | -  | 22   |
| <b>At 30 September 2018</b>               | <u><b>7,838</b></u>                                    | <u><b>(13,898)</b></u>   | <u><b>(277)</b></u>  | <u><b>(6,337)</b></u>                      |

(d) Perpetual Tier 1 Capital Securities

The Bank on 26 September 2018 has issued Basel III compliant Perpetual Additional Tier 1 Capital Securities (the securities”), amounting to USD 300 million and is classified as equity. The securities are perpetual, subordinated, unsecured and redeemable at the option of the bank at or after first call date of 26 September 2023. The securities 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.

**Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries**
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**
**8 PROVISION / IMPAIRMENT LOSSES**

|   | <i>Three months ended<br/>30 September</i> |        | <i>Nine months ended<br/>30 September</i> |        |
|---|--|--------|---|--------|
|   | <b>2018</b>                                | 2017   | <b>2018</b>                               | 2017   |
|   | <b>KD 000</b>                              | KD 000 | <b>KD 000</b>                             | KD 000 |
| Provision charge for credit losses on credit facilities | <b>17,780</b>                              | 17,783 | <b>48,230</b>                             | 45,928 |
| Expected credit losses on other financial assets        | <b>146</b>                                 | -      | <b>205</b>                                | -      |
| Investments available for sale                          | -  | -      | -   | 431    |
|   | <b>17,926</b>                              | 17,783 | <b>48,435</b>                             | 46,359 |

**9 TAXATION**

|   | <i>Three months ended<br/>30 September</i> |        | <i>Nine months ended<br/>30 September</i> |        |
|---|--|--------|---|--------|
|   | <b>2018</b>                                | 2017   | <b>2018</b>                               | 2017   |
|   | <b>KD 000</b>                              | KD 000 | <b>KD 000</b>                             | KD 000 |
| Kuwait Foundation for the Advancement of Sciences | <b>75</b>                                  | 56     | <b>255</b>                                | 213    |
| National Labour Support Tax                       | <b>208</b>                                 | 154    | <b>709</b>                                | 591    |
| Zakat   | <b>84</b>                                  | 62     | <b>284</b>                                | 237    |
| Tax on overseas locations                         | <b>766</b>                                 | 406    | <b>1,888</b>                              | 1,618  |
|   | <b>1,133</b>                               | 678    | <b>3,136</b>                              | 2,659  |

**10 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<br/>30 September</i> |               | <i>Nine months ended<br/>30 September</i> |               |
|---|--|---------------|---|---------------|
|   | <b>2018</b>                                | 2017          | <b>2018</b>                               | 2017          |
| Net profit for the period attributable to shareholders of the Bank (KD 000)   | <b>7,940</b>                               | 5,880         | <b>27,058</b>                             | 22,094        |
| Weighted average number of the Bank's issued and paid-up shares               | <b>1,619,166,234</b>                       | 1,619,166,234 | <b>1,619,166,234</b>                      | 1,619,166,234 |
| Less: weighted average number of treasury shares                              | <b>(12,952,825)</b>                        | (12,753,071)  | <b>(12,952,682)</b>                       | (12,714,852)  |
| Adjusted weighted average number of shares outstanding during the period      | <b>1,606,213,409</b>                       | 1,606,413,163 | <b>1,606,213,552</b>                      | 1,606,451,382 |
| Basic and diluted earnings per share attributable to shareholders of the Bank | <b>5 fils</b>                              | 4 fils        | <b>17 fils</b>                            | 14 fils       |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)  
At 30 September 2018**
**11 COMMITMENTS AND CONTINGENT LIABILITIES**

Financial instruments with contractual amounts representing credit risk.

|                   | <b>30 September<br/>2018</b> | <i>(Audited)</i><br>31 December<br>2017 | 30 September<br>2017 |
|-------------------|------------------------------|---|----------------------|
|                   | <b>KD 000</b>                | KD 000                                  | KD 000               |
| Acceptances       | <b>27,588</b>                | 24,105                                  | 32,698               |
| Letters of credit | <b>186,036</b>               | 152,259                                 | 126,824              |
| Guarantees        | <b>877,265</b>               | 903,590                                 | 940,598              |
|                   | <b><u>1,090,889</u></b>      | <u>1,079,954</u>                        | <u>1,100,120</u>     |

Total commitments to extend credit at the statement of financial position date amounted to KD 358,099 thousand (31 December 2017: KD 312,683 thousand and 30 September 2017: KD 488,186 thousand).

**12 DERIVATIVE INSTRUMENTS**

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

|                                    | <b>30 September<br/>2018</b> |                     |                                | <i>(Audited)</i><br>31 December<br>2017 |                    |                                | 30 September<br>2017 |                    |                                |
|------------------------------------|------------------------------|---------------------|--------------------------------|---|--------------------|--------------------------------|----------------------|--------------------|--------------------------------|
|                                    | <i>Assets</i>                | <i>Liabilities</i>  | <i>Contractual<br/>amounts</i> | <i>Assets</i>                           | <i>Liabilities</i> | <i>Contractual<br/>amounts</i> | <i>Assets</i>        | <i>Liabilities</i> | <i>Contractual<br/>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                | <b>887</b>                   | <b>1,489</b>        | <b>74,987</b>                  | 237                                     | 403                | 74,653                         | 106                  | 73                 | 82,275                         |
| <i>Held for trading:</i>           |                              |                     |                                |   |                    |                                |                      |                    |                                |
| Forward foreign exchange contracts | <b>567</b>                   | <b>280</b>          | <b>137,356</b>                 | 314                                     | 54                 | 218,940                        | 239                  | 272                | 245,108                        |
|                                    | <b><u>1,454</u></b>          | <b><u>1,769</u></b> | <b><u>212,343</u></b>          | <u>551</u>                              | <u>457</u>         | <u>293,593</u>                 | <u>345</u>           | <u>345</u>         | <u>327,383</u>                 |

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