

Your banking partner

Interim Condensed Consolidated Financial Information (Unaudited)
30 June 2014





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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 subsidiary (collectively "the Group") as at 30 June 2014 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and interim condensed consolidated statement of changes in shareholders' equity and interim condensed consolidated statement of cash flows for the six 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. 25 of 2012, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation during the six months period ended 30 June 2014 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, during the six months period ended 30 June 2014 that might have had a material effect on the business of the Bank or on its financial position.



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



BADER A. AL-WAZZAN
LICENCE NO. 62 A
DELOITTE & TOUCHE
(.AL WAZZAN & CO)

10 July 2014
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2014

		30 June 2014	(Audited) 31 December 2013	30 June 2013
	Notes	KD 000	KD 000	KD 000
ASSETS				
Cash and balances with banks		448,449	197,921	308,527
Kuwait Government treasury bonds		269,958	227,673	193,638
Central Bank of Kuwait bonds		254,158	247,416	236,492
Loans and advances		2,456,376	2,189,412	2,084,611
Investment securities	11	306,940	252,168	231,918
Investment in an associate		14,118	13,609	12,777
Other assets		31,441	34,316	27,840
Premises and equipment		30,750	30,626	29,564
TOTAL ASSETS		3,812,190	3,193,141	3,125,367
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		895,636	639,170	575,845
Customers' deposits		2,310,008	1,947,316	1,963,987
Other liabilities		65,274	65,823	61,752
TOTAL LIABILITIES		3,270,918	2,652,309	2,601,584
SHAREHOLDERS' EQUITY				
Share capital		161,917	161,917	161,917
Share premium		108,897	108,897	108,897
Treasury shares		(2,295)	(2,188)	(1,149)
Reserves		272,753	251,217	254,118
Proposed dividend	3	-	20,989	-
TOTAL SHAREHOLDERS' EQUITY		541,272	540,832	523,783
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,812,190	3,193,141	3,125,367



Talal Mohamed Reza Behbehani
Deputy Chairman



Abdulla M. Al Sumait
Deputy Chief General Manager

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		KD 000	KD 000	KD 000	KD 000
Interest income		28,053	26,154	54,642	52,349
Interest expense		(6,664)	(5,545)	(12,188)	(11,610)
NET INTEREST INCOME		21,389	20,609	42,454	40,739
Net fees and commission income		5,756	5,760	11,567	11,786
Net foreign exchange gain		616	806	1,235	1,483
Net gain on investment securities		374	667	982	901
Dividend income		976	365	1,950	1,263
Share of results from an associate		789	635	1,228	964
Other income		164	352	476	638
OPERATING INCOME		30,064	29,194	59,892	57,774
Staff expenses		(5,726)	(6,223)	(11,166)	(11,769)
Other operating expenses and depreciation		(3,267)	(4,048)	(6,525)	(7,465)
OPERATING EXPENSES		(8,993)	(10,271)	(17,691)	(19,234)
OPERATING PROFIT FOR THE PERIOD BEFORE PROVISION / IMPAIRMENT LOSSES		21,071	18,923	42,201	38,540
Provision / impairment losses	4	(9,525)	(7,984)	(22,084)	(19,867)
PROFIT FOR THE PERIOD BEFORE TAXATION		11,546	10,939	20,117	18,673
Taxation	5	(598)	(765)	(1,043)	(1,426)
NET PROFIT FOR THE PERIOD		10,948	10,174	19,074	17,247
BASIC AND DILUTED EARNINGS PER SHARE	6	7 fils	6 fils	12 fils	11 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 June 2014

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2014	2013	2014	2013
	KD 000	KD 000	KD 000	KD 000
NET PROFIT FOR THE PERIOD	10,948	10,174	19,074	17,247
Other comprehensive (expense) income				
<i>Items that may be reclassified subsequently to income statement:</i>				
Effect of changes in fair values of investments available for sale	(1,713)	(2,003)	2,448	763
Net gain on sale / (impairment losses) on investments available for sale	523	(546)	8	(869)
Exchange difference on translation of foreign operations	-	12	3	16
Other comprehensive (expense) income for the period	(1,190)	(2,537)	2,459	(90)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,758	7,637	21,533	17,157

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the period ended 30 June 2014

Reserves

	Share capital	Proposed bonus shares	Share premium	Treasury shares	Statutory reserve	General reserve	Treasury shares reserve	Cumulative changes in fair value	Property revaluation surplus	Foreign currency translation reserve	Retained earnings	Total reserves	Proposed dividend	Total
	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000
Balance as at 1 January 2014	161,917	-	108,897	(2,188)	60,619	60,172	8,065	24,573	6,018	(9)	91,779	251,217	20,989	540,832
Net profit for the period	-	-	-	-	-	-	-	-	-	-	19,074	19,074	-	19,074
Other comprehensive income (expense) for the period	-	-	-	-	-	-	-	2,456	(1)	4	-	2,459	-	2,459
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	2,456	(1)	4	19,074	21,533	-	21,533
Dividends paid (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	(20,986)	(20,986)
Treasury shares purchased	-	-	-	(107)	-	-	-	-	-	-	-	-	-	(107)
Dividend on treasury shares	-	-	-	-	-	-	-	-	-	-	3	3	(3)	-
Balance as at 30 June 2014	161,917	-	108,897	(2,295)	60,619	60,172	8,065	27,029	6,017	(5)	110,856	272,753	-	541,272
Balance as at 1 January 2013	151,324	10,593	108,897	(118)	56,876	56,429	8,065	25,205	5,535	22	84,829	236,961	9,078	516,735
Net profit for the period	-	-	-	-	-	-	-	-	-	-	17,247	17,247	-	17,247
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	(106)	9	7	-	(90)	-	(90)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(106)	9	7	17,247	17,157	-	17,157
Bonus shares issued	10,593	(10,593)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(9,078)	(9,078)
Treasury shares purchased	-	-	-	(1,031)	-	-	-	-	-	-	-	-	-	(1,031)
Balance as at 30 June 2013	161,917	-	108,897	(1,149)	56,876	56,429	8,065	25,099	5,544	29	102,076	254,118	-	523,783

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 June 2014

	Note	Six months ended 30 June	
		2014 KD 000	2013 KD 000
OPERATING ACTIVITIES			
Net profit for the period		19,074	17,247
Adjustments for:			
Net gain on sale of investments available for sale		(797)	(1,045)
Dividend income		(1,950)	(1,263)
Depreciation		696	808
Share of results from an associate		(1,228)	(964)
Provision / impairment losses	4	22,084	19,867
Operating profit before changes in operating assets and liabilities		37,879	34,650
<i>Changes in operating assets and liabilities</i>			
Deposits with banks		(40,130)	(31,381)
Kuwait Government treasury bonds		(42,285)	18,137
Central Bank of Kuwait bonds		(6,742)	23,162
Investments at fair value through profit or loss		(8,349)	390
Loans and advances		(288,098)	(116,089)
Other assets		3,864	6,632
Due to banks and other financial institutions		256,466	18,105
Customers' deposits		362,692	125,314
Other liabilities		(694)	537
Net cash flows from operating activities		274,603	79,457
INVESTING ACTIVITIES			
Purchase of investments available for sale		(64,921)	(56,165)
Proceeds from sale of investments available for sale		19,957	13,427
Net movement in investment in an associate		720	(1,041)
Net purchase of premises and equipment		(821)	(1,179)
Dividend income received		1,950	1,263
Net cash flows used in investing activities		(43,115)	(43,695)
FINANCING ACTIVITIES			
Dividend paid		(20,986)	(9,078)
Purchase of treasury shares		(107)	(1,031)
Net cash flows used in financing activities		(21,093)	(10,109)
Foreign currency translation difference		3	16
NET INCREASE IN CASH AND CASH EQUIVALENTS		210,398	25,669
Cash and cash equivalents as at 1 January		154,086	167,058
CASH AND CASH EQUIVALENTS AS AT 30 JUNE		364,484	192,727
Cash and cash equivalents comprise:			
Balances with the Central Bank of Kuwait		172,705	60,170
Cash in hand and in current account with other banks		91,944	67,753
Deposits with banks with original maturity up to thirty days		99,835	64,804
		364,484	192,727

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 June 2014

1 ACTIVITIES

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. Its registered office is at Al Safat Square, Ahmed Al Jaber Street, Kuwait City. It is engaged in banking, primarily in Kuwait and in the United Arab Emirates.

The Bank has a wholly owned subsidiary, Ahli Capital Investment Company K.S.C. (Closed) (“the Subsidiary”) which is engaged in investment management and advisory activities, regulated by the Capital Markets Authority, Kuwait.

The interim condensed consolidated financial information of the Bank and its Subsidiary (collectively “the Group”) were approved by the Bank’s Board of Directors on 10 July 2014.

The new Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the “Companies Law”), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, companies have one year from the date of publishing the executive regulations to comply with the new amended law.

2 BASIS OF PRESENTATION

(a) 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.

The annual consolidated financial statements for the year ended 31 December 2013, were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision.

(b) The accounting policies used in the preparation of the 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 2013, except for the adoption of the amended International Financial Reporting Standards that have become effective from 1 January 2014 and those which are applicable to the Group:

- *IAS 32 Offsetting Financial Assets and Financial Liabilities*
- *IAS 36 Impairment of Assets*
- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting*

The adoption of these standards did not have any significant or material impact on the interim condensed consolidated financial information of the Group and relevant disclosures will be made in the annual consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 June 2014

2 BASIS OF PRESENTATION (continued)

(c) 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 2013. Further, results for the six months period ended 30 June 2014, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

3 PROPOSED DIVIDEND

The shareholders at the Annual General Meeting held on 22 March 2014 approved the distribution of cash dividend of 13 per cent amounting to KD 20,989 thousand for the year ended 31 December 2013 which was paid subsequently (31 December 2012: cash dividend of 6 per cent amounting to KD 9,078 thousand and bonus shares of 7 per cent). Treasury shares are not entitled to any cash dividends.

4 PROVISION / IMPAIRMENT LOSSES

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2014	2013	2014	2013
	KD 000	KD 000	KD 000	KD 000
Credit facilities	8,744	7,808	21,029	19,691
Investments available for sale	781	176	805	176
Others	-	-	250	-
	9,525	7,984	22,084	19,867

5 TAXATION

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2014	2013	2014	2013
	KD 000	KD 000	KD 000	KD 000
Kuwait Foundation for the Advancement of Sciences	103	95	180	162
National Labour Support Tax	286	266	499	451
Zakat	115	106	200	180
Tax on overseas branches	94	298	164	633
	598	765	1,043	1,426

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 June 2014

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing the net profit for the period by the weighted average number of shares outstanding during the period, calculated as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2014	2013	2014	2013
Net profit for the period (KD 000)	10,948	10,174	19,074	17,247
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	(4,842,229)	(537,578)	(4,765,860)	(378,652)
Adjusted weighted average number of shares outstanding during the period	1,614,324,005	1,618,628,656	1,614,400,374	1,618,787,582
Basic and diluted earnings per share	7 fils	6 fils	12 fils	11 fils

7 SEGMENTAL INFORMATION

The Group is organised into segments that engage in business activities which earn revenue and incur expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. For the purposes of segment reporting the management has grouped the products and services into the following operating segments:

- Commercial Banking - Comprising a full range of credit, deposit and related banking services provided to its commercial customers.
- Treasury and Investment - Comprising money market, foreign exchange, treasury bonds, asset and surplus fund management, investment securities and investment in an associate.

Operating income includes operating revenue directly attributable to a segment. Segment results include revenue and expenses directly attributable to a segment. Segment assets comprise those operating assets that are directly attributable to the segment.

Segmental information relating to interim condensed consolidated income statement for the six month period is as follows:

	Commercial Banking		Treasury and Investment		Total	
	2014	2013	2014	2013	2014	2013
	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000
Operating income	50,203	47,898	9,689	9,876	59,892	57,774
Segment result	20,689	19,071	8,216	8,637	28,905	27,708
Unallocated expenses					(8,788)	(9,035)
Profit before tax					20,117	18,673
Segmental assets	2,643,828	2,238,870	1,106,171	829,093	3,749,999	3,067,963
Unallocated assets					62,191	57,404
Total assets					3,812,190	3,125,367

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 June 2014

8 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (major shareholders, 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, managed funds and an associate entity) 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 Bank and credit facilities granted to them by the Bank. The balances included in the interim condensed consolidated financial information are as follows:

	(Audited)		
	30 June 2014 KD 000	31 December 2013 KD 000	30 June 2013 KD 000
Loans and advances	35,854	22,520	17,787
Deposits	17,716	24,087	25,926
Commitments and contingent liabilities	11,787	3,506	11,349

Interest income and interest expense includes KD 749 thousand (30 June 2013: KD 470 thousand) and KD 71 thousand (30 June 2013: KD 161 thousand) respectively on transactions with related parties.

Key management compensation

Compensation for key management is as follows:

	<i>Three months ended</i> 30 June		<i>Six months ended</i> 30 June	
	2014 KD 000	2013 KD 000	2014 KD 000	2013 KD 000
Salaries and other benefits	527	712	1,069	1,387
Post employment benefits	67	44	98	88
	594	756	1,167	1,475

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 June 2014

9 COMMITMENTS AND CONTINGENT LIABILITIES

Financial instruments with contractual amounts representing credit risk.

	(Audited)		
	30 June	31 December	30 June
	2014	2013	2013
	KD 000	KD 000	KD 000
Acceptances	23,936	28,661	37,306
Letters of credit	195,708	214,243	249,520
Guarantees	627,346	646,916	607,441
	846,990	889,820	894,267

Commitments to extend credit at the statement of financial position date amounted to KD 249,100 thousand (31 December 2013: KD 194,736 thousand and 30 June 2013: KD 199,340 thousand).

10 DERIVATIVE INSTRUMENTS

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

	30 June 2014			(Audited) 31 December 2013			30 June 2013		
	Assets	Liabilities	Contractual amounts	Assets	Liabilities	Contractual amounts	Assets	Liabilities	Contractual amounts
	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000	KD 000
<i>Held for hedging:</i>									
Fair value hedges									
Interest rate swaps	137	650	65,744	212	528	54,879	363	439	45,130
<i>Held for trading:</i>									
Forward foreign									
exchange contracts	550	96	192,142	667	137	139,500	2,153	3,054	247,880
Interest rate swaps	201	330	88,883	209	249	88,883	-	1,777	88,883
	888	1,076	346,769	1,088	914	283,262	2,516	5,270	381,893

All derivative contracts are fair valued using observable market inputs and are classified under level 2 fair value category.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 June 2014

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments

Financial Instruments comprise of financial assets and financial liabilities. The fair value of financial instruments are categorised as under:

Investment securities	(Audited)		
	30 June	31 December	30 June
	2014	2013	2013
	KD 000	KD 000	KD 000
Level 1:			
Equity	11,149	12,368	13,658
Debt securities	173,435	164,843	148,724
Level 2:			
Equity	25,131	25,841	26,868
Debt securities	43,011	11,752	11,765
Funds	29,599	11,482	4,392
Level 3:			
Equity	17,901	19,331	20,013
Debt securities	3,500	3,500	3,500
Funds	3,214	3,051	2,998
	306,940	252,168	231,918

The movements in Level 3 category above is mainly due to purchase and sale during the period.

Fair values of all financial instruments are not materially different from their carrying values.

The impact on the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5 per cent.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 June 2014

12 FAMILY SUPPORT FUND

During the previous year, CBK issued Circular No. 2/RB,RBA,RS/306/2013 to all local banks and investment companies regarding formation of Family Support Fund (the "Fund") under Law No. 104/2013. The Fund has been established to purchase outstanding balance of instalment and consumer loans (the 'loans') from the Bank as on 12 June 2013 for loans granted before 30 March 2008.

As at 30 June 2014, the Bank derecognised loans amounting to KD 16,231 thousand and continues to manage these loans on behalf of the Fund.

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