

# Your banking partner

Interim Condensed Consolidated Financial Information (Unaudited)  
30 September 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 September 2014 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 shareholders’ 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.

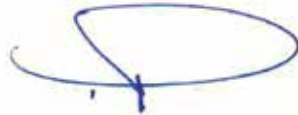
### **Report on other Legal and Regulatory Requirements**

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. 25 of 2012, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation during the nine months period ended 30 September 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 nine months period ended 30 September 2014 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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BADER A. AL-WAZZAN  
LICENCE NO. 62 A  
DELOITTE & TOUCHE  
(AL WAZZAN & CO.)

14 October 2014  
Kuwait

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2014

		30 September 2014	(Audited) 31 December 2013	30 September 2013
	Notes	KD 000	KD 000	KD 000
<b>ASSETS</b>				
Cash and balances with banks		214,536	197,921	184,224
Kuwait Government treasury bonds		284,045	227,673	214,631
Central Bank of Kuwait bonds		276,844	247,416	265,155
Loans and advances		2,354,743	2,189,412	2,070,117
Investment securities	11	335,080	252,168	237,745
Investment in an associate		14,690	13,609	13,221
Other assets		31,712	34,316	32,781
Premises and equipment		31,152	30,626	29,750
<b>TOTAL ASSETS</b>		<b>3,542,802</b>	<b>3,193,141</b>	<b>3,047,624</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		779,222	639,170	521,245
Customers' deposits		2,143,346	1,947,316	1,921,766
Other liabilities		69,497	65,823	71,083
<b>TOTAL LIABILITIES</b>		<b>2,992,065</b>	<b>2,652,309</b>	<b>2,514,094</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		161,917	161,917	161,917
Share premium		108,897	108,897	108,897
Treasury shares		(2,295)	(2,188)	(1,299)
Reserves		282,218	251,217	264,015
Proposed dividend	3	-	20,989	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>550,737</b>	<b>540,832</b>	<b>533,530</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,542,802</b>	<b>3,193,141</b>	<b>3,047,624</b>



Tala Mohamed Reza Behbehani  
Deputy Chairman



Michel Accad  
Chief General Manager and Chief Executive Officer

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 September 2014

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		2014	2013	2014	2013
		KD 000	KD 000	KD 000	KD 000
Interest income		28,416	26,872	83,058	79,221
Interest expense		(7,642)	(5,124)	(19,830)	(16,734)
<b>NET INTEREST INCOME</b>		<b>20,774</b>	<b>21,748</b>	<b>63,228</b>	<b>62,487</b>
Net fees and commission income		5,550	5,240	17,117	17,026
Net foreign exchange gain		829	623	2,064	2,106
Net (loss)/gain on investment securities		(93)	1,278	889	2,179
Dividend income		482	259	2,432	1,522
Share of results from an associate		573	443	1,801	1,407
Other income		315	285	791	923
<b>OPERATING INCOME</b>		<b>28,430</b>	<b>29,876</b>	<b>88,322</b>	<b>87,650</b>
Staff expenses		(6,330)	(5,310)	(17,496)	(17,079)
Other operating expenses and depreciation		(3,716)	(4,077)	(10,241)	(11,542)
<b>OPERATING EXPENSES</b>		<b>(10,046)</b>	<b>(9,387)</b>	<b>(27,737)</b>	<b>(28,621)</b>
<b>OPERATING PROFIT FOR THE PERIOD BEFORE PROVISION / IMPAIRMENT LOSSES</b>		<b>18,384</b>	<b>20,489</b>	<b>60,585</b>	<b>59,029</b>
Provision / impairment losses	4	(9,658)	(12,650)	(31,742)	(32,517)
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>		<b>8,726</b>	<b>7,839</b>	<b>28,843</b>	<b>26,512</b>
Taxation	5	(514)	147	(1,557)	(1,279)
<b>NET PROFIT FOR THE PERIOD</b>		<b>8,212</b>	<b>7,986</b>	<b>27,286</b>	<b>25,233</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	6	<b>5 fils</b>	<b>5 fils</b>	<b>17 fils</b>	<b>16 fils</b>

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 2014

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>KD 000</b>	KD 000	<b>KD 000</b>	KD 000
Net profit for the period	<b>8,212</b>	7,986	<b>27,286</b>	25,233
Other comprehensive (expense) income				
Items that may be reclassified subsequently to income statement:				
Effect of changes in fair values of investments available for sale	<b>711</b>	2,971	<b>3,159</b>	3,734
Net gain on sale / impairment losses on investments available for sale	<b>514</b>	(1,038)	<b>522</b>	(1,907)
Exchange difference on translation of foreign operations	<b>28</b>	(22)	<b>31</b>	(6)
Other comprehensive income for the period	<b>1,253</b>	1,911	<b>3,712</b>	1,821
Total comprehensive income for the period	<b>9,465</b>	9,897	<b>30,998</b>	27,054

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 September 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	-	-	-	-	-	-	-	-	-	-	27,286	27,286	-	27,286
Other comprehensive income for the period	-	-	-	-	-	-	-	3,681	14	17	-	3,712	-	3,712
Total comprehensive income for the period	-	-	-	-	-	-	-	3,681	14	17	27,286	30,998	-	30,998
Dividends paid (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	(20,986)	(20,986)
Treasury shares purchased	-	-	-	(107)	-	-	-	-	-	-	-	-	-	(107)
Dividend on treasury shares	-	-	-	-	-	-	-	-	-	-	3	3	(3)	-
<b>Balance as at 30 September 2014</b>	<b>161,917</b>	<b>-</b>	<b>108,897</b>	<b>(2,295)</b>	<b>60,619</b>	<b>60,172</b>	<b>8,065</b>	<b>28,254</b>	<b>6,032</b>	<b>8</b>	<b>119,068</b>	<b>282,218</b>	<b>-</b>	<b>550,737</b>
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	-	-	-	-	-	-	-	-	-	-	25,233	25,233	-	25,233
Other comprehensive income (expense) for the period	-	-	-	-	-	-	-	1,827	3	(9)	-	1,821	-	1,821
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	1,827	3	(9)	25,233	27,054	-	27,054
Bonus shares issued	10,593	(10,593)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(9,078)	(9,078)
Treasury shares purchased	-	-	-	(1,181)	-	-	-	-	-	-	-	-	-	(1,181)
<b>Balance as at 30 September 2013</b>	<b>161,917</b>	<b>-</b>	<b>108,897</b>	<b>(1,299)</b>	<b>56,876</b>	<b>56,429</b>	<b>8,065</b>	<b>27,032</b>	<b>5,538</b>	<b>13</b>	<b>110,062</b>	<b>264,015</b>	<b>-</b>	<b>533,530</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2014

	Note	Nine months ended 30 September	
		2014 KD 000	2013 KD 000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		27,286	25,233
Adjustments for:			
Net gain on sale of investments available for sale		(833)	(2,289)
Dividend income		(2,432)	(1,522)
Depreciation		1,050	1,214
Share of results from an associate		(1,801)	(1,407)
Provision / impairment losses	4	31,742	32,517
<b>Operating profit before changes in operating assets and liabilities</b>		<b>55,012</b>	<b>53,746</b>
<b>Changes in operating assets and liabilities</b>			
Deposits with banks		(12,403)	29,358
Kuwait Government treasury bonds		(56,372)	(2,856)
Central Bank of Kuwait bonds		(29,428)	(5,501)
Investments at fair value through profit or loss		(12,651)	405
Loans and advances		(197,177)	(112,915)
Other assets		4,096	2,182
Due to banks and other financial institutions		140,052	(36,495)
Customers' deposits		196,030	83,093
Other liabilities		5,133	8,744
<b>Net cash flows from operating activities</b>		<b>92,292</b>	<b>19,761</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments available for sale		(85,614)	(64,534)
Proceeds from sale of investments available for sale		17,020	18,434
Net movement in investment in an associate		720	(1,042)
Net purchase of premises and equipment		(1,562)	(1,771)
Dividend income received		2,432	1,522
<b>Net cash flows used in investing activities</b>		<b>(67,004)</b>	<b>(47,391)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(20,986)	(9,078)
Purchase of treasury shares		(107)	(1,181)
<b>Net cash flows used in financing activities</b>		<b>(21,093)</b>	<b>(10,259)</b>
Foreign currency translation difference		17	(6)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,212</b>	<b>(37,895)</b>
Cash and cash equivalents as at 1 January		154,086	167,058
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>		<b>158,298</b>	<b>129,163</b>
<b>Cash and cash equivalents comprise:</b>			
Balances with the Central Bank of Kuwait		43,792	42,509
Cash in hand and in current account with other banks		91,459	41,829
Deposits with banks with original maturity up to thirty days		23,047	44,825
		<b>158,298</b>	<b>129,163</b>

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 September 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 14 October 2014.

### 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.

(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 nine months period ended 30 September 2014, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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

30 September 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>KD 000</b>	KD 000	<b>KD 000</b>	KD 000
Credit facilities	<b>10,358</b>	12,444	<b>31,387</b>	32,135
Investments available for sale	<b>550</b>	206	<b>1,355</b>	382
Others	<b>(1,250)</b>	-	<b>(1,000)</b>	-
	<b>9,658</b>	12,650	<b>31,742</b>	32,517

Others includes reversal of provision during the quarter, against a customer legal claim.

### 5 TAXATION

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>KD 000</b>	KD 000	<b>KD 000</b>	KD 000
Kuwait Foundation for the Advancement of Sciences	<b>77</b>	76	<b>257</b>	238
National Labour Support Tax	<b>215</b>	209	<b>714</b>	660
Zakat	<b>85</b>	84	<b>285</b>	264
Tax charge (release) on overseas branches	<b>137</b>	(516)	<b>301</b>	117
	<b>514</b>	(147)	<b>1,557</b>	1,279

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

30 September 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2014</b>	2013	<b>2014</b>	2013
Net profit for the period (KD 000)	<b>8,212</b>	7,986	<b>27,286</b>	25,233
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>(4,842,229)</b>	(2,584,593)	<b>(4,791,596)</b>	(1,122,046)
Adjusted weighted average number of shares outstanding during the period	<b>1,614,324,005</b>	1,616,581,641	<b>1,614,374,638</b>	1,618,044,188
Basic and diluted earnings per share	<b>5 fils</b>	5 fils	<b>17 fils</b>	16 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 nine month period is as follows:

	<u>Commercial Banking</u>		<u>Treasury and Investment</u>		<u>Total</u>	
	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013
	<b>KD 000</b>	KD 000	<b>KD 000</b>	KD 000	<b>KD 000</b>	KD 000
Operating income	<b>75,775</b>	72,725	<b>12,547</b>	14,925	<b>88,322</b>	87,650
Segment result	<b>32,496</b>	27,011	<b>10,100</b>	12,999	<b>42,596</b>	40,010
Unallocated expenses					<b>(13,753)</b>	(13,498)
Profit before tax					<b>28,843</b>	26,512
Segmental assets	<b>2,468,855</b>	2,150,262	<b>1,011,083</b>	834,831	<b>3,479,938</b>	2,985,093
Unallocated assets					<b>62,864</b>	62,531
Total assets					<b>3,542,802</b>	3,047,624

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

30 September 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 September	31 December	30 September
	2014	2013	2013
	KD 000	KD 000	KD 000
Loans and advances	25,284	22,520	23,479
Deposits	20,568	24,163	18,592
Commitments and contingent liabilities	8,804	3,511	900

Interest income and interest expense includes KD 718 thousand (30 September 2013: KD 780 thousand) and KD 90 thousand (30 September 2013: KD 211 thousand) respectively on transactions with related parties.

#### Key management compensation

Compensation for key management is as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2014	2013	2014	2013
	KD 000	KD 000	KD 000	KD 000
Salaries and other benefits	512	710	1,581	2,097
Post employment benefits	24	114	122	202
	536	824	1,703	2,299

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

30 September 2014

### 9 COMMITMENTS AND CONTINGENT LIABILITIES

Financial instruments with contractual amounts representing credit risk.

	(Audited)		
	30 September 2014 KD 000	31 December 2013 KD 000	30 September 2013 KD 000
Acceptances	14,643	28,661	31,061
Letters of credit	216,157	214,243	240,894
Guarantees	627,942	646,916	625,952
	<b>858,742</b>	<b>889,820</b>	<b>897,907</b>

Commitments to extend credit at the statement of financial position date amounted to KD 335,837 thousand (31 December 2013: KD 194,736 thousand and 30 September 2013: KD 215,820 thousand).

### 10 DERIVATIVE INSTRUMENTS

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

	30 September 2014			(Audited) 31 December 2013			30 September 2013		
	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000
<i>Held for hedging:</i>									
Fair value hedges									
Interest rate swaps	476	419	81,604	212	528	54,879	197	628	55,025
<i>Held for trading:</i>									
Forward foreign exchange contracts	181	1,281	151,108	667	137	139,500	777	361	173,788
Interest rate swaps	-	1,986	88,883	209	249	88,883	-	970	88,883
	<b>657</b>	<b>3,686</b>	<b>321,595</b>	<b>1,088</b>	<b>914</b>	<b>283,262</b>	<b>974</b>	<b>1,959</b>	<b>317,696</b>

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 September 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 September	31 December	30 September
	2014	2013	2013
	KD 000	KD 000	KD 000
Level 1:			
Equity	11,373	12,368	12,325
Debt securities	190,723	164,843	155,259
Level 2:			
Equity	25,135	25,841	22,655
Debt securities	43,255	11,752	11,759
Funds	39,970	11,482	4,321
Level 3:			
Equity	17,917	19,331	24,938
Debt securities	3,500	3,500	3,500
Funds	3,207	3,051	2,988
	<b>335,080</b>	<b>252,168</b>	<b>237,745</b>

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 September 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 September 2014, the Bank derecognised loans amounting to KD17,299 thousand and continues to manage these loans on behalf of the Fund.

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