

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

30 September 2014 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 KD 000's	2013 KD 000's	2014 KD 000's	2013 KD 000's
Interest income		131,682	122,777	379,714	364,484
Interest expense		29,602	25,961	84,034	77,696
Net interest income		102,080	96,816	295,680	286,788
Murabaha and other Islamic financing income		22,582	19,220	63,527	54,422
Distribution to depositors and Murabaha costs		4,747	2,527	11,884	7,325
Net income from Islamic financing		17,835	16,693	51,643	47,097
Net interest income and net income from Islamic financing		119,915	113,509	347,323	333,885
Net fees and commissions		31,052	29,053	91,139	83,676
Net investment income		5,428	1,488	27,067	16,172
Net gains from dealing in foreign currencies		7,400	6,774	20,469	20,081
Share of results of associates		2,678	3,398	10,406	11,451
Other operating income		1,014	431	2,758	1,828
Non-interest income		47,572	41,144	151,839	133,208
Net operating income		167,487	154,653	499,162	467,093
Staff expenses		30,832	27,969	91,683	87,650
Other administrative expenses		19,857	18,197	55,288	53,621
Depreciation of premises and equipment		3,943	3,650	11,453	10,984
Amortisation of intangible assets		1,257	1,277	3,785	4,553
Operating expenses		55,889	51,093	162,209	156,808
Operating profit before provision for credit losses and impairment losses		111,598	103,560	336,953	310,285
Provision charge for credit losses - specific		15,401	19,174	41,818	31,811
Provision charge for credit losses - general		23,966	6,579	59,790	51,645
Impairment losses		3,283	352	5,098	1,208
Operating profit before taxation		68,948	77,455	230,247	225,621
Taxation	3	6,496	5,447	18,081	15,085
Profit for the period		62,452	72,008	212,166	210,536
Attributable to:					
Shareholders of the Bank		59,133	70,053	203,921	198,587
Non-controlling interests		3,319	1,955	8,245	11,949
		62,452	72,008	212,166	210,536
Basic and diluted earnings per share attributable to shareholders of the Bank	4	13 fils	15 fils	43 fils	42 fils

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 September 2014 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2014 KD 000's	2013 KD 000's	2014 KD 000's	2013 KD 000's
Profit for the period	62,452	72,008	212,166	210,536
Other comprehensive income:				
<i>Other comprehensive income reclassified to interim condensed consolidated statement of income:</i>				
Net gains on investments available for sale	(4,874)	(1,219)	(24,132)	(11,666)
Impairment losses on investments available for sale	3,283	352	3,374	1,208
<i>Other comprehensive income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Change in fair value of investments available for sale	8,973	11,691	31,000	4,643
Share of other comprehensive income (loss) of associates	612	(835)	317	3,267
Exchange differences on translation of foreign operations	9,660	(8,713)	2,989	(31,488)
Other comprehensive income (loss) for the period included in equity	17,654	1,276	13,548	(34,036)
Total comprehensive income for the period	80,106	73,284	225,714	176,508
Attributable to:				
Shareholders of the Bank	75,659	74,293	216,869	167,324
Non-controlling interests	4,447	(1,009)	8,845	9,176
	80,106	73,284	225,714	176,500

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014 (Unaudited)

		Audited	
	30 September	31 December	30 September
	2014	2013	2013
Notes	KD 000's	KD 000's	KD 000's
Assets			
Cash and short term funds	3,757,627	2,412,059	2,962,870
Central Bank of Kuwait bonds	593,798	534,459	482,441
Kuwait Government treasury bonds	348,742	320,248	308,845
Deposits with banks	1,864,504	899,672	1,108,961
Loans, advances and Islamic financing to customers	11,583,201	10,695,317	10,509,378
Investment securities	2,260,639	2,350,175	2,290,867
Investment in associates	5 121,706	259,801	207,934
Land, premises and equipment	199,681	192,199	189,902
Goodwill and other intangible assets	695,025	700,085	703,117
Other assets	167,278	236,130	191,237
Investment in an associate held for sale	5 138,408	-	-
Total assets	21,730,609	18,600,145	18,955,552
Liabilities			
Due to banks and other financial institutions	7,376,732	4,944,865	5,701,547
Customer deposits	10,781,868	10,478,048	10,026,550
Certificates of deposit issued	494,092	240,984	310,458
Other liabilities	270,807	224,454	254,313
Total liabilities	18,923,499	15,888,351	16,292,868
Equity			
Share capital	6 479,973	457,117	457,117
Proposed bonus shares	6 -	22,856	-
Statutory reserve	228,559	228,559	217,675
Share premium account	699,840	699,840	699,840
Treasury shares	6 (78,795)	(80,302)	(80,302)
Treasury shares reserve	14,878	16,224	16,224
Other reserves	1,247,656	1,164,550	1,153,056
Equity attributable to shareholders of the Bank	2,592,111	2,508,844	2,463,610
Non-controlling interests	214,999	202,950	199,074
Total equity	2,807,110	2,711,794	2,662,684
Total liabilities and equity	21,730,609	18,600,145	18,955,552

Nasser MUSAED Abdullah Al-Sayer
Chairman

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 September 2014 (Unaudited)

	Notes	Nine months ended 30 September	
		2014 KD 000's	2013 KD 000's
Operating activities			
Profit for the period		212,166	210,536
Adjustments for:			
Net investment income		(27,067)	(16,172)
Share of results of associates		(10,406)	(11,451)
Depreciation of premises and equipment		11,453	10,984
Amortisation of intangible assets		3,785	4,553
Provision charge for credit losses		101,608	83,456
Impairment losses		5,098	1,208
Share based payment reserve		1,124	993
Taxation	3	18,081	15,085
Operating profit before changes in operating assets and liabilities		315,842	299,192
Changes in operating assets and liabilities:			
Central Bank of Kuwait bonds		(59,339)	131,711
Kuwait Government treasury bonds		(28,494)	47,366
Deposits with banks		(964,832)	94,457
Loans, advances and Islamic financing to customers		(988,208)	(732,187)
Other assets		68,852	(48,674)
Due to banks and other financial institutions		2,431,867	1,546,564
Customer deposits		303,820	518,796
Certificates of deposit issued		253,108	310,458
Other liabilities		48,835	65,631
Tax paid		(20,487)	(14,686)
Net cash from operating activities		1,360,964	2,218,628
Investing activities			
Purchase of investment securities		(937,765)	(1,230,359)
Proceeds from sale/redemption of investment securities		1,058,952	523,719
Dividend income		2,287	2,070
Dividend from associates		11,525	10,601
Increase in investment in associate		-	(553)
Proceeds from sale of land, premises and equipment		293	472
Purchase of land, premises and equipment		(19,228)	(9,873)
Net cash from (used in) investing activities		116,064	(703,923)
Financing activities			
Dividends paid	6	(134,610)	(128,248)
Purchase of treasury shares		-	(3,061)
Proceeds from sale of treasury shares		161	197
Net cash used in financing activities		(134,449)	(131,112)
Increase in cash and short term funds		1,342,579	1,383,593
Exchange difference on translation of foreign operations		2,989	(31,488)
Cash and short term funds at 1 January		2,412,059	1,610,765
Cash and short term funds at 30 September		3,757,627	2,962,870

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

National Bank of Kuwait Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2014 (Unaudited)

KD 000's

	Equity attributable to shareholders of the Bank							Total	Non-controlling interests	Total
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	Treasury shares reserve	Other reserves (Note 6)			
At 1 January 2013 (restated)	435,349	21,768	217,675	699,840	(79,171)	17,957	1,113,097	2,426,515	189,480	2,615,995
Profit for the period	-	-	-	-	-	-	198,587	198,587	11,949	210,536
Other comprehensive loss	-	-	-	-	-	-	(31,263)	(31,263)	(2,773)	(34,036)
Total comprehensive income	-	-	-	-	-	-	167,324	167,324	9,176	176,500
Issue of bonus shares (Note 6)	21,768	(21,768)	-	-	-	-	-	-	-	-
Dividends paid (Note 6)	-	-	-	-	-	-	(128,248)	(128,248)	-	(128,248)
Sale of treasury shares	-	-	-	-	1,930	(1,733)	-	197	-	197
Purchase of treasury shares	-	-	-	-	(3,061)	-	-	(3,061)	-	(3,061)
Share based payment	-	-	-	-	-	-	883	883	110	993
Dividend paid by subsidiary	-	-	-	-	-	-	-	-	(162)	(162)
Capital increase in subsidiary	-	-	-	-	-	-	-	-	470	470
At 30 September 2013	<u>457,117</u>	<u>-</u>	<u>217,675</u>	<u>699,840</u>	<u>(80,302)</u>	<u>16,224</u>	<u>1,153,056</u>	<u>2,463,610</u>	<u>199,074</u>	<u>2,662,684</u>
At 1 January 2014	457,117	22,856	228,559	699,840	(80,302)	16,224	1,164,550	2,508,844	202,950	2,711,794
Profit for the period	-	-	-	-	-	-	203,921	203,921	8,245	212,166
Other comprehensive income	-	-	-	-	-	-	12,948	12,948	600	13,548
Total comprehensive income	-	-	-	-	-	-	216,869	216,869	8,845	225,714
Issue of bonus shares (Note 6)	22,856	(22,856)	-	-	-	-	-	-	-	-
Dividends paid (Note 6)	-	-	-	-	-	-	(134,610)	(134,610)	-	(134,610)
Sale of treasury shares	-	-	-	-	1,507	(1,346)	-	161	-	161
Share based payment	-	-	-	-	-	-	915	915	68	983
Capital increase/redemption (net) in subsidiaries	-	-	-	-	-	-	-	-	2,989	2,989
Change in effective holding in a subsidiary	-	-	-	-	-	-	(68)	(68)	147	79
At 30 September 2014	<u>479,973</u>	<u>-</u>	<u>228,559</u>	<u>699,840</u>	<u>(78,795)</u>	<u>14,878</u>	<u>1,247,656</u>	<u>2,592,111</u>	<u>214,999</u>	<u>2,807,110</u>

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

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2014 (Unaudited)

1 Incorporation and registration

The interim condensed consolidated financial information of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") for the nine months period ended 30 September 2014 were authorised for issue in accordance with a resolution of the directors on 13 October 2014. The Bank is a public shareholding company incorporated in the State of Kuwait in 1952 and is registered as a Bank with the Central Bank of Kuwait. The Bank's registered office is at Abdullah Al Ahmed Street, P.O. Box 95, Safat 13001, Kuwait.

2 Accounting policies

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. The accounting policies used in the preparation of these 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 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, 'Financial Instruments: Recognition and Measurement', requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The following new accounting policy relating to non-current asset held for sale has been included in the preparation of this interim condensed consolidated financial information.

Non-current asset held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current asset held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 Taxation

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	KD 000's	KD 000's	KD 000's	KD 000's
Contribution to Kuwait Foundation for the Advancement of Sciences	558	667	1,803	1,753
National labour support tax	938	1,361	3,566	3,569
Zakat	393	538	1,448	1,442
Taxation on overseas branches and subsidiaries	4,607	2,881	11,264	8,321
	<u>6,496</u>	<u>5,447</u>	<u>18,081</u>	<u>15,085</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2014 (Unaudited)

4 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Bank by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Bank by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares. The diluted earnings per share arising from the issue of employee share options does not result in any change from the reported basic earnings per share.

	Three months ended 30 September		Nine months ended 30 September	
	2014 KD 000's	2013 KD 000's	2014 KD 000's	2013 KD 000's
Profit attributable to shareholders of the Bank	59,133	70,053	203,921	198,587
Weighted average number of shares outstanding during the period, net of treasury shares (thousands)	4,711,350	4,710,088	4,711,165	4,711,912
Basic and diluted earnings per share	13 fils	15 fils	43 fils	42 fils

Earnings per share calculations for the period ended 30 September 2013 have been adjusted to take account of the bonus shares issued in 2014.

5 Investment in an associate held for sale

Subsequent to 30 September 2014, the Bank entered into an agreement to sell its 30% equity interest in International Bank of Qatar Q.S.C. for a sales consideration of KD 155,083 thousand. The investment was accordingly reclassified to an associate held for sale in the interim condensed consolidated statement of financial position as at 30 September 2014.

Prior to entering into the agreement, the Bank's investment in International Bank of Qatar Q.S.C. was accounted for using the equity method of accounting whereby the Bank's share of the associate's post acquisition profits and losses was recognised in the consolidated statement of income of the period. The estimated pre-tax profit expected to arise from the sale and yet to be recognised in the consolidated statement of income amounts to KD 25,146 thousand, inclusive of other comprehensive income amounting to KD 8,471 thousand. The sale is subject to regulatory and other conditions precedent agreed between the parties to the sale.

6 Shareholders' equity

a) The authorised, issued and fully paid up share capital of the Bank comprises of 4,799,731,131 shares (31 December 2013: 4,571,172,506 shares and 30 September 2013: 4,571,172,506 shares) of 100 fils each.

b) Treasury shares

	30 September 2014	Audited	
		31 December 2013	30 September 2013
Number of treasury shares	88,381,436	85,782,085	85,782,085
Treasury shares as a percentage of total shares in issue	1.8%	1.9%	1.9%
Cost of treasury shares (KD thousand)	78,795	80,302	80,302
Market value of treasury shares (KD thousand)	86,614	76,346	78,920

c) Dividend and bonus shares

Annual General Assembly meeting of the shareholders held on 9 March 2014 approved 5% bonus shares (2012: 5%) and a cash dividend of 30 fils per share (2012: 30 fils per share) for the year ended 31 December 2013. The cash dividend was paid subsequently and the bonus shares increased the number of shares by 228,558,625 (2012: 217,674,881) and share capital by KD 22,856 thousand (2012: KD 21,768 thousand).

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2014 (Unaudited)

6 Shareholders' equity (continued)

d) Other reserves

	KD 000's						
	<i>General reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Cumulative changes in fair values</i>	<i>Share based payment reserve</i>	<i>Proposed cash dividend</i>	<i>Total other reserves</i>
At 1 January 2013	117,058	864,498	(35,522)	26,561	12,313	128,189	1,113,097
Profit for the period	-	198,587	-	-	-	-	198,587
Other comprehensive loss	-	-	(28,906)	(2,357)	-	-	(31,263)
Total comprehensive income (loss)	-	198,587	(28,906)	(2,357)	-	-	167,324
Dividends paid	-	-	-	-	-	(128,248)	(128,248)
Dividends on treasury shares sold	-	(59)	-	-	-	59	-
Share based payment	-	-	-	-	883	-	883
At 30 September 2013	117,058	1,063,026	(64,428)	24,204	13,196	-	1,153,056
At 1 January 2014	117,058	934,274	(69,766)	34,819	13,603	134,562	1,164,550
Profit for the period	-	203,921	-	-	-	-	203,921
Other comprehensive income	-	-	2,575	10,373	-	-	12,948
Total comprehensive income	-	203,921	2,575	10,373	-	-	216,869
Dividends paid	-	-	-	-	-	(134,610)	(134,610)
Dividends on treasury shares sold	-	(48)	-	-	-	48	-
Share based payment	-	-	-	-	915	-	915
Change in effective holding in a subsidiary	-	(68)	-	-	-	-	(68)
At 30 September 2014	117,058	1,138,079	(67,191)	45,192	14,518	-	1,247,656

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2014 (Unaudited)

7 Segmental analysis

The Group organises and manages its operations by geographic territory in the first instance, primarily Domestic and International. Within its domestic operations, the Group segments its business into Consumer and Private Banking, Corporate Banking, Investment Banking and Asset Management, Islamic Banking and Group Centre. All operations outside Kuwait are classified as International. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment.

Consumer and Private Banking

Consumer Banking provides a diversified range of products and services to individuals. The range includes consumer loans, credit cards, deposits, foreign exchange and other branch related services. Private Banking provides a comprehensive range of customised and innovative banking services to high net worth individuals and to institutional clients.

Corporate Banking

Corporate Banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposits, trade finance, foreign exchange and advisory services.

Investment Banking and Asset Management

Investment Banking provides a full range of capital market advisory and execution services. The activities of Asset Management include wealth management, asset management, custody, brokerage and research.

Islamic Banking

Islamic Banking represents the financial results of Boubyan Bank K.S.C.P., the Islamic banking subsidiary of the Group.

Group Centre

Group Centre includes treasury, investments, and other defined Group activities. Treasury provides a comprehensive range of treasury services and products to its clients, and is also responsible for the Bank's liquidity and market risk management. Group Centre includes any residual in respect of transfer pricing and inter segment allocations.

International

International includes all branches, subsidiaries and associates outside Kuwait.

The following table presents net operating income, profit for the period and total assets information in respect of the Group's business segments:

	30 September 2014						
	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
Net operating income	<u>159,594</u>	<u>117,532</u>	<u>20,017</u>	<u>60,040</u>	<u>27,237</u>	<u>114,742</u>	<u>499,162</u>
Profit (loss) for the period	<u>103,601</u>	<u>75,724</u>	<u>11,243</u>	<u>20,289</u>	<u>(54,585)</u>	<u>55,894</u>	<u>212,166</u>
Total assets	<u>3,484,999</u>	<u>4,870,119</u>	<u>59,062</u>	<u>2,505,835</u>	<u>2,388,301</u>	<u>8,422,293</u>	<u>21,730,609</u>

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2014 (Unaudited)

7 Segmental analysis (continued)

	30 September 2013						
	Consumer and Private Banking KD 000's	Corporate Banking KD 000's	Investment Banking and Asset Management KD 000's	Islamic Banking KD 000's	Group Centre KD 000's	International KD 000's	Total KD 000's
Net operating income	148,295	124,383	18,758	50,187	24,396	101,074	467,093
Profit for the period	84,231	92,542	10,571	9,270	(36,140)	50,062	210,536
Total assets	3,311,905	4,545,272	59,015	2,098,053	2,043,798	6,897,509	18,955,552

8 Commitments and contingent liabilities

	30 September 2014 KD 000's	Audited 31 December 2013 KD 000's	30 September 2013 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:			
Acceptances	174,761	46,699	56,622
Letters of credit	291,993	299,048	281,893
Guarantees	2,365,185	2,237,844	2,105,848
	2,831,939	2,583,591	2,444,363

Irrevocable commitments to extend credit amount to KD 561,634 thousand (31 December 2013: KD 418,723 thousand, 30 September 2013: KD 393,843 thousand). This includes commitments to extend credit which are irrevocable over the life of the facility or are revocable only in response to a material adverse change.

In the normal course of business, the Group has exposure to various indirect credit commitments which, though not reflected in the interim condensed consolidated statement of financial position, are subject to normal credit standards, financial controls and monitoring procedures.

These credit commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Credit losses, if any, which may result from exposure to such commitments are not expected to be significant.

9 Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

The fair value of investment securities, quoted in an active market (stock exchanges and actively traded funds) amounts to KD 1,091,623 thousand (31 December 2013: KD 1,252,251 thousand, 30 September 2013: KD 1,145,381 thousand) for debt securities and KD 136,926 thousand (31 December 2013: KD 189,571 thousand, 30 September 2013: KD 187,841 thousand) for equities and other investments. Investment securities, which are tradable over the counter and / or are valued by using a significant input of observable market data amounts to KD 701,785 thousand (31 December 2013: KD 654,967 thousand, 30 September 2013: KD 702,026 thousand) for debt securities and KD 94,919 thousand (31 December 2013: KD 39,018 thousand, 30 September 2013: KD 81,606 thousand) for equities and other investments. Debt securities under this category mainly include sovereign debt instruments in the Middle East & North Africa (MENA) region.

National Bank of Kuwait Group

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2014 (Unaudited)

9 Fair value of financial instruments (continued)

Investment securities, for which a significant input of the valuation is not based on observable market data amounts to KD 39,707 thousand (31 December 2013: KD 44,900 thousand, 30 September 2013: KD 45,090 thousand) for debt securities and KD 83,395 thousand (31 December 2013: KD 89,619 thousand, 30 September 2013: KD 86,852 thousand) for equities and other investments. The table below analyses the movement in these investment securities and the income (interest, dividend and realised gain) generated for the periods.

	<i>At 1 January 2014 KD 000's</i>	<i>Change in fair value KD 000's</i>	<i>Additions KD 000's</i>	<i>Sale/ redemption KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 30 September 2014 KD 000's</i>	<i>Net gains in the interim condensed consolidated statement of income KD 000's</i>
Debt securities	44,900	-	-	(5,335)	142	39,707	1,441
Equities and other investments	89,619	(2,115)	2,287	(7,262)	866	83,395	9,607
	<u>134,519</u>	<u>(2,115)</u>	<u>2,287</u>	<u>(12,597)</u>	<u>1,008</u>	<u>123,102</u>	<u>11,048</u>
	<i>At 1 January 2013 KD 000's</i>	<i>Change in fair value KD 000's</i>	<i>Additions KD 000's</i>	<i>Sale/ redemption KD 000's</i>	<i>Exchange rate movements KD 000's</i>	<i>At 30 September 2013 KD 000's</i>	<i>Net gains in the interim condensed consolidated statement of income KD 000's</i>
Debt securities	45,530	-	-	(480)	40	45,090	1,451
Equities and other investments	95,502	476	3,556	(12,927)	245	86,852	6,150
	<u>141,032</u>	<u>476</u>	<u>3,556</u>	<u>(13,407)</u>	<u>285</u>	<u>131,942</u>	<u>7,601</u>

The positive and negative fair values of interest rate swaps and forward foreign exchange contracts, which are valued using significant inputs of observable market data, amount to KD 17,198 thousand (31 December 2013: KD 15,837 thousand, 30 September 2013: KD 8,953 thousand) and KD 20,264 thousand (31 December 2013: KD 13,799 thousand, 30 September 2013: KD 17,510 thousand) respectively (refer note 10 for details).

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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10 Interest rate swaps and forward foreign exchange contracts

Interest rate swaps and forward foreign exchange contracts are financial instruments that derive their value by referring to interest rates and foreign exchange rates respectively. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

The Group deals in interest rate swaps to manage its interest rate risk on interest bearing assets and liabilities. Similarly, the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualify as effective hedging instruments are shown as interest rate swaps held as fair value hedges. Forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of interest rate swaps and forward foreign exchange contracts are covered by entering into similar transactions with counter parties or by other risk mitigating transactions.

The fair value of interest rate swaps and forward foreign exchange contracts included in the financial records, together with their notional amounts is summarised as follows:

	30 September 2014			Audited 31 December 2013			30 September 2013		
	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's	Positive fair value KD 000's	Negative fair value KD 000's	Notional KD 000's
Interest rate swaps (held as fair value hedges)	5,405	12,272	411,021	6,861	10,953	398,057	5,326	12,057	350,039
Forward foreign exchange contracts	11,793	7,992	1,574,141	8,976	2,846	1,027,343	3,627	5,453	1,130,285
	17,198	20,264	1,985,162	15,837	13,799	1,425,400	8,953	17,510	1,480,324

The net fair value of interest rate swaps held as fair value hedges as at 30 September 2014 is negative KD 6,867 thousand (31 December 2013: negative KD 4,092 thousand, 30 September 2013: negative KD 6,731 thousand). Unrealised gain on the hedged fixed income financial assets amounted to KD 13,953 thousand (31 December 2013: KD 6,250 thousand, 30 September 2013: KD 7,206 thousand).

National Bank of Kuwait Group

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30 September 2014 (Unaudited)

11 Related party transactions

Related parties comprise board members and executive officers of the Bank, their close family members, companies controlled by them or close family members and associates of the Group. Certain related parties were customers of the Group in the ordinary course of business. Transactions with related parties were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulations of Central Bank of Kuwait.

Details of the interests of related parties are as follows:

	Number of Board Members or Executive Officers			Number of related parties			30 September 2014	31 December 2013 Audited KD 000's	30 September 2013 KD 000's
	30 September 2014	31 December 2013	30 September 2013	30 September 2014	31 December 2013	30 September 2013			
Board Members							KD 000's		
Loans (secured)	3	4	3	10	16	22	207,129	197,421	197,109
Contingent liabilities	1	1	1	11	13	12	13,330	27,975	17,836
Credit cards	6	7	6	6	10	22	59	60	137
Deposits	8	9	9	71	59	60	25,007	24,128	30,393
Collateral against credit facilities	3	4	4	10	16	16	337,300	349,213	372,119
Interest and fee income							4,929	7,009	3,349
Interest expense							54	83	67
Purchase of equipment and other expenses							381	169	103
Sale of property acquired on settlement of debts							18,000	-	-
Executive Officers									
Loans	4	5	9	1	2	1	160	1,388	1,683
Contingent liabilities	4	4	2	-	-	-	2	7	6
Credit cards	9	12	4	-	2	2	21	35	28
Deposits	11	14	15	19	23	4	2,074	1,704	1,462
Interest and fee income							34	53	50
Interest expense							-	1	7
Associates									
Placements							161,316	78,160	176,964
Acceptances							-	745	1,592

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12 Key management compensation

Details of compensation to key management personnel are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2014 KD 000's	2013 KD 000's	2014 KD 000's	2013 KD 000's
Salaries and other short term benefits	684	800	2,155	2,407
Post-employment benefits	51	77	255	334
Share based compensation	54	47	201	263
	789	924	2,611	3,004

13 Family support fund

During the previous year, CBK issued its 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 a portion of the loans purchased by the Fund amounting to KD 184,614 thousand and transferred these loans to a memorandum account (off-balance sheet) as the Bank continues to manage them on behalf of the Fund.

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