

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT**



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2014 TO 30 SEPTEMBER 2014
(UNAUDITED)**

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

For the period from 1 January 2014 to 30 September 2014



INDEX	Page
Independent auditors' review report on interim condensed consolidated financial information	1
Interim condensed consolidated statement of profit or loss (unaudited)	2
Interim condensed consolidated statement of other comprehensive income (unaudited)	3
Interim condensed consolidated statement of financial position (unaudited)	4
Interim condensed consolidated statement of changes in equity (unaudited)	5
Interim condensed consolidated statement of cash flows (unaudited)	6
Notes to the interim condensed consolidated financial information (unaudited)	7 – 13

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Boubyan Bank K.S.C.P. (the "Bank") and its subsidiaries (collectively "the Group") as at 30 September 2014, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of other comprehensive income for the three months and nine months periods then ended, and the 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

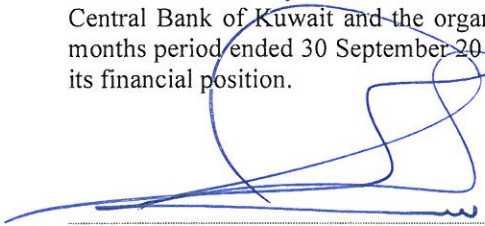
Conclusion

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. 25 of 2012, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, 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.

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.



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



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

14 October 2014
Kuwait

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)

For the period from 1 January 2014 to 30 September 2014



	Notes	Three months ended 30		Nine months ended 30	
		September		September	
		2014	2013	2014	2013
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		21,688	18,468	61,146	52,169
Distribution to depositors		(4,494)	(2,154)	(10,816)	(6,145)
Murabaha cost		(338)	(404)	(1,309)	(1,276)
Net financing income		16,856	15,910	49,021	44,748
Net investment income	3	396	585	1,884	158
Net fees and commission income		1,197	914	4,499	2,601
Share of results of associates		456	104	1,829	467
Net foreign exchange gain		384	251	970	733
Other income		-	-	175	-
Operating income		19,289	17,764	58,378	48,707
Staff costs		(5,120)	(4,349)	(15,668)	(14,125)
General and administrative expenses		(3,245)	(2,566)	(9,166)	(7,486)
Depreciation and amortization		(557)	(432)	(1,588)	(1,247)
Operating expenses		(8,922)	(7,347)	(26,422)	(22,858)
Operating profit before provision for impairment		10,367	10,417	31,956	25,849
Provision for impairment	4	(2,317)	(7,233)	(10,788)	(16,149)
Operating profit before deductions		8,050	3,184	21,168	9,700
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(70)	(28)	(176)	(88)
National Labour Support Tax ("NLST")		(198)	(81)	(502)	(244)
Zakat		(78)	(33)	(200)	(98)
Net profit for the period		7,704	3,042	20,290	9,270
Attributable to:					
Equity holders of the Bank		7,692	3,060	20,263	9,322
Non-controlling interests		12	(18)	27	(52)
Net profit for the period		7,704	3,042	20,290	9,270
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	5	3.92	1.56	10.32	4.75

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT**

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the period from 1 January 2014 to 30 September 2014



	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Net profit for the period	7,704	3,042	20,290	9,270
Other comprehensive income				
Other comprehensive income to be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:				
Change in fair value of available for sale investments	97	(5,699)	437	(5,041)
Foreign currency translation adjustments	311	(258)	2,156	(194)
Other comprehensive income/(loss) for the period	408	(5,957)	2,593	(5,235)
Total comprehensive income/(loss) for the period	8,112	(2,915)	22,883	4,035
Attributable to:				
Equity holders of the Bank	8,100	(2,897)	22,856	4,087
Non-controlling interests	12	(18)	27	(52)
Total comprehensive income/(loss) for the period	8,112	(2,915)	22,883	4,035

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

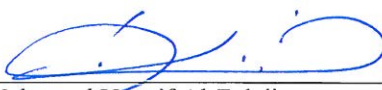
**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT**

**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
Assets				
Cash and cash equivalents	6	318,548	205,622	203,858
Due from banks		202,725	298,871	267,261
Islamic financing to customers		1,743,670	1,478,701	1,440,743
Financial assets at fair value through profit or loss		11,456	5,866	47,258
Available for sale investments		98,598	63,044	89,493
Investments in associates		88,042	85,691	9,623
Investment properties		21,255	30,245	27,730
Other assets		14,966	13,994	10,569
Property and equipment		11,530	9,952	9,621
Total assets		2,510,790	2,191,986	2,106,156
Liabilities and equity				
Liabilities				
Due to banks		272,656	236,018	147,059
Depositors' accounts		1,906,784	1,657,398	1,664,312
Other liabilities		39,472	29,083	34,322
Total liabilities		2,218,912	1,922,499	1,845,693
Equity				
Share capital		196,500	183,645	183,645
Share premium		62,896	62,896	62,896
Proposed bonus shares		-	12,855	-
Treasury shares	7	(763)	(1,100)	(1,100)
Statutory reserve		3,306	3,306	1,891
Voluntary reserve		3,167	3,167	1,813
Share based payment reserve		765	860	801
Fair value reserve		3,294	2,857	(1,620)
Foreign currency translation reserve		(5,590)	(7,746)	(5,067)
Retained earnings		23,467	3,204	14,742
Equity attributable to equity holders of the Bank		287,042	263,944	258,001
Non-controlling interests		4,836	5,543	2,462
Total equity		291,878	269,487	260,463
Total liabilities and equity		2,510,790	2,191,986	2,106,156


Mahmoud Yousif Al-Fulaij
Chairman


Adel Abdul Wahab Al Majed
Vice Chairman & Chief Executive Officer

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT**



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2014 to 30 September 2014

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
	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 at 31 December 2013	183,645	62,896	12,855	(1,100)	3,306	3,167	860	2,857	(7,746)	3,204	263,944	5,543	269,487
Total comprehensive income for the period	-	-	-	-	-	-	-	437	2,156	20,263	22,856	27	22,883
Capital redemption of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(734)	(734)
Share based payment	-	-	-	-	-	-	(95)	-	-	257	162	-	162
Issue of bonus shares (note 14)	12,855	-	(12,855)	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	337	-	-	-	-	-	(257)	80	-	80
Balance at 30 September 2014	196,500	62,896	-	(763)	3,306	3,167	765	3,294	(5,590)	23,467	287,042	4,836	291,878
Balance at 31 December 2012	174,824	62,896	8,741	(1,024)	1,891	1,813	537	3,421	(4,873)	5,424	253,650	2,514	256,164
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	-	(5,041)	(194)	9,322	4,087	(52)	4,035
Share based payment	-	-	-	-	-	-	264	-	-	-	264	-	264
Issue of bonus shares	8,745	-	(8,741)	-	-	-	-	-	-	(4)	-	-	-
Purchase of treasury shares	76	-	-	(76)	-	-	-	-	-	-	-	-	-
Balance at 30 September 2013	183,645	62,896	-	(1,100)	1,891	1,813	801	(1,620)	(5,067)	14,742	258,001	2,462	260,463

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (UNAUDITED)



For the period from 1 January 2014 to 30 September 2014

	Nine months ended 30 September	
	2014	2013
	KD'000	KD'000
OPERATING ACTIVITIES		
Net profit for the period	20,290	9,270
Adjustments for:		
Provision for impairment	10,788	16,149
Depreciation and amortization	1,588	1,247
Foreign currency translation adjustments	(1,136)	(713)
(Gain) / loss on sale of investment	(334)	139
Unrealized loss from financial assets at fair value through profit or loss	223	1,917
Share of results of associates	(1,829)	(467)
Dividend income	(433)	(789)
Share based payment reserve	-	264
Operating profit before changes in operating assets and liabilities	29,157	27,017
Changes in operating assets and liabilities:		
Due from banks	96,146	(15,553)
Islamic financing to customers	(273,926)	(196,091)
Other assets	(972)	(2,653)
Due to banks	36,638	(60,074)
Depositors' accounts	249,386	267,350
Other liabilities	10,285	9,867
Dividend income received	433	789
Net cash generated from operating activities	147,147	30,652
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(8,057)	(966)
Proceeds from sale of financial assets at fair value through profit or loss	2,369	3,197
Purchase of available for sale investments	(61,759)	(1,451)
Proceeds from sale of available for sale investments	27,810	6,302
Purchase of investment properties	(4,888)	-
Proceeds from sale of investment properties	13,845	366
Purchase of property and equipment	(3,166)	(3,505)
Purchase of additional shares in associate	-	(553)
Dividend received from associate	359	286
Net cash (used in) /generated from investing activities	(33,487)	3,676
FINANCING ACTIVITIES		
Capital redemption of non-controlling interest	(734)	-
Net cash used in financing activities	(734)	-
Net increase in cash and cash equivalents	112,926	34,328
Cash and cash equivalents at beginning of the period	205,622	169,530
Cash and cash equivalents at end of the period	318,548	203,858

The notes from 1 to 14 form an integral part of this interim condensed consolidated financial information.

For the period from 1 January 2014 to 30 September 2014

1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C.P. (“the Bank”) is a Kuwaiti public shareholding company incorporated on 21 September 2004, in accordance with the Commercial Companies Law in the State of Kuwait, by Amiri Decree No. 88 and in accordance with the rules and regulations of the Central Bank of Kuwait (“CBK”) (Law No. 30 of 2003).

The Bank’s shares were listed on the Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the CBK on 28 November 2004. The bank is principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia’a, as approved by the Bank’s Sharia’a Supervisory Board.

On 31 July 2012 the Bank became a subsidiary of National Bank of Kuwait S.A.K.P. (“the Parent Company”).

This interim condensed consolidated financial information as at and for the nine months period ended 30 September 2014 incorporates the financial information of the Bank and its principal operating subsidiaries, Boubyan Takaful Insurance Company K.S.C. (Closed) and Boubyan Capital Investment Company K.S.C. (Closed), (together referred to as “the Group”) and the Group’s interests in associates.

The total number of employees in the Group was **1021** employees as at 30 September 2014 (901 employees as at 31 December 2013 and 860 employees as at 30 September 2013).

The address of the Bank’s registered office is P.O. Box 25507, Safat 13116, State of Kuwait.

This interim condensed consolidated financial information was authorised for issue by the Board of Directors on 14 October 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting, and the Kuwait Stock Exchange instruction No. 2 of 1998.

This interim condensed consolidated financial information does not include all the information and notes required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as modified for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK requirements for a minimum general provision.

The interim condensed consolidated financial information has been prepared using the same accounting policies and methods of computation with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2013 except for the adoption of the new and amended International Financial Reporting Standards that has become effective from 1 January 2014 and those which are applicable to the Group.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. The operating results for the nine months period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014.

2.2 New and amended standards

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarifies the meaning of “currently has a legally enforceable right to set-off” and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments do not have any impact on the financial position or performance of the Group.

For the period from 1 January 2014 to 30 September 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2013.

3. NET INVESTMENT INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Unrealized gain/(loss) from financial assets at fair value through profit or loss	17	(55)	(223)	(1,917)
Gain/(loss) on sale of investments	12	(13)	65	(139)
Sukuk coupon income	343	389	1,077	1,182
(Loss)/gain from investment properties	(56)	81	532	243
Dividend income	80	183	433	789
Net investment income	396	585	1,884	158

4. PROVISION FOR IMPAIRMENT

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Provision for impairment for Islamic financing to customers	2,283	6,811	8,957	15,312
Provision for impairment of non-cash facilities	34	(57)	104	58
	2,317	6,754	9,061	15,370
Provision for impairment of investments	-	479	1,727	779
	2,317	7,233	10,788	16,149

For the period from 1 January 2014 to 30 September 2014

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period plus the weighted average number of share 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 option does not result in any change to the reported basic earnings per share.

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
Net profit for the period attributable to the equity holders of the Bank (KD'000)	7,692	3,060	20,263	9,322
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	1,963,071	1,962,216	1,962,869	1,962,496
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	3.92	1.56	10.32	4.75

Earnings per share for the three months and nine months prior period was 1.67 fils and 5.08 fils respectively, before retroactive adjustment to the number of shares following the bonus issue (note 14).

6. CASH AND CASH EQUIVALENTS

	30 September 2014	(Audited) 31 December 2013	30 September 2013
	KD'000	KD'000	KD'000
Cash on hand	26,090	19,846	24,149
Balances with CBK – current account	4,324	682	5
Balances with banks – current accounts	6,461	7,674	9,036
Placements with banks maturing within seven days	281,673	177,420	170,668
	318,548	205,622	203,858

7. TREASURY SHARES

The bank held the following treasury shares:

	30 September 2014	(Audited) 31 December 2013	30 September 2013
	Number of treasury shares	1,930,589	2,603,669
Treasury shares as a percentage of total issued shares- %	0.098%	0.142%	0.142%
Cost of treasury shares – KD thousand	763	1,100	1,100
Market value of treasury shares – KD thousand	1,004	1,458	1,558

**BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT**

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



For the period from 1 January 2014 to 30 September 2014

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Details of compensation to key management comprise the following:

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	454	390	1,298	1,099
Post-employment benefits	67	59	217	236
Share based compensation	74	62	221	186
	<u>595</u>	<u>511</u>	<u>1,736</u>	<u>1,521</u>

9. CONTINGENCIES AND COMMITMENTS

At the financial reporting date there were outstanding contingencies and commitments entered in the ordinary course of business in respect of the following:

	30 September	(Audited) 31 December	30 September
	2014	2013	2013
	KD'000	KD'000	KD'000
Guarantees	169,963	166,952	168,291
Acceptances and letters of credit	40,953	26,872	36,438
Capital commitments (projects under construction)	1,601	411	3,009
	<u>212,517</u>	<u>194,235</u>	<u>207,738</u>

10. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. The operating segments are divided as either business segments or geographical segments.

Business Segments

For management purposes, the Bank is organized into the following four major business segments:

Consumer banking: Provides a diversified range of products and services to individuals and institutional customers. The range includes consumer finance, credit cards, deposits and other branch related services.

Corporate banking: Provides Murabaha, Ijarah, trade service and other related services to business and corporate customers.

Investment banking: Principally handling direct investments, investment in associates, local and international real estate investment and asset management.

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with banks, as well as the management of the Bank's funding operations.

Group centre: Includes other group activities and residual in respect of transfer pricing and inter segment allocation.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
STATE OF KUWAIT

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)



For the period from 1 January 2014 to 30 September 2014

10. SEGMENT REPORTING (CONTINUED)

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
Nine months ended 30 September 2014	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Net financing income/(loss)	26,670	17,888	(999)	4,137	1,325	49,021
Operating income	27,674	21,710	4,907	5,107	(1,020)	58,378
Net profit/ (loss) for the period	14,094	13,107	13	4,837	(11,761)	20,290
Total assets	741,337	1,140,222	156,572	480,710	(8,051)	2,510,790
Total liabilities	758,738	156,350	19,254	1,272,348	12,222	2,218,912
	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
Nine months ended 30 September 2013	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Net financing income/(loss)	22,058	17,371	(2,996)	7,615	700	44,748
Operating income	22,382	20,626	(1,117)	8,344	(1,528)	48,707
Net profit/ (loss) for the period	11,206	7,350	(4,270)	8,041	(13,057)	9,270
Total assets	545,886	978,135	160,741	439,413	(18,019)	2,106,156
Total liabilities	636,709	167,495	5,003	1,013,815	22,671	1,845,693

11. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the annual audited consolidated financial statements for the year ended 31 December 2013.

12. 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. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: input other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Total
30 September 2014	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss	-	11,456	11,456
Available for sale investments	<u>40,021</u>	<u>58,577</u>	<u>98,598</u>
	<u>40,021</u>	<u>70,033</u>	<u>110,054</u>
	Level 1	Level 2	Total
	KD'000	KD'000	KD'000
31 December 2013 (Audited)			
Financial assets at fair value through profit or loss	-	5,866	5,866
Available for sale investments	<u>30,684</u>	<u>32,360</u>	<u>63,044</u>
	<u>30,684</u>	<u>38,226</u>	<u>68,910</u>
	Level 1	Level 2	Total
	KD'000	KD'000	KD'000
30 September 2013			
Financial assets at fair value through profit or loss	1,026	46,232	47,258
Available for sale investments	<u>35,410</u>	<u>54,083</u>	<u>89,493</u>
	<u>36,436</u>	<u>100,315</u>	<u>136,751</u>

13. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 30 September 2014 amounted to **KD 80,813 thousand** (31 December 2013: KD 78,905 thousand and 30 September 2013: KD 86,102 thousand).

14. ANNUAL GENERAL ASSEMBLY MEETING

The shareholders' annual general assembly held on 12 March 2014 approved the audited consolidated financial statements of the Bank for the year ended 31 December 2013 and the distribution of 7% bonus shares to the shareholders on record at the date of regulatory approval for distribution of bonus shares.