



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**31 March 2019  
(Unaudited)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF KUWAIT K.P.S.C.**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 31 March 2019 and the related interim condensed consolidated statements of income, comprehensive income, statement of changes in equity, and cash flows for the three-month period then ended. Management 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with the basis of presentation set out in Note 2.

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

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the three-month period ended 31 March 2019 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 and 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 Organization of Banking Business, and its related regulations during the three-month period ended 31 March 2019, that might have had a material effect on the business of the Bank or on its financial position.



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## The Commercial Bank of Kuwait Group

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2019 (Unaudited)

		(Audited)	
	Note	31 March 2019 KD 000's	31 December 2018 KD 000's
			31 March 2018 KD 000's
<b>ASSETS</b>			
Cash and short term funds	5	648,767	858,825
Treasury and Central Bank bonds		316,566	331,747
Due from banks and other financial institutions	6	590,752	370,366
Loans and advances to customers		2,317,422	2,253,070
Investment securities	7	584,406	548,788
Premises and equipment		30,009	28,522
Intangible assets		3,506	3,506
Other assets		76,977	72,721
		<b>4,568,405</b>	<b>4,467,545</b>
			<b>4,291,035</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		553,329	347,100
Due to other financial institutions		713,009	880,881
Customer deposits		2,336,900	2,291,890
Other borrowed funds		45,668	57,675
Other liabilities		168,881	160,142
		<b>3,817,787</b>	<b>3,737,688</b>
			<b>3,611,940</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital		181,096	181,096
Proposed bonus shares		18,110	18,110
Treasury shares		(4,578)	(4,578)
Reserves		334,122	314,327
Retained earnings		185,045	184,093
		<b>713,795</b>	<b>693,048</b>
Proposed dividend		35,976	35,976
		<b>749,771</b>	<b>729,024</b>
<b>Non-controlling interests</b>		<b>847</b>	<b>833</b>
		<b>750,618</b>	<b>729,857</b>
			<b>679,095</b>
		<b>4,568,405</b>	<b>4,467,545</b>
			<b>4,291,035</b>

  
 Sheikh Ahmad Duaij Al Sabah  
 Chairman

  
 Elham Yousry Mahfouz  
 Chief Executive Officer

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 31 March 2019 (Unaudited)

	Note	Three months ended 31 March	
		2019 KD 000's	2018 KD 000's
Interest income		40,498	34,780
Interest expense		(16,385)	(10,689)
<b>NET INTEREST INCOME</b>		<b>24,113</b>	<b>24,091</b>
Fees and commissions		10,138	9,897
Net gain from dealing in foreign currencies		1,754	1,430
Net loss from investment securities		(12)	(20)
Dividend income		-	181
Other operating income		941	1,923
<b>OPERATING INCOME</b>		<b>36,934</b>	<b>37,502</b>
Staff expenses		(7,806)	(5,964)
General and administrative expenses		(4,342)	(4,868)
Depreciation and amortisation		(751)	(15)
<b>OPERATING EXPENSES</b>		<b>(12,899)</b>	<b>(10,847)</b>
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>24,035</b>	<b>26,655</b>
Impairment and other provisions	8	(23,026)	(16,092)
<b>PROFIT BEFORE TAXATION</b>		<b>1,009</b>	<b>10,563</b>
Taxation		(43)	(494)
<b>NET PROFIT FOR THE PERIOD</b>		<b>966</b>	<b>10,069</b>
<b>Attributable to:</b>			
Shareholders of the Bank		952	10,069
Non-controlling interests		14	-
		<b>966</b>	<b>10,069</b>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	9	<b>0.5</b>	<b>5.1</b>

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Period ended 31 March 2019 (Unaudited)

	Three months ended 31 March	
	2019 KD 000's	2018 KD 000's
Net profit for the period	966	10,069
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified subsequently to consolidated statement of income</b>		
Equity securities classified as fair value through other comprehensive income:		
Net changes in fair value	18,433	15,187
<b>Items that are or may be reclassified subsequently to consolidated statement of income</b>		
Debt securities classified as fair value through other comprehensive income:		
Net changes in fair value	2,428	(1,172)
Net gain on disposal transferred to income statement	52	64
Net loss on fair value hedges	(1,118)	-
	19,795	14,079
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>20,761</b>	<b>24,148</b>
<b>Attributable to:</b>		
Shareholders of the Bank	20,747	24,152
Non-controlling interests	14	(4)
	20,761	24,148

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Period ended 31 March 2019 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves				Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling	
Share Premium				Statutory Reserve	General Reserve	Total	Interests							Total	
Balance at 1 January 2018	164,633	16,463	(4,578)	66,791	115,977	17,927	-	24,624	48,196	273,515	174,724	29,435	654,192	828	655,020
Transition adjustment on the adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	-	-	223	223	(296)	(73)	-	(73)
Restated balance at 1 January 2018	164,633	16,463	(4,578)	66,791	115,977	17,927	-	24,624	48,419	273,738	174,428	29,435	654,119	828	654,947
Total comprehensive income for the period	-	-	-	-	-	-	-	-	14,083	14,083	10,069	-	24,152	(4)	24,148
Balance at 31 March 2018	164,633	16,463	(4,578)	66,791	115,977	17,927	-	24,624	62,502	287,821	184,497	29,435	678,271	824	679,095
<b>Balance at 1 January 2019</b>	<b>181,096</b>	<b>18,110</b>	<b>(4,578)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,108</b>	<b>89,524</b>	<b>314,327</b>	<b>184,093</b>	<b>35,976</b>	<b>729,024</b>	<b>833</b>	<b>729,857</b>
Total comprehensive income for the period	-	-	-	-	-	-	-	-	19,795	19,795	952	-	20,747	14	20,761
<b>Balance at 31 March 2019</b>	<b>181,096</b>	<b>18,110</b>	<b>(4,578)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,108</b>	<b>109,319</b>	<b>334,122</b>	<b>185,045</b>	<b>35,976</b>	<b>749,771</b>	<b>847</b>	<b>750,618</b>

Annual General Assembly of the shareholders held on 23 March 2019 approved to distribute cash dividend of 20 fils per share amounting to KD 35,976 thousand (2017: 18 fils per share) and 10 bonus shares for every 100 shares held (2017: 10 bonus shares for every 100 shares held) for the year 2018.

The Extraordinary General Meeting of shareholders held on 23 March 2019 resolved to increase the authorised share capital of the Bank from KD 181,096 thousand to KD 250,000 thousand.

Investment valuation reserve includes a loss of KD 5,464 thousand (31 December 2018: KD 5,450 thousand and 31 March 2018: KD 5,384 thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 31 March 2019 (Unaudited)

	Note	Three months ended	
		31 March	
		2019	2018
		KD 000's	KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		1,009	10,563
Adjustments for:			
Impairment and other provisions	8	23,026	16,092
Net loss (gain) from investment securities		12	(161)
Foreign exchange (gain) loss on investment securities		(1,467)	2,013
Depreciation and amortisation		751	15
Profit before changes in operating assets and liabilities		23,331	28,522
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		15,181	33,973
Due from banks and other financial institutions		(220,409)	138,587
Loans and advances to customers		(84,813)	75,839
Other assets		(5,729)	10,519
Due to banks		206,229	(26,960)
Due to other financial institutions		(167,872)	(65,442)
Customer deposits		45,010	(967)
Other liabilities		4,348	(8,851)
Net cash (used in) from operating activities		(184,724)	185,220
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		33,699	35,816
Acquisition of investment securities		(46,905)	(34,932)
Dividend income from investment securities		-	181
Acquisition of premises and equipment		(118)	(82)
Net cash (used in) from investing activities		(13,324)	983
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		(12,007)	(25,750)
Net cash (used in) financing activities		(12,007)	(25,750)
Net (decrease) increase in cash and short term funds		(210,055)	160,453
Cash and short term funds at 1 January		858,842	509,202
<b>Cash and short term funds at 31 March</b>	5	<b>648,787</b>	<b>669,655</b>

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.



## **1 CORPORATE INFORMATION**

The Commercial Bank of Kuwait K.P.S.C ("the Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a Bank with the Central Bank of Kuwait ("CBK") and listed on the Boursa Kuwait. The address of the Bank's registered office is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Bank and its subsidiary are together referred to as "the Group" in this interim condensed consolidated financial information.

The interim condensed consolidated financial information of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 14 May 2019.

The principal activities of the Group are explained in note 12.

## **2 SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". 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 2018, except for the adoption of IFRS 16: "Leases" effective from 1 January 2019, which replaces IAS 17: "Leases".

The interim condensed consolidated financial information does not include all the information and notes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the Government of Kuwait for financial services institutions regulated by the CBK.

Other new standards or amendments to existing standards which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on financial position or performance of the Group.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2018.

## **3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 16**

On adoption of IFRS 16, the Group recognised "lease liabilities" and the associated "right-of-use asset" in relation to leases that were previously classified as operating lease under IAS 17 "Leases". The Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The right-of-use assets and lease liabilities recorded as at 1 January 2019 amounted to KD 1,627 thousand, with no impact on retained earnings.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The carrying value of right-of-use assets and lease liabilities as at 31 March 2019 amounted to KD 1,417 thousand and KD 1,562 thousand respectively. Depreciation charge for right-of-use assets for the current period amounted to KD 703 thousand and is included in "depreciation and amortisation" in the interim condensed consolidated statement of income. Interest expense on lease liabilities for the current period amounted to KD 13 thousand and is included in "interest expense" in the interim condensed consolidated statement of income.





The accounting policies of the Group upon adoption of IFRS 16 are as follows:

**a) Right of use assets**

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of the right-of-use assets are recorded under premises and equipment in the interim condensed consolidated statement of financial position.

**b) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and are recorded under other liabilities in the interim condensed consolidated statement of financial position.

**c) Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy).

**4 SUBSIDIARY**

Name of entity	Country of incorporation	Principal activities	% of ownership		
			31 March 2019	31 December 2018	31 March 2018
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	93.55	93.55	93.55


**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

31 March 2019 (Unaudited)

**5 CASH AND SHORT TERM FUNDS**

	<b>31 March 2019 KD 000's</b>	<i>(Audited)</i> 31 December 2018 KD 000's	31 March 2018 KD 000's
Cash and cash items	<b>194,272</b>	216,880	357,083
Balances with the CBK	<b>97,187</b>	119,732	66,076
Deposits with banks maturing within seven days	<b>357,328</b>	522,230	246,496
	<b>648,787</b>	858,842	669,655
Less : Provision for impairment (ECL)	<b>(20)</b>	(17)	(51)
	<b>648,767</b>	858,825	669,604

**6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>31 March 2019 KD 000's</b>	<i>(Audited)</i> 31 December 2018 KD 000's	31 March 2018 KD 000's
Placements with banks	<b>467,341</b>	268,858	357,793
Less: Provision for impairment (ECL)	<b>(67)</b>	(46)	(56)
	<b>467,274</b>	268,812	357,737
Loans and advances to banks	<b>101,925</b>	102,580	74,241
Amounts due from other financial institutions	<b>22,800</b>	-	-
Less : Provision for impairment	<b>(1,247)</b>	(1,026)	(742)
	<b>123,478</b>	101,554	73,499
	<b>590,752</b>	370,366	431,236

**7 INVESTMENT SECURITIES**

- a) During 2008, the Bank acquired 221,425,095 shares of Boubyan Bank at a cost of KD 94,103 thousand under multiple purchase transactions, all of which were executed under the standard procedures adopted by Bursa Kuwait. However, at a subsequent date, and as a result of the availability of cash balances in the account of the parent company ("the Borrower") related to the five subsidiaries which sold the mentioned shares in Bursa Kuwait (we refer to the five subsidiaries companies below as "Appellants"), the Bank utilized these balances to close the loan due from the Borrower. In 2009, the Borrower, along with the appellants, filed a legal case challenging the Bank's ownership of the above mentioned shares where a final court judgment was issued in this dispute on 27 December 2017. A summary of major events is detailed hereunder:

In February 2009, the Court of Summary Appeal restricted the sale of 221,425,095 shares until a final court judgment is issued in the ownership dispute of these shares.



During 2010, the Bank participated in the rights issue and acquired 127,058,530 shares at a cost of KD 32,401 thousand and thereafter, during the years 2013 to the reporting date, the Bank received a total of 92,473,793 bonus shares.

In April 2016, the Court of First Instance issued a verdict in favor of the Bank confirming the validity of the Bank's ownership of 221,425,095 shares.

In February 2017, the Court of Appeal issued a verdict, voiding the five sale contracts dated 30 November 2008 as concluded between the appellants and the Bank with regard to the sale of Boubyan Bank shares totaling 221,425,095 shares and revert the situation back to its pre-contract status, most importantly to revert back the shares, their yields, interests and any benefits the Bank has obtained, to the appellants along with voiding all acts the Bank has taken on the account of the Borrower following the sale date.

The Bank appealed against this verdict in the Court of Cassation. On 27 December 2017, the Court of Cassation issued a judgment partially accepting the appeal as the court obligated the appellants mentioned above to pay the price of shares to the Bank. The Court of Cassation also validated all the actions taken by the Bank on the account of the borrower following the date of the five sales contracts of the shares dated 30 November 2008. Furthermore, the Court of Cassation obligated the Borrower and the appellants to pay the required legal expenses on the litigation.

On 29 January 2018, the Bank has obtained the execution stamp for the execution of the judgment issued by the Court of Cassation against the appellants, whereby the Bank currently enjoys the power to collect the shares' value and in return to transfer the shares' ownership to the appellants. The Bank will continue to recognise these shares as part of Investment Securities until the judgment issued by the Court of Cassation is executed.

- b) During the three months period ended 31 March 2019, the Group designated certain debt securities as hedge items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

Based on the matching of critical terms between the hedge items and instruments it was concluded that the hedge was effective.

The carrying value of debt securities designated as hedged item as at 31 March 2019 was KD 174,464 thousand. The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 1,118 thousand. The change in fair value during the period, related to hedged risk was recognised in the interim condensed consolidated statement of comprehensive income.

## **8 IMPAIRMENT AND OTHER PROVISIONS**

Impairment and other provisions recorded for the period ended 31 March 2019 amounted to KD 23,026 thousand (31 March 2018: KD 16,092 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets which was partially offset by recoveries amounting to KD 2,573 thousand (31 March 2018: KD 2,364 thousand).

The expected credit loss (ECL) on credit facilities determined under IFRS 9 amounted to KD 54,823 thousand as at 31 March 2019. In downside scenario also, ECL on credit facilities will be below the provision held as per CBK rules.

Impairment and other provisions includes reversal of ECL on financial assets other than loans and advances for the period ended 31 March 2019 amounting to KD 124 thousand (31 March 2018: charged KD 42).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

31 March 2019 (Unaudited)

**9 EARNINGS PER SHARE**

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

	Three months ended 31 March	
	2019	2018
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>952</u>	<u>10,069</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	<b>1,992,056</b>	<b>1,992,056</b>
Less: Weighted average of treasury shares held (numbers in 000's)	<b>(13,390)</b>	(13,390)
	<u><b>1,978,666</b></u>	<u>1,978,666</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u><b>0.5</b></u>	<u>5.1</u>

**10 RELATED PARTY TRANSACTIONS**

During the period, certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions are approved by the Group's management. The balances at the date of interim condensed consolidated financial position are as follows:

	31 March 2019			31 March 2018		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
<b>Board of Directors</b>						
Loans	2	-	452	3	-	457
Credit cards	3	1	5	3	1	7
Deposits	10	12	1,619	10	-	933
<b>Executive Management</b>						
Loans	21	2	652	10	-	233
Credit cards	20	1	30	5	2	12
Deposits	30	26	683	12	-	404

The loans issued to directors, key management personnel and related members are repayable within 5 to 10 years and have interest rates ranging from 0% to 6% (31 March 2018: 0% to 5%).

The detail of compensation for key management personnel included in the interim condensed consolidated statement of income are as follows:

	Three months ended 31 March	
	2019 KD 000's	2018 KD 000's
Salaries and other short-term benefits	<b>(477)</b>	(431)
Post employment benefits	<b>(10)</b>	(1)
End of service benefits	<b>(125)</b>	(14)



## 11 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity and variable rate financial instruments.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 March 2019			Total
	KD 000's			
<b>Financial Instruments</b>	Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL:</b>				
Other securities	-	10	-	10
<b>Derivative Financial Instruments at FVTPL:</b>				
Forward Foreign Exchange Contracts	-	1,839	-	1,839
<b>Designated as FV hedge instruments at FVOCI:</b>				
Interest Rate Swaps	-	(485)	-	(485)
<b>Financial assets at FVOCI:</b>				
Equity securities	233,638	25,997	-	259,635
Debt securities	308,668	16,093	-	324,761
Others	-	-	-	-
	<b>542,306</b>	<b>42,090</b>	<b>-</b>	<b>584,396</b>


**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

31 March 2019 (Unaudited)

	31 December 2018 (Audited)			
	KD 000's			
	Level 1	Level 2	Level 3	Total
<b>Financial Instruments</b>				
Financial assets at FVTPL:				
Other securities	-	36	-	36
Derivative Financial Instruments at FVTPL:				
Forward Foreign Exchange Contracts	-	2,354	-	2,354
Interest Rate Swaps	-	631	-	631
	-	2,985	-	2,985
Financial assets at FVOCI:				
Equity securities	215,350	25,849	-	241,199
Debt securities	292,000	15,553	-	307,553
	507,350	41,402	-	548,752
	31 March 2018			
	KD 000's			
	Level 1	Level 2	Level 3	Total
<b>Financial Instruments</b>				
Financial assets at FVTPL:				
Other securities	-	86	-	86
Derivative Financial Instruments at FVTPL:				
Forward Foreign Exchange Contracts	-	114	-	114
Interest Rate Swaps	-	1,579	-	1,579
	-	1,693	-	1,693
Financial assets at FVOCI:				
Equity securities	186,323	26,547	-	212,870
Debt securities	228,750	28,335	-	257,085
	415,073	54,882	-	469,955

There were no transfers between level 1, level 2 and level 3 hierarchy.




**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

31 March 2019 (Unaudited)

**12 SEGMENTAL ANALYSIS**

The Group operates in banking, brokerage services and investment activities which are segmented between:

- a) Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.
- b) Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds, asset management and brokerage services.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2019	2018	2019	2018	2019	2018
Net interest income	20,298	20,367	3,815	3,724	24,113	24,091
Non interest income	10,905	10,824	1,916	2,587	12,821	13,411
Operating income	31,203	31,191	5,731	6,311	36,934	37,502
Impairment and other provisions	(22,743)	(16,119)	(283)	27	(23,026)	(16,092)
Net profit (loss) for the period	1,452	9,213	(486)	856	966	10,069
Assets	2,501,418	2,292,559	2,066,987	1,998,476	4,568,405	4,291,035
Liabilities & Equity	1,590,175	1,577,330	2,978,230	2,713,705	4,568,405	4,291,035

**13 OFF BALANCE SHEET ITEMS**
**(a) Financial instruments with contractual amounts**

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

**(i) Financial instruments with contractual amounts representing credit risk**

	31 March 2019	(Audited) 31 December 2018	31 March 2018
	KD 000's	KD 000's	KD 000's
Acceptances	27,074	39,878	43,076
Letters of credit	183,363	199,924	151,917
Letters of guarantee	1,295,720	1,307,045	1,318,108
Undrawn lines of credit	834,600	821,976	769,364
	<b>2,340,757</b>	<b>2,368,823</b>	<b>2,282,465</b>


**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

31 March 2019 (Unaudited)

**(ii) Financial instruments with contractual or notional amounts that are subject to credit risk**

	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 March 2019</b>			
Foreign exchange contracts - forward	2,283	444	563,357
Interest Rate Swaps	880	1,365	192,517
	<b>3,163</b>	<b>1,809</b>	<b>755,874</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 December 2018 (Audited)</b>			
Foreign exchange contracts - forward	4,450	2,096	613,930
Interest Rate Swaps	1,280	649	169,788
	<b>5,730</b>	<b>2,745</b>	<b>783,718</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 March 2018</b>			
Foreign exchange contracts - forward	2,325	2,211	779,448
Interest Rate Swaps	1,668	89	130,466
	<b>3,993</b>	<b>2,300</b>	<b>909,914</b>

The amount subject to credit risk is insignificant and is limited to the current replacement value of instruments, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding.

**(b) Legal claims**

At the reporting date certain legal claims existed against the Group for which KD 1,637 thousand (31 December 2018: KD 1,470 thousand and 31 March 2018: 1,010 thousand) have been provided.