



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

30 June 2017

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 30 June 2017 and the related interim condensed consolidated statements of income, comprehensive income, for the three month and six month period then ended and the related interim condensed consolidated statement of changes in equity, and cash flows for the six 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 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, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the six month period ended 30 June 2017 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 Organization of Banking Business, and its related regulations during the six month period ended 30 June 2017, that might have had a material effect on the business of the Bank or on its financial position.

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2017 (Unaudited)

			<i>(Audited)</i>	
		30 June	31 December	30 June
		2017	2016	2016
	Note	KD 000's	KD 000's	KD 000's
ASSETS				
Cash and short term funds	5	464,049	556,929	408,462
Treasury and Central Bank bonds		452,558	329,570	335,387
Due from banks and other financial institutions	6	437,775	472,078	621,070
Loans and advances	7	2,259,972	2,250,468	2,280,651
Investment securities	8	436,594	393,334	347,674
Premises and equipment		29,449	29,439	30,291
Intangible assets		3,506	3,506	9,809
Other assets		80,090	89,965	104,561
TOTAL ASSETS		4,163,993	4,125,289	4,137,905
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		398,323	365,972	219,311
Due to other financial institutions		884,782	802,885	746,025
Customer deposits		2,097,069	2,221,632	2,449,072
Other borrowed funds		37,906	30,630	30,200
Other liabilities		151,275	100,323	137,158
TOTAL LIABILITIES		3,569,355	3,521,442	3,581,766
EQUITY				
Equity attributable to shareholders of the Bank				
Share capital		164,633	149,666	149,666
Proposed bonus shares		-	14,967	-
Treasury shares		(3,740)	(3,740)	(3,713)
Reserves		265,772	254,666	245,568
Retained earnings		167,182	165,190	163,592
		593,847	580,749	555,113
Proposed dividend		-	22,330	-
		593,847	603,079	555,113
Non-controlling interests		791	768	1,026
TOTAL EQUITY		594,638	603,847	556,139
TOTAL LIABILITIES AND EQUITY		4,163,993	4,125,289	4,137,905



Ali Mousa Al Mousa
Chairman



Elham Yousry Mahfouz
Chief Executive Officer

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 June 2017 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income	9	32,814	29,762	64,440	59,335
Interest expense		(9,394)	(8,948)	(18,861)	(17,123)
NET INTEREST INCOME		23,420	20,814	45,579	42,212
Fees and commissions		9,944	8,935	19,597	17,996
Net gain from dealing in foreign currencies		880	1,525	1,343	3,837
Net gain from investment securities		290	268	2,849	472
Dividend income		1	637	3,628	5,269
Other operating income		554	240	1,351	869
OPERATING INCOME		35,089	32,419	74,347	70,655
Staff expenses		(5,562)	(5,861)	(11,174)	(11,504)
General and administrative expenses		(5,304)	(4,229)	(9,986)	(8,253)
Depreciation and amortisation		(13)	(22)	(24)	(39)
OPERATING EXPENSES		(10,879)	(10,112)	(21,184)	(19,796)
OPERATING PROFIT BEFORE PROVISIONS		24,210	22,307	53,163	50,859
Impairment and other provisions	10	(22,990)	(18,403)	(51,124)	(38,978)
PROFIT BEFORE TAXATION		1,220	3,904	2,039	11,881
Taxation		(10)	(162)	(16)	(372)
NET PROFIT FOR THE PERIOD		1,210	3,742	2,023	11,509
Attributable to:					
Shareholders of the Bank		1,197	3,738	1,992	11,506
Non-controlling interests		13	4	31	3
		1,210	3,742	2,023	11,509
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	11	0.7	2.3	1.2	7.0

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.


INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2017 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2017 KD 000's	2016 KD 000's	2017 KD 000's	2016 KD 000's
Net profit for the period	1,210	3,742	2,023	11,509
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified subsequently to consolidated statement of income:				
Changes in fair value of investment securities	(1,399)	(6,552)	11,886	(12,607)
Net loss on disposal / impairment of investment securities	(67)	(23)	(788)	(324)
	(1,466)	(6,575)	11,098	(12,931)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(256)	(2,833)	13,121	(1,422)
Attributable to:				
Shareholders of the Bank	(260)	(2,830)	13,098	(1,423)
Non-controlling interests	4	(3)	23	1
	(256)	(2,833)	13,121	(1,422)

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2017 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves						Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling		
Share Premium				Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total				Interests	Total	
Balance at 1 January 2016	141,194	8,472	(2,822)	66,791	115,977	17,927	-	26,078	31,724	258,497	152,077	18,282	575,700	1,025	576,725
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(12,929)	(12,929)	11,506	-	(1,423)	1	(1,422)
Treasury shares purchased	-	-	(891)	-	-	-	-	-	-	-	-	-	(891)	-	(891)
Bonus shares issued	8,472	(8,472)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(18,273)	(18,273)	-	(18,273)
Dividend on treasury shares purchased	-	-	-	-	-	-	-	-	-	-	9	(9)	-	-	-
Balance at 30 June 2016	149,666	-	(3,713)	66,791	115,977	17,927	-	26,078	18,795	245,568	163,592	-	555,113	1,026	556,139
Balance at 1 January 2017	149,666	14,967	(3,740)	66,791	115,977	17,927	-	25,282	28,689	254,666	165,190	22,330	603,079	768	603,847
Total comprehensive income for the period	-	-	-	-	-	-	-	-	11,106	11,106	1,992	-	13,098	23	13,121
Bonus shares issued	14,967	(14,967)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(22,330)	(22,330)	-	(22,330)
Balance at 30 June 2017	164,633	-	(3,740)	66,791	115,977	17,927	-	25,282	39,795	265,772	167,182	-	593,847	791	594,638

The Extraordinary General Meeting of shareholders held on 01 April 2017 resolved to increase the authorised share capital of the Bank from KD 149,666 thousand to KD 164,633 thousand.

Annual General Assembly of the shareholders' held on 01 April 2017 approved to distribute cash dividend of 15 fils per share amounting to KD 22,330 thousand (2015: 13 fils per share) and 10 bonus shares for every 100 shares held (2015: 6 bonus shares for every 100 shares held) for the year 2016. Subsequently, the cash dividend was paid and the bonus shares increased the number of shares by 149,666,149 thousand and share capital by KD 14,967 thousand.

Investment valuation reserve includes a loss of KD 5,443 thousand (31 December 2016: KD 5,498 thousand and 30 June 2016: KD 5,420 thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 June 2017 (Unaudited)

	Note	Six months ended	
		30 June	
		2017 KD 000's	2016 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		2,039	11,881
Adjustments for:			
Impairment and other provisions	10	51,124	38,978
Income from investment securities		(6,477)	(5,741)
Foreign exchange gain on investment securities		(517)	(327)
Depreciation and amortisation		24	39
Profit before changes in operating assets and liabilities		46,193	44,830
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(122,988)	(2,812)
Due from banks and other financial institutions		34,303	(355,389)
Loans and advances		(9,900)	(7,837)
Other assets		9,827	(24,331)
Due to banks		32,351	52,407
Due to other financial institutions		81,897	118,793
Customer deposits		(124,563)	(97,091)
Other liabilities		256	3,374
Net cash used in operating activities		(52,624)	(268,056)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		40,681	46,361
Acquisition of investment securities		(69,477)	(68,521)
Dividend income from investment securities		3,628	5,269
Acquisition of premises and equipment		(34)	(96)
Net cash used in investing activities		(25,202)	(16,987)
FINANCING ACTIVITIES			
Other borrowed funds		7,276	30,200
Purchase of treasury shares		-	(891)
Dividends paid		(22,330)	(18,273)
Net cash (used in) from financing activities		(15,054)	11,036
Net decrease in cash and short term funds		(92,880)	(274,007)
Cash and short term funds at 1 January		556,929	682,469
Cash and short term funds at 30 June	5	464,049	408,462

The attached notes 1 to 15 form an integral part of this interim condensed consolidated financial information.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2017 (Unaudited)

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 Bursa 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 11 July 2017.

The principal activities of the Group are explained in note 14.

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 2016.

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. These regulations require adoption of all IFRS except for the IAS 39 "Financial Instruments: Recognition and Measurement" requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision.

The policy of the Group for calculation of the impairment provisions for loans and advances complies in all material respects with the specific provision requirements of the CBK.

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 30 June 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2016.

3 SUBSIDIARY

Name of entity	Country of incorporation	Principal activities	% of ownership		
			30 June 2017	31 December 2016	30 June 2016
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	93.55	93.55	80.00

4 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 30 June 2017 amounted to KD 3 (30 June 2016: KD 1 thousand). The ultimate amount to be ceded to the CBK will depend on the situation at the year end. The identification of provisions no longer required was made on a basis consistent with that adopted at 31 December 2016 and in accordance with the instructions of the CBK.

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

30 June 2017 (Unaudited)

5 CASH AND SHORT TERM FUNDS

	30 June 2017 KD 000's	<i>(Audited)</i> 31 December 2016 KD 000's	30 June 2016 KD 000's
Cash and cash items	83,305	232,130	155,731
Balances with the CBK	40,050	10,935	16,256
Deposits with banks maturing within seven days	340,694	313,864	236,475
	464,049	556,929	408,462

Cash and short term funds are classified as "loans and receivables".

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2017 KD 000's	<i>(Audited)</i> 31 December 2016 KD 000's	30 June 2016 KD 000's
Placements with banks	394,812	430,034	581,623
Loans and advances to banks	43,397	42,469	39,845
	438,209	472,503	621,468
Less : Provision for impairment	(434)	(425)	(398)
	437,775	472,078	621,070

Due from banks and other financial institutions are classified as "loans and receivables".

7 LOANS AND ADVANCES

Loans and advances are classified as "loans and receivables".

During the year 2013, the Ministry of Finance established the Family Support Fund (the "Fund") under Law No. 104/2013 to purchase outstanding balance of installment and consumer loans from the Banks as on 12 June 2013 for loans granted before 30 March 2008. Accordingly, CBK issued a Circular no. 2/BS,IS/305/2013 to all local banks and investment companies regarding formation of the Fund. The Bank has identified such loans amounting to KD 38,818 thousand and submitted report to CBK for approval, as required by the circular. Interest income on such loans is not recognised from 12 June 2013. At the reporting date, loans amounting to KD 32,686 thousand have been settled.

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

30 June 2017 (Unaudited)

8 INVESTMENT SECURITIES

During the period, the Group recognised an unrealised gain of KD 11,886 thousand (30 June 2016: unrealised loss of KD 12,607 thousand) in the interim condensed consolidated statement of comprehensive income as arising from changes in fair value and recycled fair valuation changes of KD 788 thousand (30 June 2016: KD 324 thousand) to the interim condensed consolidated statement of income on disposal and impairment of "available for sale" investment securities.

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 the Boursa 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 companies which sold the mentioned shares in the open stock market, the Bank utilized these balances to close the loan due from the Borrower. In 2009, the Borrower, along with others, filed a legal case challenging the Bank's ownership of the above mentioned shares which is currently pending at the court of law.

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 79,746,478 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 the above mentioned shares with due observation that there is an interim order from the court restricting the sale of 221,425,095 shares.

In February 2017, the Court of Appeal issued a verdict, which states as follows:

"Voiding the multiple sale contracts dated 30 November 2008 as concluded between the appellant companies from second to six and the appellee 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 first appellee bank has obtained to the selling companies along with voiding all acts the bank has taken on the account of the first appellant company following the sale date."

The Bank appealed in March 2017 against this verdict in the Court of Cassation and requested to stay the execution process till the final verdict from the Court of Cassation. A hearing was held on 10 May 2017 for deciding on the Bank's request for the stay order and it was rejected at the same hearing.

Subsequently, in a hearing held on 13 June 2017, the Court of Cassation, through a deliberation room, accepted the appeal filed by the Bank to review the Court of Appeal verdict issued in February 2017 and fixed a hearing session on 20 September 2017.

As at the reporting date, the Execution Department has not yet decided the manner of execution related to the verdict issued by the Court of Appeal and is still pending.

Accordingly as at 30 June 2017, it is not possible to reliably estimate the financial obligation arising from the execution of the verdict of the Court of Appeal.

As at reporting date, the Bank holds title for 254,546,311 shares carried at a fair value of KD 103,091 thousand (31 December 2016: 248,225,059 shares at a fair value of KD 98,049 thousand and 30 June 2016: 258,425,059 shares at a fair value of KD 98,202 thousand). As at 30 June 2017, the weighted average cost of 232,496,349 shares under legal restraint is KD 64,891 thousand (31 December 2016: 221,425,095 shares - KD 64,891 thousand and 30 June 2016: 221,425,095 shares - KD 64,891 thousand) and is carried at a fair value of KD 94,161 thousand (31 December 2016: KD 87,463 thousand and 30 June 2016: KD 84,141 thousand), with the resultant fair valuation gain of KD 29,270 thousand (31 December 2016: KD 22,572 thousand and 30 June 2016: KD 19,250 thousand) recognised in the Investment Valuation Reserve. These shares are part of investment portfolio classified as "available for sale".

9 INTEREST INCOME

Interest income includes a release of KD 10 thousand (30 June 2016: KD 29 thousand) due to adjustments arising from revised estimates of future cash flows, discounted at the original contracted rates of interest from a portfolio of performing loans that have had their terms modified during the years 2007 and 2008, as per Central Bank circular 2/202BS RSA/2007 dated 13 February 2007 and 2/105 dated 23 April 2008.

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

30 June 2017 (Unaudited)

10 IMPAIRMENT AND OTHER PROVISIONS

Impairment and other provisions recorded for the period ended 30 June 2017 amounted to KD 51,124 thousand (30 June 2016: KD 38,978 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 5,314 thousand (30 June 2016: KD 2,041 thousand).

11 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 30 June		Six months ended 30 June	
	2017	2016	2017	2016
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>1,197</u>	<u>3,738</u>	<u>1,992</u>	<u>11,506</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	<u>1,646,328</u>	1,646,328	<u>1,646,328</u>	1,646,328
Less: Weighted average of treasury shares held (numbers in 000's)	<u>(8,800)</u>	(8,274)	<u>(8,800)</u>	(7,747)
	<u>1,637,528</u>	<u>1,638,054</u>	<u>1,637,528</u>	<u>1,638,581</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u>0.7</u>	<u>2.3</u>	<u>1.2</u>	<u>7.0</u>

Basic and diluted earnings per share for the current and comparative period presented have been adjusted to reflect the effect of bonus shares approved by the regulatory authorities.

12 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:

	30 June 2017			30 June 2016		
	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
Board of Directors						
Loans	2	-	71	2	-	89
Credit cards	-	-	-	-	-	-
Deposits	10	-	250	9	-	251
Executive Management						
Loans	9	-	132	8	-	100
Credit cards	10	1	14	6	-	8
Deposits	12	-	519	12	-	400

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 5% (30 June 2016: 0% to 5%).

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

30 June 2017 (Unaudited)

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

	Six months ended 30 June	
	2017 KD 000's	2016 KD 000's
Salaries and other short-term benefits	(644)	(470)
Post employment benefits	(4)	(4)
End of service benefits	(31)	(32)

13 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:

	30 June 2017			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Financial Instruments				
Financial assets at fair value through statement of income:				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	(1,817)	-	(1,817)
Interest Rate Swaps	-	(38)	-	(38)
	-	(1,855)	-	(1,855)
Financial assets available for sale:				
Equity securities	158,566	32,722	-	191,288
Debt securities	206,834	28,378	-	235,212
Others	-	10,094	-	10,094
	365,400	71,194	-	436,594



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2017 (Unaudited)

	31 December 2016 (Audited)			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Financial Instruments				
Financial assets at fair value through statement of income:				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	4,191	-	4,191
Interest Rate Swaps	-	591	-	591
	-	4,782	-	4,782
Financial assets available for sale:				
Equity securities	161,792	32,345	-	194,137
Debt securities	166,433	28,406	-	194,839
Others	-	4,358	-	4,358
	328,225	65,109	-	393,334
	30 June 2016			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Financial Instruments				
Financial assets at fair value through statement of income:				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	1,478	-	1,478
Interest Rate Swaps	-	(951)	-	(951)
	-	527	-	527
Financial assets available for sale:				
Equity securities	134,388	33,518	-	167,906
Debt securities	149,056	29,796	-	178,852
Others	-	916	-	916
	283,444	64,230	-	347,674

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

14 SEGMENTAL ANALYSIS

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

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

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

30 June 2017 (Unaudited)

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016	2017	2016
Net interest income	40,919	37,917	4,660	4,295	45,579	42,212
Non interest income	21,121	20,921	7,647	7,522	28,768	28,443
Operating income	62,039	58,838	12,308	11,817	74,347	70,655
Impairment and other provisions	(5,882)	(24,383)	(45,242)	(14,595)	(51,124)	(38,978)
Net profit (loss) for the period	44,943	22,996	(42,920)	(11,487)	2,023	11,509
Assets	2,354,523	2,428,474	1,809,470	1,709,431	4,163,993	4,137,905
Liabilities & Equity	1,551,963	1,521,313	2,612,030	2,616,592	4,163,993	4,137,905

15 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

	30 June 2017	(Audited) 31 December 2016	30 June 2016
	KD 000's	KD 000's	KD 000's
Acceptances	28,177	47,947	31,755
Letters of credit	147,181	137,689	117,344
Letters of guarantee	1,352,642	1,330,501	1,192,001
	1,528,000	1,516,137	1,341,100



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2017 (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
30 June 2017			
Foreign exchange contracts - forward	1,797	3,614	665,758
Interest Rate Swaps	396	434	132,612
	2,193	4,048	798,370
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
31 December 2016 (Audited)			
Foreign exchange contracts - forward	6,769	2,578	814,208
Interest Rate Swaps	636	45	94,488
	7,405	2,623	908,696
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
30 June 2016			
Foreign exchange contracts - forward	2,724	1,246	515,872
Interest Rate Swaps	-	951	93,952
	2,724	2,197	609,824

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 360 thousand (31 December 2016: KD 366 thousand and 30 June 2016: 45,229 thousand) have been provided.