



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**31 March 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 The Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 31 March 2017 and the related interim condensed consolidated statements of income, comprehensive income, 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 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 three month period ended 31 March 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 three month period ended 31 March 2017, that might have had a material effect on the business of the Bank or on its financial position.



Talal Y. Al-Muzaini  
License No. 209 A  
Deloitte & Touche  
Al-Wazzan & Co.



Nayef M. Al-Bazie  
License No. 91 A  
RSM Albazie & Co.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2017 (Unaudited)

		(Audited)	
	Note	31 March 2017 KD 000's	31 December 2016 KD 000's
			31 March 2016 KD 000's
<b>ASSETS</b>			
Cash and short term funds	5	692,649	556,929
Treasury and Central Bank bonds		389,099	329,570
Due from banks and other financial institutions	6	410,096	472,078
Loans and advances	7	2,233,926	2,250,468
Investment securities	8	426,677	393,334
Premises and equipment		29,440	29,439
Intangible assets		3,506	3,506
Other assets		82,980	89,965
<b>TOTAL ASSETS</b>		<b>4,268,373</b>	<b>4,125,289</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		324,951	365,972
Due to other financial institutions		870,410	802,885
Customer deposits		2,297,267	2,221,632
Other borrowed funds		38,125	30,630
Other liabilities		120,396	100,323
<b>TOTAL LIABILITIES</b>		<b>3,651,149</b>	<b>3,521,442</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital		149,666	149,666
Proposed bonus shares		14,967	14,967
Treasury shares		(3,740)	(3,740)
Reserves		267,229	254,666
Retained earnings		165,985	165,190
		594,107	580,749
Proposed dividend		22,330	22,330
		616,437	603,079
<b>Non-controlling interests</b>		<b>787</b>	<b>768</b>
<b>TOTAL EQUITY</b>		<b>617,224</b>	<b>603,847</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,268,373</b>	<b>4,125,289</b>

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 31 March 2017 (Unaudited)

	Note	Three months ended 31 March	
		2017 KD 000's	2016 KD 000's
Interest income	9	31,626	29,573
Interest expense		(9,467)	(8,175)
<b>NET INTEREST INCOME</b>		<b>22,159</b>	<b>21,398</b>
Fees and commissions		9,653	9,061
Net gain from dealing in foreign currencies		463	2,312
Net gain from investment securities		2,559	204
Dividend income		3,627	4,632
Other operating income		797	629
<b>OPERATING INCOME</b>		<b>39,258</b>	<b>38,236</b>
Staff expenses		(5,612)	(5,643)
General and administrative expenses		(4,682)	(4,024)
Depreciation and amortisation		(11)	(17)
<b>OPERATING EXPENSES</b>		<b>(10,305)</b>	<b>(9,684)</b>
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>28,953</b>	<b>28,552</b>
Impairment and other provisions	10	(28,134)	(20,575)
<b>PROFIT BEFORE TAXATION</b>		<b>819</b>	<b>7,977</b>
Taxation		(6)	(210)
<b>NET PROFIT FOR THE PERIOD</b>		<b>813</b>	<b>7,767</b>
<b>Attributable to:</b>			
Shareholders of the Bank		795	7,768
Non-controlling interests		18	(1)
		<b>813</b>	<b>7,767</b>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	11	<b>0.5</b>	<b>4.7</b>

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 31 March 2017 (Unaudited)

	Three months ended 31 March	
	2017 KD 000's	2016 KD 000's
Net profit for the period	813	7,767
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will be reclassified subsequently to consolidated statement of income:		
Changes in fair value of investment securities	13,285	(6,055)
Net loss on disposal / impairment of investment securities	(721)	(301)
	<b>12,564</b>	<b>(6,356)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>13,377</b>	<b>1,411</b>
<b>Attributable to:</b>		
Shareholders of the Bank	13,358	1,407
Non-controlling interests	19	4
	<b>13,377</b>	<b>1,411</b>

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 31 March 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	-	-	-	-	-	-	-	-	(6,361)	(6,361)	7,768	-	1,407	4	1,411
Treasury shares purchased	-	-	(335)	-	-	-	-	-	-	-	-	-	(335)	-	(335)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(18,273)	(18,273)	-	(18,273)
Dividend on treasury shares purchased	-	-	-	-	-	-	-	-	-	-	9	(9)	-	-	-
Balance at 31 March 2016	141,194	8,472	(3,157)	66,791	115,977	17,927	-	26,078	25,363	252,136	159,854	-	558,499	1,029	559,528
<b>Balance at 1 January 2017</b>	<b>149,666</b>	<b>14,967</b>	<b>(3,740)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>25,282</b>	<b>28,689</b>	<b>254,666</b>	<b>165,190</b>	<b>22,330</b>	<b>603,079</b>	<b>768</b>	<b>603,847</b>
Total comprehensive income for the period	-	-	-	-	-	-	-	-	12,563	12,563	795	-	13,358	19	13,377
<b>Balance at 31 March 2017</b>	<b>149,666</b>	<b>14,967</b>	<b>(3,740)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>25,282</b>	<b>41,252</b>	<b>267,229</b>	<b>165,985</b>	<b>22,330</b>	<b>616,437</b>	<b>787</b>	<b>617,224</b>

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. The Bank has completed the registration procedures for the issuance of bonus shares and has notified to the Kuwait Stock Exchange to adjust the authorized, subscribed and fully paid up share capital to 1,646,328 thousand shares of 100 fils each.

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.

Investment valuation reserve includes a loss of KD 5,474 thousand (31 December 2016: KD 5,498 thousand and 31 March 2016: KD 5,406 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 31 March 2017 (Unaudited)

	Note	Three months ended	
		31 March	
		2017 KD 000's	2016 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		819	7,977
Adjustments for:			
Impairment and other provisions	10	28,134	20,575
Income from investment securities		(6,186)	(4,836)
Foreign exchange gain on investment securities		(2,189)	(2,581)
Depreciation and amortisation		11	17
Profit before changes in operating assets and liabilities		20,589	21,152
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(59,529)	11,056
Due from banks and other financial institutions		61,982	(132,925)
Loans and advances		15,682	(19,878)
Other assets		4,827	(18,731)
Due to banks		(41,021)	30,028
Due to other financial institutions		67,525	110,656
Customer deposits		75,635	(46,181)
Other liabilities		(5,052)	3,418
Net cash from (used in) operating activities		140,638	(41,405)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		25,961	14,266
Acquisition of investment securities		(41,990)	(46,115)
Dividend income from investment securities		3,627	4,632
Acquisition of premises and equipment		(11)	(49)
Net cash used in investing activities		(12,413)	(27,266)
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		7,495	30,210
Purchase of treasury shares		-	(335)
Dividends paid		-	(18,273)
Net cash from financing activities		7,495	11,602
Net increase (decrease) in cash and short term funds		135,720	(57,069)
Cash and short term funds at 1 January		556,929	682,469
<b>Cash and short term funds at 31 March</b>	5	<b>692,649</b>	<b>625,400</b>

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**

31 March 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 Kuwait Stock Exchange ("KSE"). 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 May 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 31 March 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		
			31 March 2017	31 December 2016	31 March 2016
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	93.55%	93.55%	80

**4 PROVISIONS NO LONGER REQUIRED**

Under the terms of Law 41/93, provision no longer required as at 31 March 2017 amounted to KD nil (31 March 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**

31 March 2017 (Unaudited)

**5 CASH AND SHORT TERM FUNDS**

	<b>31 March 2017 KD 000's</b>	<i>(Audited)</i> 31 December 2016 KD 000's	31 March 2016 KD 000's
Cash and cash items	<b>244,410</b>	232,130	153,377
Balances with the CBK	<b>10,170</b>	10,935	31,034
Deposits with banks maturing within seven days	<b>438,069</b>	313,864	440,989
	<b>692,649</b>	556,929	625,400

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

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

	<b>31 March 2017 KD 000's</b>	<i>(Audited)</i> 31 December 2016 KD 000's	31 March 2016 KD 000's
Placements with banks	<b>368,087</b>	430,034	364,787
Loans and advances to banks	<b>42,433</b>	42,469	34,161
	<b>410,520</b>	472,503	398,948
Less : Provision for impairment	<b>(424)</b>	(425)	(342)
	<b>410,096</b>	472,078	398,606

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.



## 8 INVESTMENT SECURITIES

During the period, the Group recognised an unrealised gain of KD 13,285 thousand (31 March 2016: unrealised loss of KD 6,055 thousand) in the interim condensed consolidated statement of comprehensive income as arising from changes in fair value and recycled fair valuation changes of KD 721 thousand (31 March 2016: KD 301 thousand) to the interim condensed consolidated statement of income on disposal and impairment of "available for sale" investment securities.

During 2009, 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 KSE. 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 has 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 which has been rejected at the same hearing. However, a courts session has been fixed on 30 May 2017 for hearing the Bank's appeal in the deliberation room.

Until today, the execution proceedings of the Bank, the Borrower and the five companies is pending hearing in the Execution Court. As at 31 March 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 31 March 2016: 246,425,059 shares at a fair value of KD 103,499 thousand). As at 31 March 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 31 March 2016: 221,425,095 shares - KD 68,136 thousand) and is carried at a fair value of KD 94,161 thousand (31 December 2016: KD 87,463 thousand and 31 March 2016: KD 92,999 thousand), with the resultant fair valuation gain of KD 29,270 thousand (31 December 2016: KD 22,572 thousand and 31 March 2016: KD 24,863 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 3 thousand (31 March 2016: KD 12 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**

31 March 2017 (Unaudited)

**10 IMPAIRMENT AND OTHER PROVISIONS**

Impairment and other provisions recorded for the period ended 31 March 2017 amounted to KD 28,134 thousand (31 March 2016: KD 20,575 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 2,998 thousand (31 March 2016: KD 359 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 31 March	
	2017	2016
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>795</u>	<u>7,768</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	<b>1,646,328</b>	1,646,328
Less: Weighted average of treasury shares held (numbers in 000's)	<b>(8,800)</b>	(7,221)
	<u><b>1,637,528</b></u>	<u>1,639,107</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u><b>0.5</b></u>	<u>4.7</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:

	31 March 2017			31 March 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
<b>Board of Directors</b>						
Loans	2	-	76	2	-	94
Credit cards	2	-	5	-	-	-
Deposits	10	-	270	9	-	174
<b>Executive Management</b>						
Loans	7	-	95	6	-	63
Credit cards	7	2	15	9	1	15
Deposits	12	-	557	12	-	410

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% (31 March 2016: 0% to 5%).

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

31 March 2017 (Unaudited)

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	
	2017 KD 000's	2016 KD 000's
Salaries and other short-term benefits	(399)	(230)
Post employment benefits	(2)	(2)
End of service benefits	(16)	(16)

**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:

	31 March 2017			
	KD 000's			
	Level 1	Level 2	Level 3	Total
<b>Financial Instruments</b>				
<b>Financial assets at fair value through statement of income:</b>				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	(1,178)	-	(1,178)
Interest Rate Swaps	-	375	-	375
	-	(803)	-	(803)
<b>Financial assets available for sale:</b>				
Equity securities	160,219	32,011	-	192,230
Debt securities	195,301	28,614	-	223,915
Others	-	10,532	-	10,532
	355,520	71,157	-	426,677

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

31 March 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	
		31 March 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	-	(285)	-	(285)	
Interest Rate Swaps	-	(177)	-	(177)	
	-	(462)	-	(462)	
Financial assets available for sale:					
Equity securities	139,967	33,853	-	173,820	
Debt securities	166,884	24,987	-	191,871	
Others	-	935	-	935	
	306,851	59,775	-	366,626	

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**

31 March 2017 (Unaudited)

	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	
	2017	2016	2017	2016	2017	2016
Net interest income	20,012	19,102	2,147	2,296	22,159	21,398
Non interest income	10,329	11,104	6,770	5,734	17,099	16,838
Operating income	30,341	30,206	8,917	8,030	39,258	38,236
Impairment and other provisions	(4,177)	(20,782)	(23,957)	207	(28,134)	(20,575)
Net profit (loss) for the period	20,610	3,859	(19,797)	3,908	813	7,767
Assets	2,346,607	2,436,078	1,921,766	1,711,325	4,268,373	4,147,403
Liabilities & Equity	1,586,589	1,498,388	2,681,784	2,649,015	4,268,373	4,147,403

**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**

	(Audited)		
	31 March 2017 KD 000's	31 December 2016 KD 000's	31 March 2016 KD 000's
Acceptances	41,798	47,947	31,955
Letters of credit	145,213	137,689	126,052
Letters of guarantee	1,371,117	1,330,501	1,157,625
	<b>1,558,128</b>	1,516,137	1,315,632


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

31 March 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
<b>31 March 2017</b>			
Foreign exchange contracts - forward	1,493	2,671	520,369
Interest Rate Swaps	595	220	122,659
	<b>2,088</b>	<b>2,891</b>	<b>643,028</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 December 2016 (Audited)</b>			
Foreign exchange contracts - forward	6,769	2,578	814,208
Interest Rate Swaps	636	45	94,488
	<b>7,405</b>	<b>2,623</b>	<b>908,696</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 March 2016</b>			
Foreign exchange contracts - forward	2,827	3,112	521,236
Interest Rate Swaps	193	370	87,003
	<b>3,020</b>	<b>3,482</b>	<b>608,239</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 356 thousand (31 December 2016: KD 366 thousand and 31 March 2016: KD 1,219 thousand) have been provided.