



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

30 September 2013 (Unaudited)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF KUWAIT S.A.K

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Commercial Bank of Kuwait S.A.K (“the Parent Bank”) and its subsidiaries (together called “the Group”) as of 30 September 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the nine 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.

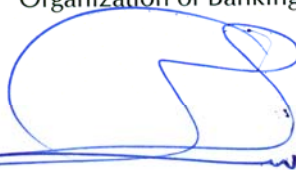
Conclusion

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.

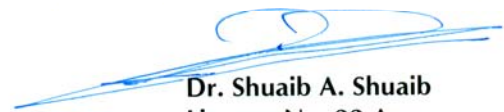
Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Bank, and we have not become aware of any material violations of the Companies Law No. 25 of 2012, as amended, or of the Articles of Association of the Parent Bank have occurred during the period ended 30 September 2013 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our review, we have not become aware of any material 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.



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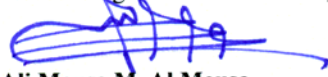
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2013 (Unaudited)

		<i>(Audited)</i>		
		30 September	31 December	30 September
	Note	2013	2012	2012
		KD 000's	KD 000's	KD 000's
ASSETS				
Cash and short term funds	5	352,457	253,765	202,652
Treasury and Central Bank bonds		340,717	444,195	423,091
Due from banks and other financial institutions	6	448,395	373,033	383,155
Loans and advances	7	2,281,217	2,127,733	2,128,691
Investment securities	8	384,415	395,123	414,013
Investment in an associate		-	3,228	6,982
Premises and equipment		24,488	25,768	24,669
Goodwill and other intangible assets		9,940	9,940	10,075
Other assets		44,681	35,311	9,928
TOTAL ASSETS		3,886,310	3,668,096	3,603,256
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		733,857	817,294	818,607
Customer deposits		2,545,727	2,257,288	2,203,131
Other liabilities		54,369	40,492	49,761
TOTAL LIABILITIES		3,333,953	3,115,074	3,071,499
EQUITY				
Equity attributable to shareholders of the Parent Bank				
Share capital		127,202	127,202	127,202
Treasury shares		(3,249)	(75)	(75)
Reserves		304,326	309,667	301,720
Retained earnings		122,996	115,262	101,967
Non-controlling interests		1,082	966	943
TOTAL EQUITY		552,357	553,022	531,757
TOTAL LIABILITIES AND EQUITY		3,886,310	3,668,096	3,603,256

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 14 November 2013 and signed on their behalf by:


Ali Mousa M. Al Mousa
 Chairman


Elham Yousry Mahfouz
 Acting CEO

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 September 2013 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2013	2012	2013	2012
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income	9	26,543	27,931	78,756	86,851
Interest expense		(5,066)	(6,617)	(14,780)	(22,998)
NET INTEREST INCOME		21,477	21,314	63,976	63,853
Fees and commissions		7,769	6,896	22,236	20,742
Net gain from dealing in foreign currencies		678	554	2,730	2,673
Net gain from investment securities		418	186	2,104	429
Gain on disposal of assets pending sale		-	-	3,214	-
Dividend income		-	112	1,907	2,297
Share of result from an associate		-	(169)	512	519
Other operating income		259	339	847	739
OPERATING INCOME		30,601	29,232	97,526	91,252
Staff expenses		(5,069)	(4,051)	(14,477)	(11,625)
General and administrative expenses		(3,253)	(2,970)	(9,522)	(10,041)
Depreciation and amortisation		(241)	(68)	(711)	(166)
OPERATING EXPENSES		(8,563)	(7,089)	(24,710)	(21,832)
OPERATING PROFIT BEFORE PROVISIONS		22,038	22,143	72,816	69,420
Impairment and other provisions	10	(22,013)	(34,757)	(64,656)	(81,578)
PROFIT (LOSS) BEFORE TAXATION		25	(12,614)	8,160	(12,158)
Taxation		9	3	(280)	(3)
NET PROFIT (LOSS) FOR THE PERIOD		34	(12,611)	7,880	(12,161)
Attributable to:					
Shareholders of the Parent Bank		-	(12,627)	7,734	(12,176)
Non-controlling interests		34	16	146	15
		34	(12,611)	7,880	(12,161)
Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Bank (fils)	11	-	(9.9)	6.1	(9.6)

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 September 2013 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2013 KD 000's	2012 KD 000's	2013 KD 000's	2012 KD 000's
Net profit (loss) for the period	34	(12,611)	7,880	(12,161)
OTHER COMPREHENSIVE INCOME:				
Items that will be reclassified subsequently to statement of income:				
Changes in fair value of investment securities	(3,401)	5,804	(1,306)	15,201
Net (loss) gain on disposal / impairment of investment securities	(497)	219	(1,418)	563
Share of other comprehensive gain (loss) of an associate	16	(379)	(1,829)	(3,235)
	(3,882)	5,644	(4,553)	12,529
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(3,848)	(6,967)	3,327	368
Attributable to:				
Shareholders of the Parent Bank	(3,894)	(6,986)	3,175	338
Non-controlling interests	46	19	152	30
	(3,848)	(6,967)	3,327	368

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 September 2013 (Unaudited)

	KD 000's													
	Attributable to shareholders of the Parent Bank												Non-controlling Interests	Total
	Share Capital	Treasury Shares	Share Premium	Statutory Reserve	General Reserve	Reserves			Total Reserves	Retained Earnings	Total			
Treasury Shares Reserve						Property Revaluation Reserve	Investment Valuation Reserve							
Balance at 1 January 2012	127,202	(75)	66,791	63,601	17,927	45,603	22,172	73,112	289,206	114,143	530,476	913	531,389	
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	12,514	12,514	(12,176)	338	30	368	
Balance at 30 September 2012	127,202	(75)	66,791	63,601	17,927	45,603	22,172	85,626	301,720	101,967	530,814	943	531,757	
Balance at 1 January 2013	127,202	(75)	66,791	63,601	17,927	45,603	22,999	92,746	309,667	115,262	552,056	966	553,022	
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(4,559)	(4,559)	7,734	3,175	152	3,327	
Reversal of revaluation surplus	-	-	-	-	-	-	(782)	-	(782)	-	(782)	-	(782)	
Treasury shares purchased	-	(3,174)	-	-	-	-	-	-	-	-	(3,174)	-	(3,174)	
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(36)	(36)	
Balance at 30 September 2013	127,202	(3,249)	66,791	63,601	17,927	45,603	22,217	88,187	304,326	122,996	551,275	1,082	552,357	

Investment valuation reserve includes a loss of KD 5,349 thousand (31 December 2012: loss of KD 3,334 thousand) arising from foreign currency translation of the Parent 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 September 2013 (Unaudited)

	Note	Nine months ended	
		30 September	
		2013	2012
		KD 000's	KD 000's
OPERATING ACTIVITIES			
Profit (loss) before taxation		8,160	(12,158)
Adjustments for:			
Impairment and other provisions	10	64,656	81,578
Income from investment securities		(4,011)	(2,726)
Foreign exchange gain on investment securities		(1,232)	(175)
Depreciation and amortisation		711	166
Share of results from an associate		(512)	(519)
Profit before changes in operating assets and liabilities		67,772	66,166
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		103,478	60,945
Due from banks and other financial institutions		(75,362)	22,834
Loans and advances		(206,299)	(15,499)
Other assets		(10,823)	8,622
Due to banks and other financial institutions		(83,437)	(67,913)
Customer deposits		288,439	(50,834)
Other liabilities		13,250	(1,853)
Net cash from operating activities		97,018	22,468
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		35,389	14,494
Acquisition of investment securities		(32,199)	(34,467)
Dividend income from investment securities		1,907	2,297
Proceeds from disposal of premises and equipment		75	60
Acquisition of premises and equipment		(288)	(670)
Net cash from (used in) investing activities		4,884	(18,286)
FINANCING ACTIVITIES			
Purchase of treasury shares		(3,174)	-
Dividend paid to non controlling interest		(36)	-
Net cash used in financing activities		(3,210)	-
Net increase in cash and short term funds		98,692	4,182
Cash and short term funds at 1 January		253,765	198,470
Cash and short term funds at 30 September	5	352,457	202,652

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



1 INCORPORATION AND REGISTRATION

The Commercial Bank of Kuwait S.A.K (the "Parent 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 registered office of the Parent Bank is P.O. Box 2861, 13029 Safat, State of Kuwait.

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

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 2012 except for the adoption of the following new and amended standards issued and effective during the year:

IFRS 7: Financial Instruments Disclosures: The amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment affects disclosure only and has no material impact on the interim condensed consolidated financial position or performance of the Group. However adoption of the above amendment may result in more enhanced disclosures in the annual consolidated financial statements of the Group.

IFRS 10: Consolidated Financial Statements: This new Standard replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC 12: Consolidation of Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any material impact on the interim condensed consolidated financial position or performance of the Group.

IFRS 12: Disclosure of Interests in Other Entities: This new Standard requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is provide information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The adoption of this standard has not resulted in any material additional disclosures in the interim condensed consolidated financial position. The Group will review before the year end and may disclose any additional disclosure in the annual consolidated financial statements of the Group.

IFRS 13: Fair Value Measurement: This new Standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The adoption of this standard has resulted in additional disclosures in the interim condensed consolidated financial information of the Group.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2013 (Unaudited)

IAS 1: Presentation of Financial Statements: The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the interim condensed consolidated financial position or performance of Group.

IAS 19: Employee Benefits: Numerous changes or clarifications are made under the amended Standard. Among these numerous amendments, the most important changes are making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. These amendments have no material impact on the interim condensed consolidated financial position or performance of the Group.

IAS 28: Investments in Associates and Joint Ventures: As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures. The Standard describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard has not resulted in any material impact on the interim condensed consolidated financial position or performance of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, interim condensed consolidated financial position or performance of the Group.

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 September 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2012.

3 SUBSIDIARIES

Name of entities	Country of incorporation	Principal activities	% of ownership		
			30 September 2013	31 December 2012	30 September 2012
Al Tijari Investment Company K.S.C (Closed) - (Under Liquidation)	Kuwait	Investment Banking	-	100	100
Union Securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage Services	80	80	80

Based on the approval from the Capital Markets Authority as on 7 January 2013 and the Ministry of Commerce as on 17 January 2013, the Parent Bank has appointed a liquidator to liquidate "Al Tijari Investment Company K.S.C (Closed)". Accordingly, the net assets of the former subsidiary amounting to KD 3,152 thousand have been treated as non-current assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and classified under other assets.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2013 (Unaudited)

4 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 30 September 2013 amounted to KD 8 thousand (30 September 2012: KD 4 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 2012 and in accordance with the instructions of the CBK.

5 CASH AND SHORT TERM FUNDS

	<i>(Audited)</i>		
	30 September 2013	31 December 2012	30 September 2012
	KD 000's	KD 000's	KD 000's
Cash and cash items	52,723	64,341	56,643
Balances with the CBK	30,666	76,563	12,087
Deposits with banks maturing within seven days	269,068	112,861	133,922
	352,457	253,765	202,652

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

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>(Audited)</i>		
	30 September 2013	31 December 2012	30 September 2012
	KD 000's	KD 000's	KD 000's
Placements with banks	448,395	343,458	357,108
Loans and advances to banks	-	1,374	1,382
Amounts due from other financial institutions	-	28,201	24,665
	448,395	373,033	383,155

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 period, CBK issued its Circular no. 2/BS,IS/305/2013 to all local banks and investment companies regarding formation of Family Support Fund (the "Fund") under Law no. 104/2013. The Ministry of Finance has established a Fund to purchase outstanding balance of instalment and consumer loans from the Banks as on 12 June 2013 for loans granted before 30 March 2008. The Parent Bank is currently in the process of identifying such loans and submitting its report as required by the circular.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2013 (Unaudited)

8 INVESTMENT SECURITIES

During the period, the Group recognised an unrealised loss of KD 1,306 thousand (30 September 2012: unrealised gain of KD 15,201 thousand) in the interim condensed consolidated statement of comprehensive income as arising from changes in fair value and re-cycled fair valuation changes of KD 1,418 thousand (30 September 2012: KD 563 thousand) to the interim condensed consolidated statement of income on disposal and impairment of "available for sale" investment securities.

Impairment loss of KD 8,112 thousand (30 September 2012: KD 16,423 thousand) was charged to the interim condensed consolidated statement of income.

Investment securities include 348,483,589 shares carried at a fair value of KD 209,090 thousand (31 December 2012: KD 223,029 thousand and 30 September 2012: KD 216,060 thousand). The Parent Bank acquired 221,421,095 of these shares at a cost of KD 94,103 thousand in the year 2009 under a transaction executed through the KSE where the counterparty subsequently failed to exercise their buy back option within the agreed time frame. During 2010, the Parent Bank participated in the rights issue and acquired 127,062,494 shares at a cost of KD 32,401 thousand. As at the reporting date, the Parent Bank holds the title of the underlying shares. The counterparty raised a legal case challenging the Parent Bank's ownership that is currently pending at the court of law. On the basis of legal counsel, management believes that they have a meritorious defense and accordingly the Parent Bank has fair valued the investment and recognised the resultant fair valuation gain in the Investment Valuation Reserve.

9 INTEREST INCOME

Interest income includes a release of KD 183 thousand (30 September 2012: KD 598 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 year 2007, as per Central Bank circular 2/202BS RSA/2007 dated 13 February 2007 and 2/105 dated 23 April 2008.

10 IMPAIRMENT AND OTHER PROVISIONS

The following amounts were (charged) / released to the interim condensed consolidated statement of income during the period:

	Three months ended 30 September		Nine months ended 30 September	
	2013 KD 000's	2012 KD 000's	2013 KD 000's	2012 KD 000's
Loans and advances - specific	(16,469)	(30,920)	(51,403)	(54,467)
Loans and advances - general	(9)	8,199	(1,412)	6,652
Investment securities	(3,100)	(8)	(8,112)	(16,423)
Non cash facilities	(377)	(3,449)	(670)	(8,838)
Other provisions	(2,058)	(8,579)	(3,059)	(8,502)
	(22,013)	(34,757)	(64,656)	(81,578)

Other provisions mainly represent impairment of investment in an associate amounting to KD 1,926 thousand (30 September 2012: KD nil).

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

30 September 2013 (Unaudited)

11 EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
Net profit (loss) for the period attributable to shareholders of the Parent Bank (KD 000's)	-	(12,627)	7,734	(12,176)
Weighted average of authorised and subscribed shares (numbers in 000's)	1,272,022	1,272,022	1,272,022	1,272,022
Less: Weighted average of treasury shares held (numbers in 000's)	(3,981)	(70)	(2,099)	(70)
	1,268,041	1,271,952	1,269,923	1,271,952
Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Bank (fils)	0.0	(9.9)	6.1	(9.6)

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 September 2013			30 September 2012		
	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	-	-	-	-	-	-
Credit cards	2	-	9	-	-	-
Deposits	10	-	66	5	-	43
Executive Management						
Loans	7	-	113	8	-	145
Credit cards	9	3	16	12	3	17
Deposits	14	10	672	13	12	540

The loans issued to directors, key management personnel and related members are repayable within 1 year and have interest rates of 0% (30 September 2012: 0% to 1.5%).

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

	Nine months ended 30 September	
	2013 KD 000's	2012 KD 000's
Salaries and other short-term benefits	(1,246)	(899)
Post employment benefits	(7)	(9)
End of service benefits	(152)	(120)



13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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 September 2013			
	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Financial assets available for sale:				
Equity securities	287,370	35,768	-	323,138
Debt securities	20,445	38,300	-	58,745
Others	-	2,532	-	2,532
	307,815	76,600	-	384,415

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

30 September 2013 (Unaudited)

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.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012	2013	2012
Net interest income	58,117	58,314	5,859	5,539	63,976	63,853
Non interest income	24,974	20,861	8,576	6,538	33,550	27,399
Operating income	83,091	79,175	14,435	12,077	97,526	91,252
Impairment and other provisions	(54,520)	(56,666)	(10,136)	(24,912)	(64,656)	(81,578)
Net profit (loss) for the period	14,851	10,060	(6,971)	(22,221)	7,880	(12,161)
Assets	2,284,870	2,170,653	1,601,440	1,432,603	3,886,310	3,603,256
Liabilities & Equity	1,546,195	1,317,140	2,340,115	2,286,116	3,886,310	3,603,256

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)		
	30 September 2013	31 December 2012	30 September 2012
	KD 000's	KD 000's	KD 000's
Acceptances	34,632	42,904	60,411
Letters of credit	164,640	130,518	115,906
Letters of guarantee	860,783	885,205	862,521
Others	35,736	37,961	39,465
	1,095,791	1,096,588	1,078,303



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2013 (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 September 2013			
Foreign exchange contracts - forward	17,175	(1,314)	615,840
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
31 December 2012 (Audited)			
Foreign exchange contracts - forward	2,393	(1,172)	347,902
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
30 September 2012			
Foreign exchange contracts - forward	1,288	(901)	362,316

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 2,014 thousand (31 December 2012: KD 2,620 thousand and 30 September 2012: KD 1,933 thousand) has been provided.