



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**30 September 2015 (Unaudited)**

# Deloitte.

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### 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 30 September 2015 and the related interim condensed consolidated statements of income, comprehensive income, for the three month and nine month period then ended and the related interim condensed consolidated statements of 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.

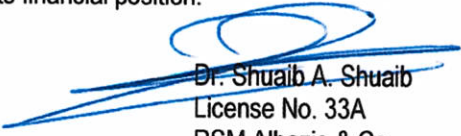
#### Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended and its executive regulations, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the nine month period ended 30 September 2015 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 nine month period ended 30 September 2015, that might have had a material effect on the business of the Bank or on its financial position.

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

07 October 2015  
Kuwait

  
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The Commercial Bank of Kuwait Group



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2015 (Unaudited)

	Note	(Audited)		
		30 September 2015 KD 000's	31 December 2014 KD 000's	30 September 2014 KD 000's
<b>ASSETS</b>				
Cash and short term funds	5	686,422	525,302	443,010
Treasury and Central Bank bonds		338,709	363,883	336,183
Due from banks and other financial institutions	6	409,170	701,745	415,532
Loans and advances	7	2,235,507	2,319,664	2,339,415
Investment securities	8	283,887	208,934	298,358
Premises and equipment		30,184	30,000	28,615
Intangible assets		9,809	9,809	9,809
Other assets		41,277	53,426	22,541
<b>TOTAL ASSETS</b>		<b>4,034,965</b>	<b>4,212,763</b>	<b>3,893,463</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		119,456	324,579	320,858
Due to other financial institutions		654,612	679,492	472,321
Customer deposits		2,588,522	2,554,251	2,404,379
Other liabilities		120,131	100,669	116,434
<b>TOTAL LIABILITIES</b>		<b>3,482,721</b>	<b>3,658,991</b>	<b>3,313,992</b>
<b>EQUITY</b>				
<b>Equity attributable to shareholders of the Bank</b>				
Share capital		141,194	141,194	141,194
Treasury shares		-	-	(3,881)
Reserves		251,954	253,453	299,841
Retained earnings		158,053	132,646	141,269
Proposed dividend		551,201	527,293	578,423
		-	25,415	-
<b>Non-controlling interests</b>		<b>551,201</b>	<b>552,708</b>	<b>578,423</b>
		<b>1,043</b>	<b>1,064</b>	<b>1,048</b>
<b>TOTAL EQUITY</b>		<b>552,244</b>	<b>553,772</b>	<b>579,471</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,034,965</b>	<b>4,212,763</b>	<b>3,893,463</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 30 September 2015 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015	2014	2015	2014
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income	9	26,875	27,379	81,057	81,297
Interest expense		(6,162)	(6,567)	(18,957)	(17,993)
<b>NET INTEREST INCOME</b>		<b>20,713</b>	<b>20,812</b>	<b>62,100</b>	<b>63,304</b>
Fees and commissions		8,852	7,759	25,482	23,314
Net gain from dealing in foreign currencies		1,353	1,411	3,241	4,017
Net gain from investment securities		36	2,286	1,581	6,602
Dividend income		254	269	4,026	1,771
(Loss) gain on disposal of assets pending sale		-	(120)	5,714	613
Other operating income		130	327	716	871
<b>OPERATING INCOME</b>		<b>31,338</b>	<b>32,744</b>	<b>102,860</b>	<b>100,492</b>
Staff expenses		(5,704)	(5,052)	(16,147)	(15,808)
General and administrative expenses		(3,938)	(3,533)	(11,783)	(10,523)
Depreciation and amortisation		(750)	(226)	(976)	(680)
<b>OPERATING EXPENSES</b>		<b>(10,392)</b>	<b>(8,811)</b>	<b>(28,906)</b>	<b>(27,011)</b>
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>20,946</b>	<b>23,933</b>	<b>73,954</b>	<b>73,481</b>
Impairment and other provisions	10	(11,813)	(11,219)	(47,480)	(46,974)
<b>PROFIT BEFORE TAXATION</b>		<b>9,133</b>	<b>12,714</b>	<b>26,474</b>	<b>26,507</b>
Taxation		(412)	(569)	(1,084)	(1,166)
<b>NET PROFIT FOR THE PERIOD</b>		<b>8,721</b>	<b>12,145</b>	<b>25,390</b>	<b>25,341</b>
<b>Attributable to:</b>					
Shareholders of the Bank		8,736	12,144	25,407	25,334
Non-controlling interests		(15)	1	(17)	7
		<b>8,721</b>	<b>12,145</b>	<b>25,390</b>	<b>25,341</b>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	11	6.2	8.6	18.0	18.0

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 September 2015 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2015 KD 000's	2014 KD 000's	2015 KD 000's	2014 KD 000's
Net profit for the period	8,721	12,145	25,390	25,341
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will be reclassified subsequently to consolidated statement of income:				
Changes in fair value of investment securities	(7,642)	6,945	(384)	4,644
Net loss on disposal / impairment of investment securities	(47)	(2,131)	(1,119)	(3,828)
	(7,689)	4,814	(1,503)	816
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,032</b>	<b>16,959</b>	<b>23,887</b>	<b>26,157</b>
<b>Attributable to:</b>				
Shareholders of the Bank	1,052	16,951	23,908	26,147
Non-controlling interests	(20)	8	(21)	10
	1,032	16,959	23,887	26,157

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



The Commercial Bank of Kuwait Group  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 Period ended 30 September 2015 (Unaudited)

	KD 000's													
	Attributable to shareholders of the Bank													
	Share Capital	Proposed Bonus Shares	Treasury Shares	Share Premium	Statutory Reserve	General Reserve	Reserves				Non-controlling Interests	Total		
Treasury Shares Reserve							Property Revaluation Reserve	Investment Valuation Reserve	Total Reserves					
Balance at 1 January 2014	127,202	13,992	(4,018)	66,791	63,601	17,927	24,530	81,392	299,844	115,940	8,864	561,824	1,083	562,907
Total comprehensive income for the period	-	-	-	-	-	-	-	813	813	25,334	-	26,147	10	26,157
Reversal of revaluation surplus	-	-	-	-	-	-	(887)	-	(887)	-	-	(887)	-	(887)
Treasury shares purchased	-	-	(901)	-	-	-	-	-	-	-	-	(901)	-	(901)
Treasury shares sold	-	1,038	-	-	-	-	71	-	71	-	-	1,109	-	1,109
Bonus shares issued	13,992	(13,992)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	(8,869)	(8,869)	(45)	(8,914)
Dividend on treasury shares sold	-	-	-	-	-	-	-	-	-	(5)	5	-	-	-
Balance at 30 September 2014	141,194	-	(3,881)	66,791	63,601	17,927	23,643	82,205	299,841	141,269	-	578,423	1,048	579,471
<b>Balance at 1 January 2015</b>	<b>141,194</b>	<b>-</b>	<b>-</b>	<b>66,791</b>	<b>70,597</b>	<b>17,927</b>	<b>24,947</b>	<b>27,811</b>	<b>253,453</b>	<b>132,646</b>	<b>25,415</b>	<b>552,708</b>	<b>1,064</b>	<b>553,772</b>
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,499)	(1,499)	25,407	-	23,908	(21)	23,887
Transfer to statutory reserve	-	-	-	-	45,380	-	(45,380)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	(25,415)	(25,415)	-	(25,415)
<b>Balance at 30 September 2015</b>	<b>141,194</b>	<b>-</b>	<b>-</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>24,947</b>	<b>26,312</b>	<b>251,954</b>	<b>158,053</b>	<b>-</b>	<b>551,201</b>	<b>1,043</b>	<b>552,244</b>

Annual General Assembly of the shareholders' held on 04 April 2015 approved to distribute cash dividend of 18 fils per share (2013: 7 fils per share) and nil bonus shares (2013: 11%) for the year 2014.

Investment valuation reserve includes a loss of KD 5,713 thousand (31 December 2014: KD 5,538 thousand and 30 September 2014: KD 5,448 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 September 2015 (Unaudited)

	Note	Nine months ended	
		30 September	
		2015	2014
		KD 000's	KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		26,474	26,507
Adjustments for:			
Impairment and other provisions	10	47,480	46,974
Income from investment securities		(5,607)	(8,373)
Foreign exchange loss on investment securities		(1,260)	(329)
Depreciation and amortisation		976	680
Profit before changes in operating assets and liabilities		<u>68,063</u>	<u>65,459</u>
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		25,174	5,114
Due from banks and other financial institutions		292,575	(21,764)
Loans and advances		40,070	(34,265)
Other assets		11,299	25,317
Due to banks		(205,123)	126,553
Due to other financial institutions		(24,880)	(18,981)
Customer deposits		34,271	(226,072)
Other liabilities		16,740	33,690
Net cash from (used in) operating activities		<u>258,189</u>	<u>(44,949)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		12,596	74,161
Acquisition of investment securities		(87,116)	(13,260)
Dividend income from investment securities		4,026	1,771
Proceeds from disposal of premises and equipment		13	37
Acquisition of premises and equipment		(1,173)	(2,664)
Net cash (used in) from investing activities		<u>(71,654)</u>	<u>60,045</u>
<b>FINANCING ACTIVITIES</b>			
Purchase of treasury shares		-	(901)
Proceeds from sale of treasury shares		-	1,109
Dividends paid		(25,415)	(8,869)
Dividend paid to non controlling interest		-	(45)
Net cash used in financing activities		<u>(25,415)</u>	<u>(8,706)</u>
Net increase in cash and short term funds		161,120	6,390
Cash and short term funds at 1 January		525,302	436,620
<b>Cash and short term funds at 30 September</b>	5	<u>686,422</u>	<u>443,010</u>

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 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 registered office of the Bank 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 7 October 2015.

**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 2014.

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 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2014.

**3 SUBSIDIARY**

Name of entity	Country of incorporation	Principal activities	% of ownership		
			30 September 2015	31 December 2014	30 September 2014
Al-Tijari Financial Brokerage Company K.S.C. (Closed) (Formerly Union Securities Brokerage Company K.S.C. (Closed))	Kuwait	Brokerage Services	80	80	80

**4 PROVISIONS NO LONGER REQUIRED**

Under the terms of Law 41/93, provision no longer required as at 30 September 2015 amounted to KD 1 thousand (30 September 2014: KD 11 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 2014 and in accordance with the instructions of the CBK.



**5 CASH AND SHORT TERM FUNDS**

	<i>(Audited)</i>		
	<b>30 September 2015</b>	31 December 2014	30 September 2014
	<b>KD 000's</b>	KD 000's	KD 000's
Cash and cash items	<b>105,602</b>	89,041	99,489
Balances with the CBK	<b>6,819</b>	31,063	11,249
Deposits with banks maturing within seven days	<b>574,001</b>	405,198	332,272
	<b>686,422</b>	525,302	443,010

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

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

	<i>(Audited)</i>		
	<b>30 September 2015</b>	31 December 2014	30 September 2014
	<b>KD 000's</b>	KD 000's	KD 000's
Placements with banks	<b>379,926</b>	694,445	398,450
Loans and advances to banks	<b>29,039</b>	7,374	7,254
Amounts due from other financial institutions	<b>500</b>	-	10,000
	<b>409,465</b>	701,819	415,704
Less : Provision for impairment	<b>(295)</b>	(74)	(172)
	<b>409,170</b>	701,745	415,532

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 32,337 thousand have been settled.

**8 INVESTMENT SECURITIES**

During the period, the Group recognised an unrealised loss of KD 384 thousand (30 September 2014: unrealised gain of KD 4,644 thousand) in the interim condensed consolidated statement of comprehensive income as arising from changes in fair value and recycled fair valuation changes of KD 1,119 thousand (30 September 2014: KD 3,828 thousand) to the interim condensed consolidated statement of income on disposal and impairment of "available for sale" investment securities.

Impairment loss of KD 905 thousand (30 September 2014: KD 3,956 thousand) was charged to the interim condensed consolidated statement of income.

The Bank acquired 221,425,059 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 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 55,303,974 bonus shares. The counterparty raised a legal case challenging the Bank's ownership that is currently pending at the court of law. On the basis of interim order of the court, there is a restriction on the sale of 221,425,059 shares. As at reporting date, the Bank holds title for 252,025,059 shares carried at a fair value of KD 102,070 thousand (31 December 2014: 248,766,598 shares at a fair value of KD 101,994 thousand and 30 September 2014: 382,766,598 shares at a fair value of KD 195,211 thousand). On the basis of legal counsel, management believes that they have a meritorious defense and accordingly, the 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 605 thousand (30 September 2014: KD 224 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		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	KD 000's	KD 000's	KD 000's	KD 000's
Loans and advances - specific	(2,249)	(3,052)	(97,174)	(14,383)
Loans and advances - recoveries	4,356	14,587	11,010	18,155
Loans and advances - general	(13,779)	(12,486)	42,077	(15,617)
Investment securities	(250)	-	(905)	(3,956)
Non cash facilities	110	(232)	(1,339)	(497)
Other provisions	(1)	(10,036)	(1,149)	(30,676)
	<b>(11,813)</b>	<b>(11,219)</b>	<b>(47,480)</b>	<b>(46,974)</b>



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

30 September 2015 (Unaudited)

**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 September		Nine months ended 30 September	
	2015	2014	2015	2014
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>8,736</u>	<u>12,144</u>	<u>25,407</u>	<u>25,334</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	<u>1,411,945</u>	1,411,945	<u>1,411,945</u>	1,411,945
Less: Weighted average of treasury shares held (numbers in 000's)	-	(6,160)	-	(6,048)
	<u>1,411,945</u>	<u>1,405,785</u>	<u>1,411,945</u>	<u>1,405,897</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u>6.2</u>	<u>8.6</u>	<u>18.0</u>	<u>18.0</u>

**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 2015			30 September 2014		
	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	-	-	-	-	-	-
Credit cards	-	-	-	4	-	16
Deposits	9	-	256	9	-	181
<b>Executive Management</b>						
Loans	8	-	59	8	-	90
Credit cards	7	1	20	9	2	13
Deposits	13	2	270	13	2	321

The loans issued to directors, key management personnel and related members are repayable within 1 year and have interest rates of 0% (30 September 2014: 0%).



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

	Nine months ended 30 September	
	2015 KD 000's	2014 KD 000's
Salaries and other short-term benefits	(672)	(764)
Post employment benefits	(3)	(4)
End of service benefits	(38)	(74)

### 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:

Financial Instruments	30 September 2015			
	KD 000's			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through statement of income:</b>				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	(1,058)	-	(1,058)
Interest Rate Swaps	-	(119)	-	(119)
	-	(1,177)	-	(1,177)
<b>Financial assets available for sale:</b>				
Equity securities	137,377	33,802	-	171,179
Debt securities	85,808	25,081	-	110,889
Others	-	1,819	-	1,819
	223,185	60,702	-	283,887

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

30 September 2015 (Unaudited)

		31 December 2014 (Audited)			
		KD 000's			
Financial Instruments		Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of income:					
Derivative Financial Instruments:					
Forward Foreign Exchange Contracts		-	(16,039)	-	(16,039)
Interest Rate Swaps		-	-	-	-
		-	(16,039)	-	(16,039)
Financial assets available for sale:					
Equity securities		131,307	33,276	-	164,583
Debt securities		17,445	24,945	-	42,390
Others		-	1,961	-	1,961
		148,752	60,182	-	208,934
		30 September 2014			
		KD 000's			
Financial Instruments		Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of income:					
Derivative Financial Instruments:					
Forward Foreign Exchange Contracts		-	(15,586)	-	(15,586)
Interest Rate Swaps		-	-	-	-
		-	(15,586)	-	(15,586)
Financial assets available for sale:					
Equity securities		228,899	34,510	-	263,409
Debt securities		7,764	25,058	-	32,822
Others		-	2,127	-	2,127
		236,663	61,695	-	298,358

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.



	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	
	2015	2014	2015	2014	2015	2014
Net interest income	57,260	57,169	4,840	6,135	62,100	63,304
Non interest income	31,562	24,329	9,198	12,859	40,760	37,188
Operating income	88,821	81,498	14,039	18,994	102,860	100,492
Impairment and other provisions	(46,686)	(12,270)	(794)	(34,704)	(47,480)	(46,974)
Net profit (loss) for the period	26,057	54,092	(667)	(28,751)	25,390	25,341
Assets	2,334,175	2,386,520	1,700,790	1,506,943	4,034,965	3,893,463
Liabilities & Equity	1,610,163	1,604,628	2,424,802	2,288,835	4,034,965	3,893,463

## 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

	<i>(Audited)</i>		
	30 September 2015 KD 000's	31 December 2014 KD 000's	30 September 2014 KD 000's
Acceptances	46,285	55,495	64,990
Letters of credit	104,043	158,064	151,675
Letters of guarantee	981,895	905,174	950,782
	<b>1,132,223</b>	<b>1,118,733</b>	<b>1,167,447</b>


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

30 September 2015 (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>30 September 2015</b>			
Foreign exchange contracts - forward	3,787	4,845	468,123
Interest Rate Swaps	-	119	18,676
	<b>3,787</b>	<b>4,964</b>	<b>486,799</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 December 2014 (Audited)</b>			
Foreign exchange contracts - forward	1,016	17,055	876,354
Interest Rate Swaps	-	-	-
	<b>1,016</b>	<b>17,055</b>	<b>876,354</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>30 September 2014</b>			
Foreign exchange contracts - forward	976	16,562	445,042
Interest Rate Swaps	-	-	-
	<b>976</b>	<b>16,562</b>	<b>445,042</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 1,735 thousand (31 December 2014: KD 1,769 thousand and 30 September 2014: KD 2,139 thousand) have been provided.