



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

**30 June 2019
(Unaudited)**

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 30 June 2019 and the related interim condensed consolidated statements of income, comprehensive income, 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the three-month period ended 30 June 2019 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review and to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related regulations during the Six-month period ended 30 June 2019, that might have had a material effect on the business of the Bank or on its financial position.

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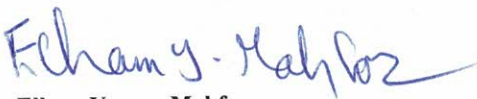
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019 (Unaudited)

		30 June 2019 KD 000's	(Audited) 31 December 2018 KD 000's	30 June 2018 KD 000's
ASSETS				
Cash and short term funds	5	803,518	858,825	675,347
Treasury and Central Bank bonds		291,968	331,747	394,707
Due from banks and other financial institutions	6	462,486	370,366	440,640
Loans and advances to customers		2,454,957	2,253,070	2,136,630
Investment securities	7	559,917	548,788	489,106
Premises and equipment		30,449	28,522	29,109
Intangible assets		3,506	3,506	3,506
Other assets		67,136	72,721	93,263
TOTAL ASSETS		4,673,937	4,467,545	4,262,308
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		602,930	347,100	270,463
Due to other financial institutions		762,163	880,881	843,477
Customer deposits		2,392,815	2,291,890	2,281,946
Other borrowed funds		-	57,675	57,580
Other liabilities		185,167	160,142	156,831
TOTAL LIABILITIES		3,943,075	3,737,688	3,610,297
EQUITY				
Equity attributable to shareholders of the Bank				
Share capital		199,206	181,096	181,096
Proposed bonus shares		-	18,110	-
Treasury shares		(5,832)	(4,578)	(4,578)
Reserves		342,721	314,327	294,210
Retained earnings		193,902	184,093	180,469
		729,997	693,048	651,197
Proposed dividend		-	35,976	-
		729,997	729,024	651,197
Non-controlling interests		865	833	814
TOTAL EQUITY		730,862	729,857	652,011
TOTAL LIABILITIES AND EQUITY		4,673,937	4,467,545	4,262,308


 Sheikh Ahmad Duaij Al Sabah
 Chairman


 Elham Yousry Mahfouz
 Chief Executive Officer

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 June 2019 (Unaudited)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Interest income		41,272	34,245	81,770	69,025
Interest expense		(16,335)	(11,484)	(32,720)	(22,173)
NET INTEREST INCOME		24,937	22,761	49,050	46,852
Fees and commissions		10,632	10,076	20,770	19,973
Net gain from dealing in foreign currencies		2,852	2,033	4,606	3,463
Net gain from investment securities		113	40	101	20
Dividend income		3,733	3,958	3,733	4,139
Other operating income		4,754	1,338	5,695	3,261
OPERATING INCOME		47,021	40,206	83,955	77,708
Staff expenses		(7,236)	(6,983)	(15,042)	(12,947)
General and administrative expenses		(4,541)	(5,743)	(8,883)	(10,611)
Depreciation and amortisation		(952)	(31)	(1,703)	(46)
OPERATING EXPENSES		(12,729)	(12,757)	(25,628)	(23,604)
OPERATING PROFIT BEFORE PROVISIONS		34,292	27,449	58,327	54,104
Impairment and other provisions	8	(25,134)	(31,805)	(48,160)	(47,897)
PROFIT (LOSS) BEFORE TAXATION		9,158	(4,356)	10,167	6,207
Taxation		(283)	331	(326)	(163)
NET PROFIT (LOSS) FOR THE PERIOD		8,875	(4,025)	9,841	6,044
Attributable to:					
Shareholders of the Bank		8,857	(4,028)	9,809	6,041
Non-controlling interests		18	3	32	3
		8,875	(4,025)	9,841	6,044
Basic and diluted earnings per share attributable to shareholders of the Bank (fiIs)	9	4.5	(2.0)	5.0	3.1

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


INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2019 (Unaudited)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
		KD 000's	KD 000's	KD 000's	KD 000's
Net profit (loss) for the period		8,875	(4,025)	9,841	6,044
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to consolidated statement of income					
Equity securities classified as fair value through other comprehensive income:					
Net changes in fair value		8,500	7,567	26,933	22,754
Items that are or may be reclassified subsequently to consolidated statement of income					
Debt securities classified as fair value through other comprehensive income:					
Net changes in fair value		2,780	(1,040)	5,208	(2,212)
Net loss on disposal transferred to income statement		(106)	(138)	(54)	(74)
Net loss on fair value hedges	7	(2,575)	-	(3,693)	-
		8,599	6,389	28,394	20,468
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
		17,474	2,364	38,235	26,512
Attributable to:					
Shareholders of the Bank		17,456	2,361	38,203	26,513
Non-controlling interests		18	3	32	(1)
		17,474	2,364	38,235	26,512

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


INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2019 (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		Total
Share Premium				Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total				Interests	Total	
Balance at 1 January 2018	164,633	16,463	(4,578)	66,791	115,977	17,927	-	24,624	48,196	273,515	174,724	29,435	654,192	828	655,020
Transition adjustment on the adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	-	-	223	223	(296)	-	(73)	(73)
Restated balance at 1 January 2018	164,633	16,463	(4,578)	66,791	115,977	17,927	-	24,624	48,419	273,738	174,428	29,435	654,119	828	654,947
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	20,472	20,472	6,041	-	26,513	(1)	26,512
Bonus shares issued	16,463	(16,463)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(29,435)	(29,435)	(13)	(29,448)
Balance at 30 June 2018	181,096	-	(4,578)	66,791	115,977	17,927	-	24,624	68,891	294,210	180,469	-	651,197	814	652,011
Balance at 1 January 2019	181,096	18,110	(4,578)	66,791	115,977	17,927	-	24,108	89,524	314,327	184,093	35,976	729,024	833	729,857
Total comprehensive income for the period	-	-	-	-	-	-	-	-	28,394	28,394	9,809	-	38,203	32	38,235
Treasury shares purchased	-	-	(1,254)	-	-	-	-	-	-	-	-	-	(1,254)	-	(1,254)
Bonus shares issued	18,110	(18,110)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(35,976)	(35,976)	-	(35,976)
Balance at 30 June 2019	199,206	-	(5,832)	66,791	115,977	17,927	-	24,108	117,918	342,721	193,902	-	729,997	865	730,862

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

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

Investment valuation reserve includes a loss of KD 5,446 thousand (31 December 2018: KD 5,450 thousand and 30 June 2018: KD 5,439 thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 30 June 2019 (Unaudited)

	Note	Six months ended	
		30 June	
		2019 KD 000's	2018 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		10,167	6,207
Adjustments for:			
Impairment and other provisions	8	48,160	47,897
Net gain from investment securities		(3,834)	(4,159)
Foreign exchange loss on investment securities		1,619	4,737
Depreciation and amortisation		1,703	46
Profit before changes in operating assets and liabilities		57,815	54,728
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		39,779	98,832
Due from banks and other financial institutions		(92,114)	129,242
Loans and advances to customers		(245,573)	49,754
Other assets		3,628	1,449
Due to banks		255,830	(43,206)
Due to other financial institutions		(118,718)	(173,014)
Customer deposits		100,925	77,735
Other liabilities		14,355	(10,636)
Net cash from operating activities		15,927	184,884
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		86,131	81,889
Acquisition of investment securities		(65,765)	(94,969)
Dividend income from investment securities		3,733	4,139
Acquisition of premises and equipment		(417)	(159)
Net cash from (used in) investing activities		23,682	(9,100)
FINANCING ACTIVITIES			
Other borrowed funds		(57,675)	19,830
Purchase of treasury shares		(1,254)	-
Dividends paid		(35,976)	(29,435)
Dividend paid to non controlling interest		-	(13)
Net cash used in financing activities		(94,905)	(9,618)
Net (decrease) increase in cash and short term funds		(55,296)	166,166
Cash and short term funds at 1 January		858,842	509,202
Cash and short term funds at 30 June	5	803,546	675,368

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



1 CORPORATE INFORMATION

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

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

The interim condensed consolidated financial information of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 10 July 2019.

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

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16: "Leases" effective from 1 January 2019, which replaces IAS 17: "Leases".

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

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

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2018.

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

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

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

The carrying value of right-of-use assets and lease liabilities as at 30 June 2019 amounted to KD 1,674 thousand and KD 1,825 thousand respectively. Depreciation charge for right-of-use assets for the current period amounted to KD 1,539 thousand and is included in "depreciation and amortisation" in the interim condensed consolidated statement of income. Interest expense on lease liabilities for the current period amounted to KD 28 thousand and is included in "interest expense" in the interim condensed consolidated statement of income.



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

a) Right of use assets

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

b) Lease liabilities

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

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

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

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

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

4 SUBSIDIARY

Name of entity	Country of incorporation	Principal activities	% of ownership		
			30 June 2019	31 December 2018	30 June 2018
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	93.55	93.55	93.55


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019 (Unaudited)

5 CASH AND SHORT TERM FUNDS

	30 June 2019 KD 000's	<i>(Audited)</i> 31 December 2018 KD 000's	30 June 2018 KD 000's
Cash and cash items	237,973	216,880	254,387
Balances with the CBK	120,509	119,732	96,979
Deposits with banks maturing within seven days	445,064	522,230	324,002
	803,546	858,842	675,368
Less : Provision for impairment (ECL)	(28)	(17)	(21)
	803,518	858,825	675,347

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019 KD 000's	<i>(Audited)</i> 31 December 2018 KD 000's	30 June 2018 KD 000's
Placements with banks	352,969	268,858	363,443
Less: Provision for impairment (ECL)	(30)	(46)	(29)
	352,939	268,812	363,414
Loans and advances to banks	110,653	102,580	78,007
Less : Provision for impairment	(1,106)	(1,026)	(781)
	109,547	101,554	77,226
	462,486	370,366	440,640

7 INVESTMENT SECURITIES

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

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



During 2010, the Bank participated in the rights issue and acquired 127,058,530 shares at a cost of KD 32,401 thousand and thereafter, during the years 2013 to the reporting date, the Bank received a total of 105,837,475 bonus shares.

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

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

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

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

On 16 July 2019, a judgment was issued in favor of the Bank, which stipulates, firstly, to immediately stop execution of the earlier judgment by court of appeal as well as the amended judgment issued by the court of cassation and directed the appellants to refund the amount due to the Bank as consideration for returning the shares. Secondly, an expert delegate will determine the amount due from each of the five subsidiaries out of the principal amount to be refunded to the Bank, determine share of each subsidiary in the nullified shares and yields from the shares, subject of the nullified agreements, along with their interests and benefits, determine the fees and expenses paid in shares sale transactions and determine who is obligated to pay.

- b) During the six months period ended 30 June 2019, the Group designated certain debt securities as hedge items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

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

The carrying value of debt securities designated as hedged item as at 30 June 2019 was KD 195,410 thousand. The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 3,693 thousand. The changes in fair value related to hedged risk during the period was recognised in the interim condensed consolidated statement of comprehensive income.

8 IMPAIRMENT AND OTHER PROVISIONS

Impairment and other provisions recorded for the period ended 30 June 2019 amounted to KD 48,160 thousand (30 June 2018: KD 47,897 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 4,393 thousand (30 June 2018: KD 7,413 thousand).

The expected credit loss (ECL) on credit facilities determined under IFRS 9 amounted to KD 31,676 thousand as at 30 June 2019. In downside scenario also, ECL on credit facilities will be below the provision held as per CBK rules.

Accordingly, provision for expected credit losses (ECL) on credit facilities are the higher of ECL under IFRS 9, determined in accordance with the CBK guidelines and the provision required by the CBK rules on classification of credit facilities.

Impairment and other provisions includes reversal of ECL on financial assets other than loans and advances for the period ended 30 June 2019 amounting to KD 154 thousand (30 June 2018: reversal of KD 27 thousand).

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

30 June 2019 (Unaudited)

9 EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Net profit (loss) for the period attributable to shareholders of the Bank (KD 000's)	<u>8,857</u>	<u>(4,028)</u>	<u>9,809</u>	<u>6,041</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	<u>1,992,056</u>	1,992,056	<u>1,992,056</u>	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	<u>(14,354)</u>	(13,390)	<u>(13,874)</u>	(13,390)
	<u>1,977,702</u>	<u>1,978,666</u>	<u>1,978,182</u>	<u>1,978,666</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u>4.5</u>	<u>(2.0)</u>	<u>5.0</u>	<u>3.1</u>

10 RELATED PARTY TRANSACTIONS

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

	30 June 2019			30 June 2018		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
Board of Directors						
Loans	2	-	450	2	-	456
Credit cards	3	1	5	3	1	4
Deposits	9	12	1,765	9	-	859
Executive Management						
Loans	21	2	665	10	-	196
Credit cards	21	1	31	6	1	16
Deposits	32	23	629	11	-	329
Associates						
Deposits	1	-	13,626	1	-	13,682
Major Shareholders						
Deposits	1	-	4,322	1	-	15,981

The loans issued to directors, key management personnel and related members are repayable within 5 to 10 years and have interest rates ranging from 0% to 6% (30 June 2018: 0% to 5.75%).

Interest income and interest expense include KD 26 thousand (30 June 2018: KD 3 thousand) and KD 185 thousand (30 June 2018: KD 65 thousand) respectively on transactions with related parties.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019 (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	
	2019 KD 000's	2018 KD 000's
Salaries and other short-term benefits	(796)	(632)
Post employment benefits	(16)	(2)
End of service benefits	(141)	(24)

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	30 June 2019			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Financial Instruments				
Financial assets at FVTPL:				
Other securities	-	10	-	10
Derivative Financial Instruments at FVTPL:				
Forward Foreign Exchange Contracts	-	837	-	837
Designated as FV hedge instruments at FVOCI:				
Interest Rate Swaps	-	(3,062)	-	(3,062)
Financial assets at FVOCI:				
Equity securities	237,965	25,057	-	263,022
Debt securities	280,857	16,028	-	296,885
Others	-	-	-	-
	518,822	41,085	-	559,907

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30 June 2019 (Unaudited)

	31 December 2018 (Audited)			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Financial Instruments				
Financial assets at FVTPL:				
Other securities	-	36	-	36
Derivative Financial Instruments at FVTPL:				
Forward Foreign Exchange Contracts	-	2,354	-	2,354
Interest Rate Swaps	-	631	-	631
	-	2,985	-	2,985
Financial assets at FVOCI:				
Equity securities	215,350	25,849	-	241,199
Debt securities	292,000	15,553	-	307,553
	507,350	41,402	-	548,752
	30 June 2018			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Financial Instruments				
Financial assets at FVTPL:				
Other securities	-	87	-	87
Derivative Financial Instruments at FVTPL:				
Forward Foreign Exchange Contracts	-	9,263	-	9,263
Interest Rate Swaps	-	1,969	-	1,969
	-	11,232	-	11,232
Financial assets at FVOCI:				
Equity securities	194,301	26,210	-	220,511
Debt securities	253,876	14,632	-	268,508
	448,177	40,842	-	489,019

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


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12 SEGMENTAL ANALYSIS

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

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

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018	2019	2018
Net interest income	41,343	40,652	7,707	6,200	49,050	46,852
Non interest income	22,296	21,862	12,609	8,994	34,905	30,856
Operating income	63,639	62,513	20,316	15,195	83,955	77,708
Impairment and other provisions	(48,107)	(47,938)	(53)	41	(48,160)	(47,897)
Net profit for the period	1,699	2,463	8,142	3,581	9,841	6,044
Assets	2,642,468	2,304,024	2,031,469	1,958,284	4,673,937	4,262,308
Liabilities & Equity	1,593,821	1,588,815	3,080,116	2,673,493	4,673,937	4,262,308

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

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

(i) Financial instruments with contractual amounts representing credit risk

	30 June 2019 KD 000's	(Audited) 31 December 2018 KD 000's	30 June 2018 KD 000's
	Acceptances	34,403	39,878
Letters of credit	180,671	199,924	177,781
Letters of guarantee	1,341,829	1,307,045	1,282,480
Undrawn lines of credit	869,866	821,976	707,884
	2,426,769	2,368,823	2,204,790


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30 June 2019 (Unaudited)

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

	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
30 June 2019			
Foreign exchange contracts - forward	2,433	1,596	584,997
Interest Rate Swaps	230	3,292	185,300
	2,663	4,888	770,297
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
31 December 2018 (Audited)			
Foreign exchange contracts - forward	4,450	2,096	613,930
Interest Rate Swaps	1,280	649	169,788
	5,730	2,745	783,718
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
30 June 2018			
Foreign exchange contracts - forward	9,962	699	525,730
Interest Rate Swaps	2,049	80	144,596
	12,011	779	670,326

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 1,652 thousand (31 December 2018: KD 1,470 thousand and 30 June 2018: 1,070 thousand) have been provided.