



**The Commercial Bank of Kuwait Group**

**Interim Condensed Consolidated Financial Information**

**30 September 2017**

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

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 30 September 2017 and the related interim condensed consolidated statements of income, comprehensive income, for the three months and nine months periods then ended and the related interim condensed consolidated statement of changes in equity, and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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


### **Report on other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the nine months period ended 30 September 2017 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related regulations during the nine months period ended 30 September 2017, that might have had a material effect on the business of the Bank or on its financial position.



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The Commercial Bank of Kuwait Group

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2017 (Unaudited)

		<i>(Audited)</i>		
	<b>Note</b>	<b>30 September 2017 KD 000's</b>	31 December 2016 KD 000's	30 September 2016 KD 000's
<b>ASSETS</b>				
Cash and short term funds	5	518,167	556,929	526,078
Treasury and Central Bank bonds		467,229	329,570	306,329
Due from banks and other financial institutions	6	607,343	472,078	463,135
Loans and advances	7	2,199,145	2,250,468	2,283,214
Investment securities	8	455,770	393,334	346,473
Premises and equipment		29,471	29,439	30,270
Intangible assets		3,506	3,506	3,506
Other assets		89,208	89,965	88,025
<b>TOTAL ASSETS</b>		<b>4,369,839</b>	4,125,289	4,047,030
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		296,926	365,972	347,655
Due to other financial institutions		1,018,529	802,885	746,984
Customer deposits		2,218,516	2,221,632	2,256,417
Other borrowed funds		37,800	30,630	30,160
Other liabilities		172,875	100,323	93,052
<b>TOTAL LIABILITIES</b>		<b>3,744,646</b>	3,521,442	3,474,268
<b>EQUITY</b>				
<b>Equity attributable to shareholders of the Bank</b>				
Share capital		164,633	149,666	149,666
Proposed bonus shares		-	14,967	-
Treasury shares		(4,578)	(3,740)	(3,713)
Reserves		284,710	254,666	246,223
Retained earnings		179,629	165,190	179,576
		<b>624,394</b>	580,749	571,752
Proposed dividend		-	22,330	-
		<b>624,394</b>	603,079	571,752
<b>Non-controlling interests</b>		<b>799</b>	768	1,010
<b>TOTAL EQUITY</b>		<b>625,193</b>	603,847	572,762
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,369,839</b>	4,125,289	4,047,030

Ali Mousa Al Mousa  
Chairman

Elham Y. Mahfouz  
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 2017 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income	9	33,876	29,875	98,316	89,210
Interest expense		(10,296)	(9,044)	(29,157)	(26,167)
<b>NET INTEREST INCOME</b>		<b>23,580</b>	20,831	<b>69,159</b>	63,043
Fees and commissions		10,133	9,745	29,730	27,741
Net gain from dealing in foreign currencies		1,100	1,393	2,443	5,230
Net gain from investment securities		92	620	2,941	1,092
Dividend income		422	17	4,050	5,286
Other operating income		1,203	1,276	2,554	2,145
<b>OPERATING INCOME</b>		<b>36,530</b>	33,882	<b>110,877</b>	104,537
Staff expenses		(9,680)	(5,667)	(20,854)	(17,171)
General and administrative expenses		(5,032)	(4,557)	(15,018)	(12,810)
Depreciation and amortisation		(28)	(31)	(52)	(70)
<b>OPERATING EXPENSES</b>		<b>(14,740)</b>	(10,255)	<b>(35,924)</b>	(30,051)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>21,790</b>	23,627	<b>74,953</b>	74,486
Impairment and other provisions	10	(8,828)	(6,903)	(59,952)	(45,881)
<b>PROFIT BEFORE TAXATION</b>		<b>12,962</b>	16,724	<b>15,001</b>	28,605
Taxation		(507)	(756)	(523)	(1,128)
<b>NET PROFIT FOR THE PERIOD</b>		<b>12,455</b>	15,968	<b>14,478</b>	27,477
<b>Attributable to:</b>					
Shareholders of the Bank		12,447	15,984	14,439	27,490
Non-controlling interests		8	(16)	39	(13)
		<b>12,455</b>	15,968	<b>14,478</b>	27,477
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	11	7.6	9.8	8.8	16.8

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 2017 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2017 KD 000's	2016 KD 000's	2017 KD 000's	2016 KD 000's
Net profit for the period	<b>12,455</b>	15,968	<b>14,478</b>	27,477
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will be reclassified subsequently to consolidated statement of income:				
Changes in fair value of investment securities	<b>18,935</b>	1,180	<b>30,821</b>	(11,427)
Net gain (loss) on disposal / impairment of investment securities	<b>3</b>	(525)	<b>(785)</b>	(849)
	<b>18,938</b>	655	<b>30,036</b>	(12,276)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>31,393</b>	16,623	<b>44,514</b>	15,201
<b>Attributable to:</b>				
Shareholders of the Bank	<b>31,385</b>	16,639	<b>44,483</b>	15,216
Non-controlling interests	<b>8</b>	(16)	<b>31</b>	(15)
	<b>31,393</b>	16,623	<b>44,514</b>	15,201

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 2017 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves						Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling Interests		
				Share Premium	Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve				Total	Interests	Total
Balance at 1 January 2016	141,194	8,472	(2,822)	66,791	115,977	17,927	-	26,078	31,724	258,497	152,077	18,282	575,700	1,025	576,725
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(12,274)	(12,274)	27,490	-	15,216	(15)	15,201
Treasury shares purchased	-	-	(891)	-	-	-	-	-	-	-	-	-	(891)	-	(891)
Bonus shares issued	8,472	(8,472)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(18,273)	(18,273)	-	(18,273)
Dividend on treasury shares purchased	-	-	-	-	-	-	-	-	-	-	9	(9)	-	-	-
<b>Balance at 30 September 2016</b>	<b>149,666</b>	<b>-</b>	<b>(3,713)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>26,078</b>	<b>19,450</b>	<b>246,223</b>	<b>179,576</b>	<b>-</b>	<b>571,752</b>	<b>1,010</b>	<b>572,762</b>
<b>Balance at 1 January 2017</b>	<b>149,666</b>	<b>14,967</b>	<b>(3,740)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>25,282</b>	<b>28,689</b>	<b>254,666</b>	<b>165,190</b>	<b>22,330</b>	<b>603,079</b>	<b>768</b>	<b>603,847</b>
Total comprehensive income for the period	-	-	-	-	-	-	-	-	30,044	30,044	14,439	-	44,483	31	44,514
Treasury shares purchased	-	-	(838)	-	-	-	-	-	-	-	-	-	(838)	-	(838)
Bonus shares issued	14,967	(14,967)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(22,330)	(22,330)	-	(22,330)
<b>Balance at 30 September 2017</b>	<b>164,633</b>	<b>-</b>	<b>(4,578)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>25,282</b>	<b>58,733</b>	<b>284,710</b>	<b>179,629</b>	<b>-</b>	<b>624,394</b>	<b>799</b>	<b>625,193</b>

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

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

Investment valuation reserve includes a loss of KD 5,428 thousand (31 December 2016: KD 5,498 thousand and 30 September 2016: KD 5,413 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 2017 (Unaudited)

	Note	Nine months ended	
		30 September	
		2017	2016
		KD 000's	KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		<b>15,001</b>	28,605
Adjustments for:			
Impairment and other provisions	10	<b>59,952</b>	45,881
Income from investment securities		<b>(6,991)</b>	(6,378)
Foreign exchange gain on investment securities		<b>(1,394)</b>	(1,287)
Depreciation and amortisation		<b>52</b>	70
Profit before changes in operating assets and liabilities		<b>66,620</b>	66,891
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		<b>(137,659)</b>	26,246
Due from banks and other financial institutions		<b>(135,265)</b>	(197,454)
Loans and advances		<b>52,805</b>	(54,801)
Other assets		<b>738</b>	(21,377)
Due to banks		<b>(69,046)</b>	180,751
Due to other financial institutions		<b>215,644</b>	119,752
Customer deposits		<b>(3,116)</b>	(289,746)
Other liabilities		<b>10,635</b>	2,479
Net cash from (used in) operating activities		<b>1,356</b>	(167,259)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		<b>42,588</b>	65,113
Acquisition of investment securities		<b>(70,674)</b>	(70,421)
Dividend income from investment securities		<b>4,050</b>	5,286
Proceeds from disposal of premises and equipment		-	3
Acquisition of premises and equipment		<b>(84)</b>	(109)
Net cash used in investing activities		<b>(24,120)</b>	(128)
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		<b>7,170</b>	30,160
Purchase of treasury shares		<b>(838)</b>	(891)
Dividends paid		<b>(22,330)</b>	(18,273)
Net cash (used in) from financing activities		<b>(15,998)</b>	10,996
Net decrease in cash and short term funds		<b>(38,762)</b>	(156,391)
Cash and short term funds at 1 January		<b>556,929</b>	682,469
<b>Cash and short term funds at 30 September</b>	5	<b>518,167</b>	526,078

The attached notes 1 to 15 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 October 2017.

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016.

The interim condensed consolidated financial information does not include all the information and notes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the Government of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the IAS 39 "Financial Instruments: Recognition and Measurement" requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision.

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

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2016.

**3 SUBSIDIARY**

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

**4 PROVISIONS NO LONGER REQUIRED**

Under the terms of Law 41/93, provision no longer required as at 30 September 2017 amounted to KD 3 thousand (30 September 2016: KD 6 thousand). The ultimate amount to be ceded to the CBK will depend on the situation at the year end. The identification of provisions no longer required was made on a basis consistent with that adopted at 31 December 2016 and in accordance with the instructions of the CBK.




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

30 September 2017 (Unaudited)

**5 CASH AND SHORT TERM FUNDS**

	<i>(Audited)</i>		
	<b>30 September 2017</b>	31 December 2016	30 September 2016
	<b>KD 000's</b>	KD 000's	KD 000's
Cash and cash items	<b>139,836</b>	232,130	228,891
Balances with the CBK	<b>10,383</b>	10,935	8,801
Deposits with banks maturing within seven days	<b>367,948</b>	313,864	288,386
	<b>518,167</b>	556,929	526,078

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 2017</b>	31 December 2016	30 September 2016
	<b>KD 000's</b>	KD 000's	KD 000's
Placements with banks	<b>550,653</b>	430,034	436,136
Loans and advances to banks	<b>57,263</b>	42,469	27,272
	<b>607,916</b>	472,503	463,408
Less : Provision for impairment	<b>(573)</b>	(425)	(273)
	<b>607,343</b>	472,078	463,135

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

**7 LOANS AND ADVANCES**

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

During the year 2013, the Ministry of Finance established the Family Support Fund (the "Fund") under Law No. 104/2013 to purchase outstanding balance of installment and consumer loans from the Banks as on 12 June 2013 for loans granted before 30 March 2008. Accordingly, CBK issued a Circular no. 2/BS,IS/305/2013 to all local banks and investment companies regarding formation of the Fund. The Bank has identified such loans amounting to KD 38,818 thousand and submitted report to CBK for approval, as required by the circular. Interest income on such loans is not recognised from 12 June 2013. At the reporting date, loans amounting to KD 32,686 thousand (31 December 2016: KD 32,615 thousand and 30 September 2016: KD 32,595 thousand) have been settled.

**8 INVESTMENT SECURITIES**

During the period, the Group recognised an unrealised gain of KD 30,821 thousand (30 September 2016: unrealised loss of KD 11,427 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 785 thousand (30 September 2016: KD 849 thousand) to the interim condensed consolidated statement of income on disposal and impairment of "available for sale" investment securities.

During 2008, the Bank acquired 221,425,095 shares of Boubyan Bank at a cost of KD 94,103 thousand under multiple purchase transactions, all of which were executed under the standard procedures adopted by the Boursa Kuwait. However, at a subsequent date, and as a result of the availability of cash balances in the account of the parent company ("the Borrower") related to the five companies which sold the mentioned shares in the open stock market, the Bank utilized these balances to close the loan due from the Borrower. In 2009, the Borrower, along with others, filed a legal case challenging the Bank's ownership of the above mentioned shares which is currently pending at the court of law.

During 2010, the Bank participated in the rights issue and acquired 127,058,530 shares at a cost of KD 32,401 thousand and thereafter, during the years 2013 to the reporting date, the Bank received a total of 79,746,478 bonus shares.

In April 2016, the Court of First Instance issued a verdict in favor of the Bank confirming the validity of the Bank's ownership of the above mentioned shares with due observation that there is an interim order from the court restricting the sale of 221,425,095 shares.

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

"Voiding the multiple sale contracts dated 30 November 2008 as concluded between the appellant companies from second to six and the appellee bank with regard to the sale of Boubyan Bank shares totaling 221,425,095 shares and revert the situation back to its pre-contract status, most importantly to revert back the shares, their yields, interests and any benefits the first appellee bank has obtained to the selling companies along with voiding all acts the bank has taken on the account of the first appellant company following the sale date."

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

Subsequently, in a hearing held on 13 June 2017, the Court of Cassation, through a deliberation room, accepted the appeal filed by the Bank to review the Court of Appeal verdict issued in February 2017 and the next hearing session will be held on 18 October 2017.

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

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

As at reporting date, the Bank holds title for 254,546,311 shares carried at a fair value of KD 112,000 thousand (31 December 2016: 248,225,059 shares at a fair value of KD 98,049 thousand and 30 September 2016: 252,776,247 shares at a fair value of KD 97,319 thousand). As at 30 September 2017, the weighted average cost of 232,496,349 shares under legal restraint is KD 64,891 thousand (31 December 2016: 221,425,095 shares - KD 64,891 thousand and 30 September 2016: 221,425,095 shares - KD 64,891 thousand) and is carried at a fair value of KD 102,298 thousand (31 December 2016: KD 87,463 thousand and 30 September 2016: KD 85,249 thousand), with the resultant fair valuation gain of KD 37,407 thousand (31 December 2016: KD 22,572 thousand and 30 September 2016: KD 20,358 thousand) recognised in the Investment Valuation Reserve. These shares are part of investment portfolio classified as "available for sale".

**9 INTEREST INCOME**

Interest income includes a release of KD 14 thousand (30 September 2016: KD 109 thousand) due to adjustments arising from revised estimates of future cash flows, discounted at the original contracted rates of interest from a portfolio of performing loans that have had their terms modified during the years 2007 and 2008, as per Central Bank circular 2/202BS RSA/2007 dated 13 February 2007 and 2/105 dated 23 April 2008.

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

30 September 2017 (Unaudited)

**10 IMPAIRMENT AND OTHER PROVISIONS**

Impairment and other provisions recorded for the period ended 30 September 2017 amounted to **KD 59,952** thousand (30 September 2016: KD 45,881 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 11,555 thousand (30 September 2016: KD 24,083 thousand).

**11 EARNINGS PER SHARE**

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

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<b>12,447</b>	15,984	<b>14,439</b>	27,490
Weighted average of authorised and subscribed shares (numbers in 000's)	<b>1,646,328</b>	1,646,328	<b>1,646,328</b>	1,646,328
Less: Weighted average of treasury shares held (numbers in 000's)	<b>(9,918)</b>	(8,736)	<b>(9,177)</b>	(8,079)
	<b>1,636,410</b>	1,637,592	<b>1,637,151</b>	1,638,249
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<b>7.6</b>	9.8	<b>8.8</b>	16.8

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

**12 RELATED PARTY TRANSACTIONS**

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

	30 September 2017			30 September 2016		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
<b>Board of Directors</b>						
Loans	2	-	67	2	-	84
Credit cards	4	-	2	2	-	2
Deposits	10	-	320	8	-	210
<b>Executive Management</b>						
Loans	10	-	181	8	-	96
Credit cards	7	2	14	6	-	5
Deposits	13	-	486	10	-	401

The loans issued to directors, key management personnel and related members are repayable within 5 to 10 years and have interest rates ranging from 0% to 5% (30 September 2016: 0% to 5%).


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

30 September 2017 (Unaudited)

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	
	2017	2016
	KD 000's	KD 000's
Salaries and other short-term benefits	(930)	(732)
Post employment benefits	(6)	(6)
End of service benefits	(58)	(67)

**13 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

	30 September 2017			
	KD 000's			
	Level 1	Level 2	Level 3	Total
<b>Financial Instruments</b>				
<b>Financial assets at fair value through statement of income:</b>				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	(5,570)	-	(5,570)
Interest Rate Swaps	-	58	-	58
	-	(5,512)	-	(5,512)
<b>Financial assets available for sale:</b>				
Equity securities	177,084	33,013	-	210,097
Debt securities	207,057	28,608	-	235,665
Others	-	10,008	-	10,008
	384,141	71,629	-	455,770



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2017 (Unaudited)

	31 December 2016 (Audited)			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Financial Instruments				
Financial assets at fair value through statement of income:				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	4,191	-	4,191
Interest Rate Swaps	-	591	-	591
	-	4,782	-	4,782
Financial assets available for sale:				
Equity securities	161,792	32,345	-	194,137
Debt securities	166,433	28,406	-	194,839
Others	-	4,358	-	4,358
	328,225	65,109	-	393,334
30 September 2016				
KD 000's				
Level 1	Level 2	Level 3	Total	
Financial Instruments				
Financial assets at fair value through statement of income:				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	-	1,209	-	1,209
Interest Rate Swaps	-	(539)	-	(539)
	-	670	-	670
Financial assets available for sale:				
Equity securities	146,940	33,172	-	180,112
Debt securities	135,360	30,037	-	165,397
Others	-	964	-	964
	282,300	64,173	-	346,473

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:

- 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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2017 (Unaudited)

	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	
	2017	2016	2017	2016	2017	2016
Net interest income	<b>61,582</b>	56,620	<b>7,577</b>	6,423	<b>69,159</b>	63,043
Non interest income	<b>32,256</b>	31,625	<b>9,462</b>	9,869	<b>41,718</b>	41,494
Operating income	<b>93,838</b>	88,244	<b>17,039</b>	16,293	<b>110,877</b>	104,537
Impairment and other provisions	<b>(3,935)</b>	(68,807)	<b>(56,017)</b>	22,926	<b>(59,952)</b>	(45,881)
Net profit (loss) for the period	<b>72,784</b>	1,970	<b>(58,306)</b>	25,507	<b>14,478</b>	27,477
Assets	<b>2,299,060</b>	2,379,582	<b>2,070,779</b>	1,667,448	<b>4,369,839</b>	4,047,030
Liabilities & Equity	<b>1,576,596</b>	1,474,684	<b>2,793,243</b>	2,572,346	<b>4,369,839</b>	4,047,030

## 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 2017 KD 000's	31 December 2016 KD 000's	30 September 2016 KD 000's
Acceptances	<b>28,959</b>	47,947	37,167
Letters of credit	<b>141,057</b>	137,689	119,498
Letters of guarantee	<b>1,339,245</b>	1,330,501	1,279,156
	<b>1,509,261</b>	1,516,137	1,435,821



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2017 (Unaudited)

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

	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>30 September 2017</b>			
Foreign exchange contracts - forward	380	5,950	575,241
Interest Rate Swaps	424	366	132,808
	<b>804</b>	<b>6,316</b>	<b>708,049</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>31 December 2016 (Audited)</b>			
Foreign exchange contracts - forward	6,769	2,578	814,208
Interest Rate Swaps	636	45	94,488
	<b>7,405</b>	<b>2,623</b>	<b>908,696</b>
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
<b>30 September 2016</b>			
Foreign exchange contracts - forward	3,143	1,934	664,897
Interest Rate Swaps	35	574	94,569
	<b>3,178</b>	<b>2,508</b>	<b>759,466</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 1,071 thousand (31 December 2016: KD 366 thousand and 30 September 2016: 367 thousand) have been provided.