



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

**30 September 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 September 2019 and the related interim condensed consolidated statements of income, comprehensive income for the three- month and nine-month periods then ended and the related interim condensed consolidated statement 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 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.

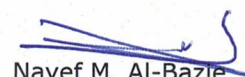
Report on other Legal and Regulatory Requirements

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 nine-month period ended 30 September 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 nine-month period ended 30 September 2019, that might have had a material effect on the business of the Bank or on its financial position.



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2019 (Unaudited)

		(Audited)	
	Note	30 September 2019 KD 000's	31 December 2018 KD 000's
			30 September 2018 KD 000's
ASSETS			
Cash and short term funds	5	841,481	684,164
Treasury and Central Bank bonds		258,368	350,194
Due from banks and other financial institutions	6	729,268	346,890
Loans and advances to customers		2,256,977	2,198,220
Investment securities	7	536,131	533,240
Premises and equipment		29,576	29,028
Intangible assets		3,506	3,506
Other assets		64,562	82,331
TOTAL ASSETS		4,719,869	4,227,573
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		691,787	350,436
Due to other financial institutions		622,332	907,659
Customer deposits		2,416,012	2,071,893
Other borrowed funds		90,378	57,637
Other liabilities		182,604	155,303
TOTAL LIABILITIES		4,003,113	3,542,928
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		199,206	181,096
Proposed bonus shares		-	18,110
Treasury shares		(20,217)	(4,578)
Reserves		336,168	317,637
Retained earnings		200,716	189,660
		715,873	683,815
Proposed dividend		-	35,976
		715,873	729,815
Non-controlling interests		883	830
TOTAL EQUITY		716,756	684,645
TOTAL LIABILITIES AND EQUITY		4,719,869	4,227,573


 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 September 2019 (Unaudited)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income		43,014	36,476	124,784	105,501
Interest expense		(18,409)	(13,212)	(51,129)	(35,385)
NET INTEREST INCOME		24,605	23,264	73,655	70,116
Fees and commissions		10,863	9,713	31,633	29,686
Net gain from dealing in foreign currencies		1,576	2,028	6,182	5,491
Net gain from investment securities		89	17	190	37
Dividend income		269	100	4,002	4,239
Other operating income		888	1,326	6,583	4,587
OPERATING INCOME		38,290	36,448	122,245	114,156
Staff expenses		(6,187)	(4,358)	(21,229)	(17,305)
General and administrative expenses		(4,477)	(4,600)	(13,360)	(15,211)
Depreciation and amortisation		(969)	(107)	(2,672)	(153)
OPERATING EXPENSES		(11,633)	(9,065)	(37,261)	(32,669)
OPERATING PROFIT BEFORE PROVISIONS		26,657	27,383	84,984	81,487
Impairment and other provisions	8	(19,521)	(17,755)	(67,681)	(65,652)
PROFIT BEFORE TAXATION		7,136	9,628	17,303	15,835
Taxation		(304)	(425)	(630)	(588)
NET PROFIT FOR THE PERIOD		6,832	9,203	16,673	15,247
Attributable to:					
Shareholders of the Bank		6,814	9,191	16,623	15,232
Non-controlling interests		18	12	50	15
		6,832	9,203	16,673	15,247
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	9	3.5	4.6	8.4	7.7

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 September 2019 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2019 KD 000's	2018 KD 000's	2019 KD 000's	2018 KD 000's
Net profit for the period	6,832	9,203	16,673	15,247
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	(6,987)	23,016	19,946	45,770
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	444	399	1,959	(1,813)
Net loss on disposal transferred to income statement	(10)	16	(64)	(58)
	(6,553)	23,431	21,841	43,899
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	279	32,634	38,514	59,146
Attributable to:				
Shareholders of the Bank	261	32,618	38,464	59,131
Non-controlling interests	18	16	50	15
	279	32,634	38,514	59,146

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 September 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	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 for the period	-	-	-	-	-	-	-	-	43,899	43,899	15,232	-	59,131	15	59,146
Bonus shares issued	16,463	(16,463)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(29,435)	(29,435)	(13)	(29,448)
Balance at 30 September 2018	181,096	-	(4,578)	66,791	115,977	17,927	-	24,624	92,318	317,637	189,660	-	683,815	830	684,645
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	-	-	-	-	-	-	-	-	21,841	21,841	16,623	-	38,464	50	38,514
Treasury shares purchased	-	-	(15,639)	-	-	-	-	-	-	-	-	-	(15,639)	-	(15,639)
Bonus shares issued	18,110	(18,110)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(35,976)	(35,976)	-	(35,976)
Balance at 30 September 2019	199,206	-	(20,217)	66,791	115,977	17,927	-	24,108	111,365	336,168	200,716	-	715,873	883	716,756

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. Subsequently, the cash dividend was paid and the issued and fully paid up share capital increased from KD 181,096 thousand to KD 199,206 thousand.

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 5,462 thousand (31 December 2018: KD 5,450 thousand and 30 September 2018: KD 5,445 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 September 2019 (Unaudited)

	Note	Nine months ended	
		30 September	
		2019	2018
		KD 000's	KD 000's
OPERATING ACTIVITIES			
Profit before taxation		17,303	15,835
Adjustments for:			
Impairment and other provisions	8	67,681	65,652
Net gain from investment securities		(4,192)	(4,276)
Foreign exchange loss on investment securities		2,649	4,761
Depreciation and amortisation		2,672	153
Profit before changes in operating assets and liabilities		86,113	82,125
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		73,379	143,345
Due from banks and other financial institutions		(358,928)	222,985
Loans and advances to customers		(67,576)	(30,251)
Other assets		6,200	16,416
Due to banks		344,687	36,767
Due to other financial institutions		(258,549)	(108,832)
Customer deposits		124,122	(132,318)
Other liabilities		13,768	(15,300)
Net cash (used in) from operating activities		(36,784)	214,937
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		105,188	94,675
Acquisition of investment securities		(70,322)	(129,120)
Dividend income from investment securities		4,002	4,239
Acquisition of premises and equipment		(513)	(185)
Net cash from (used in) investing activities		38,355	(30,391)
FINANCING ACTIVITIES			
Other borrowed funds		32,703	19,887
Purchase of treasury shares		(15,639)	-
Dividends paid		(35,976)	(29,435)
Dividend paid to non controlling interest		-	(13)
Net cash used in financing activities		(18,912)	(9,561)
Net (decrease) increase in cash and short term funds		(17,341)	174,985
Cash and short term funds at 1 January		858,842	509,202
Cash and short term funds at 30 September	5	841,501	684,187

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 24 October 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 annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with the regulations issued by CBK for financial services institutions in the State of Kuwait. The regulations require the expected credit loss on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance with CBK guidelines or provisions as required by CBK instructions, with consequent impact on related disclosures. The regulations also require adoption of all other requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. Further, results for interim periods are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

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.

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 the Group 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).


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2019 (Unaudited)

The carrying value of right-of-use assets and lease liabilities as at 30 September 2019 amounted to KD 826 thousand and KD 1,616 thousand respectively. Depreciation charge for right-of-use assets for the current period amounted to KD 2,404 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 42 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 September 2019	31 December 2018	30 September 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 September 2019 (Unaudited)

5 CASH AND SHORT TERM FUNDS

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
	KD 000's	KD 000's	KD 000's
Cash and cash items	164,915	216,880	277,250
Balances with the CBK	50,337	119,732	4,832
Deposits with banks maturing within seven days	626,249	522,230	402,105
	841,501	858,842	684,187
Less : Provision for impairment (ECL)	(20)	(17)	(23)
	841,481	858,825	684,164

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
	KD 000's	KD 000's	KD 000's
Placements with banks	595,855	268,858	272,023
Less: Provision for impairment (ECL)	(70)	(46)	(34)
	595,785	268,812	271,989
Loans and advances to banks	134,524	102,580	75,658
Less : Provision for impairment	(1,041)	(1,026)	(757)
	133,483	101,554	74,901
	729,268	370,366	346,890

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 Bursa 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 Bursa 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. The judgment was appealed by both the parties and the next hearing is scheduled on 10 November 2019.

- b) During the nine months period ended 30 September 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 the hedge instrument it was concluded that the hedge was

The carrying value of debt securities designated as hedged item as at 30 September 2019 was KD 196,057 thousand. The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 4,218 thousand. The changes in fair value related to hedged risk during the period was recognised in the interim condensed consolidated statement of income.

8 IMPAIRMENT AND OTHER PROVISIONS

Impairment and other provisions recorded for the period ended 30 September 2019 amounted to KD 74,114 thousand (30 September 2018: KD 78,422 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 6,433 thousand (30 September 2018: KD 12,770)

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.

The expected credit loss (ECL) on credit facilities determined under IFRS 9 amounted to KD 31,115 thousand as at 30 September 2019. In downside scenario also, ECL on credit facilities will be below the provision held as per CBK rules.

Impairment and other provisions includes reversal of ECL on financial assets other than loans and advances for the period ended 30 September 2019 amounting to KD 129 thousand (30 September 2018: reversal of KD 13 thousand).

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

30 September 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 September		Nine months ended 30 September	
	2019	2018	2019	2018
Net profit (loss) for the period attributable to shareholders of the Bank (KD 000's)	6,814	9,191	16,623	15,232
Weighted average of authorised and subscribed shares (numbers in 000's)	1,992,056	1,992,056	1,992,056	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	(30,278)	(13,390)	(19,402)	(13,390)
	1,961,778	1,978,666	1,972,654	1,978,666
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	3.5	4.6	8.4	7.7

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 September 2019			30 September 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	-	449	2	-	455
Credit cards	4	2	17	2	-	4
Deposits	9	11	1,711	10	-	786
Executive Management						
Loans	21	2	551	10	-	321
Credit cards	20	1	36	8	1	18
Deposits	33	24	529	15	-	312
Associates						
Deposits	1	-	13,731	1	-	13,366
Major Shareholders						
Deposits	1	-	4,705	1	-	1,814

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 September 2018: 0% to 6%).

Interest income and interest expense include KD 28 thousand (30 September 2018: KD 5 thousand) and KD 1,099 thousand (30 September 2018: KD 1,321 thousand) respectively on transactions with related parties.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2019 (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	
	2019 KD 000's	2018 KD 000's
Salaries and other short-term benefits	(1,170)	(904)
Post employment benefits	(22)	(3)
End of service benefits	(159)	(38)

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 September 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	-	1,113	-	1,113
Designated as FV hedge instruments at FVOCI:				
Interest Rate Swaps	-	(3,584)	-	(3,584)
Financial assets at FVOCI:				
Equity securities	223,280	24,948	-	248,228
Debt securities	271,803	16,090	-	287,893
Others	-	-	-	-
	495,083	41,038	-	536,121


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2019 (Unaudited)

		31 December 2018 (Audited)			
		KD 000's			
Financial Instruments		Level 1	Level 2	Level 3	Total
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 September 2018			
		KD 000's			
Financial Instruments		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:					
Other securities		-	83	-	83
Derivative Financial Instruments at FVTPL:					
Forward Foreign Exchange Contracts		-	4,366	-	4,366
Interest Rate Swaps		-	2,306	-	2,306
		-	6,672	-	6,672
Financial assets at FVOCI:					
Equity securities		217,624	25,915	-	243,539
Debt securities		274,018	15,600	-	289,618
		491,642	41,515	-	533,157

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


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2019 (Unaudited)

12 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	
	2019	2018	2019	2018	2019	2018
Net interest income	62,176	61,271	11,479	8,845	73,655	70,116
Non interest income	33,748	32,610	14,842	11,430	48,590	44,040
Operating income	95,924	93,881	26,321	20,275	122,245	114,156
Impairment and other provisions	(67,610)	(65,510)	(71)	(142)	(67,681)	(65,652)
Net profit for the period	7,720	9,925	8,953	5,322	16,673	15,247
Assets	2,458,253	2,359,862	2,261,616	1,867,711	4,719,869	4,227,573
Liabilities & Equity	1,520,866	1,504,154	3,199,003	2,723,419	4,719,869	4,227,573

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 September 2019 KD 000's	(Audited) 31 December 2018 KD 000's	30 September 2018 KD 000's
	Acceptances	34,127	39,878
Letters of credit	181,303	199,924	158,789
Letters of guarantee	1,337,702	1,307,045	1,333,104
Undrawn lines of credit	977,190	821,976	686,352
	2,530,322	2,368,823	2,202,764

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

30 September 2019 (Unaudited)

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

	KD 000's		
30 September 2019	Positive Fair Value	Negative Fair Value	Notional Amount
Foreign exchange contracts - forward	1,477	364	477,354
Interest Rate Swaps	181	3,765	188,172
	1,658	4,129	665,526
	KD 000's		
31 December 2018 (Audited)	Positive Fair Value	Negative Fair Value	Notional Amount
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		
30 September 2018	Positive Fair Value	Negative Fair Value	Notional Amount
Foreign exchange contracts - forward	5,352	986	758,779
Interest Rate Swaps	2,379	73	156,763
	7,731	1,059	915,542

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 1,639 thousand (31 December 2018: KD 1,470 thousand and 30 September 2018: 1,165 thousand) have been provided.