



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

30 June 2016

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 30 June 2016 and the related interim condensed consolidated statements of income, comprehensive income, for the three month and six month period then ended and the related interim condensed consolidated statements 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 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, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the six month period ended 30 June 2016 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 six month period ended 30 June 2016, 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 June 2016 (Unaudited)

		30 June 2016 KD 000's	<i>(Audited)</i> 31 December 2015 KD 000's	30 June 2015 KD 000's
ASSETS				
Cash and short term funds	5	408,462	682,469	849,239
Treasury and Central Bank bonds		335,387	332,575	357,915
Due from banks and other financial institutions	6	621,070	265,681	534,511
Loans and advances	7	2,280,651	2,297,466	2,196,597
Investment securities	8	347,674	338,888	254,695
Premises and equipment		30,291	30,234	30,333
Intangible assets		9,809	9,809	9,809
Other assets		104,561	80,229	42,772
TOTAL ASSETS		4,137,905	4,037,351	4,275,871
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		219,311	166,904	146,552
Due to other financial institutions		746,025	627,232	631,082
Customer deposits		2,449,072	2,546,163	2,841,119
Other borrowed funds		30,200	-	-
Other liabilities		137,158	120,327	105,906
TOTAL LIABILITIES		3,581,766	3,460,626	3,724,659
EQUITY				
Equity attributable to shareholders of the Bank				
Share capital		149,666	141,194	141,194
Proposed bonus shares		-	8,472	-
Treasury shares		(3,713)	(2,822)	-
Reserves		245,568	258,497	259,638
Retained earnings		163,592	152,077	149,317
		555,113	557,418	550,149
Proposed dividend		-	18,282	-
		555,113	575,700	550,149
Non-controlling interests		1,026	1,025	1,063
TOTAL EQUITY		556,139	576,725	551,212
TOTAL LIABILITIES AND EQUITY		4,137,905	4,037,351	4,275,871


Ali Mousa Al Mousa
Chairman


Elham Yousry Mahfouz
Chief Executive Officer

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 30 June 2016 (Unaudited)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
		KD 000's	KD 000's	KD 000's	KD 000's
Interest income	9	29,762	26,591	59,335	54,182
Interest expense		(8,948)	(6,344)	(17,123)	(12,795)
NET INTEREST INCOME		20,814	20,247	42,212	41,387
Fees and commissions		8,935	8,519	17,996	16,630
Net gain from dealing in foreign currencies		1,525	917	3,837	1,888
Net gain from investment securities		268	966	472	1,545
Dividend income		637	430	5,269	3,772
Gain on disposal of assets pending sale		-	4,002	-	5,714
Other operating income		240	259	869	586
OPERATING INCOME		32,419	35,340	70,655	71,522
Staff expenses		(5,861)	(5,280)	(11,504)	(10,443)
General and administrative expenses		(4,229)	(4,274)	(8,253)	(7,845)
Depreciation and amortisation		(22)	(125)	(39)	(226)
OPERATING EXPENSES		(10,112)	(9,679)	(19,796)	(18,514)
OPERATING PROFIT BEFORE PROVISIONS		22,307	25,661	50,859	53,008
Impairment and other provisions	10	(18,403)	(14,832)	(38,978)	(35,667)
PROFIT BEFORE TAXATION		3,904	10,829	11,881	17,341
Taxation		(162)	(485)	(372)	(672)
NET PROFIT FOR THE PERIOD		3,742	10,344	11,509	16,669
Attributable to:					
Shareholders of the Bank		3,738	10,348	11,506	16,671
Non-controlling interests		4	(4)	3	(2)
		3,742	10,344	11,509	16,669
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	11	2.5	6.9	7.7	11.1

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 June 2016 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2016 KD 000's	2015 KD 000's	2016 KD 000's	2015 KD 000's
Net profit for the period	3,742	10,344	11,509	16,669
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified subsequently to consolidated statement of income:				
Changes in fair value of investment securities	(6,552)	4,515	(12,607)	7,258
Net loss on disposal / impairment of investment securities	(23)	(650)	(324)	(1,072)
	(6,575)	3,865	(12,931)	6,186
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(2,833)	14,209	(1,422)	22,855
Attributable to:				
Shareholders of the Bank	(2,830)	14,215	(1,423)	22,856
Non-controlling interests	(3)	(6)	1	(1)
	(2,833)	14,209	(1,422)	22,855

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 June 2016 (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 2015	141,194	-	-	66,791	70,597	17,927	45,380	24,947	27,811	253,453	132,646	25,415	552,708	1,064	553,772
Total comprehensive income for the period	-	-	-	-	-	-	-	-	6,185	6,185	16,671	-	22,856	(1)	22,855
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(25,415)	(25,415)	-	(25,415)
Balance at 30 June 2015	141,194	-	-	66,791	70,597	17,927	45,380	24,947	33,996	259,638	149,317	-	550,149	1,063	551,212
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	-	-	-	-	-	-	-	-	(12,929)	(12,929)	11,506	-	(1,423)	1	(1,422)
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)	-	-	-
Balance at 30 June 2016	149,666	-	(3,713)	66,791	115,977	17,927	-	26,078	18,795	245,568	163,592	-	555,113	1,026	556,139

The Extraordinary General Meeting of shareholders held on 26 March 2016 resolved to increase the authorised share capital of the Bank from KD 141,194 thousand to KD 149,666 thousand.

Annual General Assembly of the shareholders' held on 26 March 2016 approved to distribute cash dividend of 13 fils per share amounting to KD 18,273 thousand (2014: 18 fils per share) and 6 bonus shares for every 100 shares held (2014: nil) for the year 2015. Subsequently, the cash dividend was paid and the bonus shares increased the number of shares by 84,716,688 thousand and share capital by KD 8,472 thousand.

Investment valuation reserve includes a loss of KD 5,420 thousand (31 December 2015: KD 5,452 thousand and 30 June 2015: KD 5,711 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 June 2016 (Unaudited)

	Note	Six months ended 30 June	
		2016 KD 000's	2015 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		11,881	17,341
Adjustments for:			
Impairment and other provisions	10	38,978	35,667
Income from investment securities		(5,741)	(5,317)
Foreign exchange gain on investment securities		(327)	(1,401)
Depreciation and amortisation		39	226
Profit before changes in operating assets and liabilities		44,830	46,516
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(2,812)	5,968
Due from banks and other financial institutions		(355,389)	167,234
Loans and advances		(7,837)	90,652
Other assets		(24,331)	9,805
Due to banks		52,407	(178,027)
Due to other financial institutions		118,793	(48,410)
Customer deposits		(97,091)	286,868
Other liabilities		3,374	2,821
Net cash (used in) from operating activities		(268,056)	383,427
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		46,361	12,472
Acquisition of investment securities		(68,521)	(49,760)
Dividend income from investment securities		5,269	3,772
Proceeds from disposal of premises and equipment		-	2
Acquisition of premises and equipment		(96)	(561)
Net cash used in investing activities		(16,987)	(34,075)
FINANCING ACTIVITIES			
Other borrowed funds		30,200	-
Purchase of treasury shares		(891)	-
Dividends paid		(18,273)	(25,415)
Net cash from (used in) financing activities		11,036	(25,415)
Net (decrease) increase in cash and short term funds		(274,007)	323,937
Cash and short term funds at 1 January		682,469	525,302
Cash and short term funds at 30 June	5	408,462	849,239

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


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2016 (Unaudited)

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 Kuwait Stock Exchange ("KSE"). 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.

On 1 February 2016, the new Companies Law No.1 of 2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the Companies law No. 25 of 2012 and its amendments have been cancelled. However, its Executive Regulations will continue until a new set of Executive Regulations are issued.

The interim condensed consolidated financial information of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 12 July 2016.

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 2015.

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 June 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016. For further information, refer to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2015.

3 SUBSIDIARY

Name of entity	Country of incorporation	Principal activities	% of ownership		
			30 June 2016	31 December 2015	30 June 2015
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	80	80	80

4 PROVISIONS NO LONGER REQUIRED

Under the terms of Law 41/93, provision no longer required as at 30 June 2016 amounted to KD 1 thousand (30 June 2015: KD nil). 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 2015 and in accordance with the instructions of the CBK.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2016 (Unaudited)

5 CASH AND SHORT TERM FUNDS

	30 June 2016 KD 000's	<i>(Audited)</i> 31 December 2015 KD 000's	30 June 2015 KD 000's
Cash and cash items	155,731	169,757	116,671
Balances with the CBK	16,256	1,221	64,360
Deposits with banks maturing within seven days	236,475	511,491	668,208
	408,462	682,469	849,239

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

6 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016 KD 000's	<i>(Audited)</i> 31 December 2015 KD 000's	30 June 2015 KD 000's
Placements with banks	581,623	232,310	477,262
Loans and advances to banks	39,845	33,708	12,685
Amounts due from other financial institutions	-	-	45,142
	621,468	266,018	535,089
Less : Provision for impairment	(398)	(337)	(578)
	621,070	265,681	534,511

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 32,571 thousand have been settled.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2016 (Unaudited)

8 INVESTMENT SECURITIES

During the period, the Group recognised an unrealised loss of KD 12,607 thousand (30 June 2015: unrealised gain of KD 7,258 thousand) in the interim condensed consolidated statement of comprehensive income as arising from changes in fair value and recycled fair valuation changes of KD 324 thousand (30 June 2015: KD 1,072 thousand) to the interim condensed consolidated statement of income on disposal and impairment of "available for sale" investment securities.

Impairment loss of KD 1,243 thousand (30 June 2015: KD 655 thousand) was charged to the interim condensed consolidated statement of income.

During 2009, the Bank acquired 221,425,059 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 KSE. 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 companies which sold the mentioned shares, 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. 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 the above mentioned shares. On the basis of legal counsel, management believes that they have a meritorious defense.

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 67,625,226 bonus shares. As at reporting date, the Bank holds title for 258,425,059 shares carried at a fair value of KD 98,202 thousand (31 December 2015: 246,425,059 shares at a fair value of KD 107,194 thousand and 30 June 2015: 252,425,059 shares at a fair value of KD 107,281 thousand). As at 30 June 2016, the weighted average cost of 221,425,059 shares under legal restraint is KD 64,891 thousand (31 December 2015: KD 68,136 thousand and 30 June 2015: KD 68,136 thousand) and is carried at a fair value of KD 84,141 thousand (31 December 2015: KD 96,320 thousand and 30 June 2015: KD 94,106 thousand), with the resultant fair valuation gain of KD 19,250 thousand (31 December 2015: KD 28,184 thousand and 30 June 2015: KD 25,970 thousand) recognised in the Investment Valuation Reserve. These shares are part of investment portfolio classified as "available for sale".

In April 2016, based on a legal suit filed by one of the creditors of the Borrower, the Court of Cassation issued a verdict directing the Bank to pay approximately KD 44 million to the creditor, from the amount utilized by the Bank to settle its loan due from the borrower. The Bank has adequate provision to cover this liability under the court order.

9 INTEREST INCOME

Interest income includes a release of KD 29 thousand (30 June 2015: KD 583 thousand) due to adjustments arising from revised estimates of future cash flows, discounted at the original contracted rates of interest from a portfolio of performing loans that have had their terms modified during the year 2007, as per Central Bank circular 2/202BS RSA/2007 dated 13 February 2007 and 2/105 dated 23 April 2008.

10 IMPAIRMENT AND OTHER PROVISIONS

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

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	KD 000's	KD 000's	KD 000's	KD 000's
Loans and advances - specific	(2,269)	(1,373)	(7,002)	(94,925)
Loans and advances - recoveries	1,682	2,339	2,041	6,654
Loans and advances - general	(2,937)	(15,321)	(19,691)	55,856
Investment securities	(697)	(354)	(1,243)	(655)
Non cash facilities	(75)	(196)	268	(1,449)
Other provisions	(14,107)	73	(13,351)	(1,148)
	(18,403)	(14,832)	(38,978)	(35,667)

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

30 June 2016 (Unaudited)

11 EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>3,738</u>	<u>10,348</u>	<u>11,506</u>	<u>16,671</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	<u>1,496,661</u>	<u>1,496,661</u>	<u>1,496,661</u>	<u>1,496,661</u>
Less: Weighted average of treasury shares held (numbers in 000's)	<u>(7,474)</u>	<u>-</u>	<u>(6,947)</u>	<u>-</u>
	<u>1,489,187</u>	<u>1,496,661</u>	<u>1,489,714</u>	<u>1,496,661</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u>2.5</u>	<u>6.9</u>	<u>7.7</u>	<u>11.1</u>

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 June 2016			30 June 2015		
	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	-	89	-	-	-
Credit cards	-	-	-	3	1	2
Deposits	9	-	251	9	-	285
Executive Management						
Loans	8	-	100	9	-	69
Credit cards	6	-	8	9	2	16
Deposits	12	-	400	13	2	319

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 June 2015: 0%).

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

30 June 2016 (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	
	2016 KD 000's	2015 KD 000's
Salaries and other short-term benefits	(470)	(436)
Post employment benefits	(4)	(2)
End of service benefits	(32)	(24)

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 June 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	-	1,478	-	1,478
Interest Rate Swaps	-	(951)	-	(951)
	-	527	-	527
Financial assets available for sale:				
Equity securities	134,388	33,518	-	167,906
Debt securities	149,056	29,796	-	178,852
Others	-	916	-	916
	283,444	64,230	-	347,674

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

30 June 2016 (Unaudited)

	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	
	2016	2015	2016	2015	2016	2015
Net interest income	37,917	38,368	4,295	3,019	42,212	41,387
Non interest income	20,921	22,530	7,522	7,605	28,443	30,135
Operating income	58,838	60,898	11,817	10,624	70,655	71,522
Impairment and other provisions	(24,383)	(34,678)	(14,595)	(989)	(38,978)	(35,667)
Net profit (loss) for the period	22,996	16,357	(11,487)	312	11,509	16,669
Assets	2,428,474	2,285,272	1,709,431	1,990,599	4,137,905	4,275,871
Liabilities & Equity	1,521,313	1,794,484	2,616,592	2,481,387	4,137,905	4,275,871

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

	30 June 2016 KD 000's	(Audited) 31 December 2015 KD 000's	30 June 2015 KD 000's
	Acceptances	31,755	28,249
Letters of credit	117,344	101,051	119,871
Letters of guarantee	1,192,001	1,069,073	991,785
	1,341,100	1,198,373	1,145,125


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2016 (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 2016			
Foreign exchange contracts - forward	2,724	1,246	515,872
Interest Rate Swaps	-	951	93,952
	2,724	2,197	609,824
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
31 December 2015 (Audited)			
Foreign exchange contracts - forward	945	2,435	361,693
Interest Rate Swaps	170	3	51,674
	1,115	2,438	413,367
	KD 000's		
	Positive Fair Value	Negative Fair Value	Notional Amount
30 June 2015			
Foreign exchange contracts - forward	8,751	7,100	648,599
	8,751	7,100	648,599

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 45,229 thousand (31 December 2015: KD 1,974 thousand and 30 June 2015: KD 1,735 thousand) have been provided.