

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2017 TO 30 SEPTEMBER 2017
(UNAUDITED)**

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)**



For the period from 1 January 2017 to 30 September 2017

INDEX	Page
Independent auditors' review report on interim condensed consolidated financial information	1
Interim condensed consolidated statement of profit or loss (unaudited)	2
Interim condensed consolidated statement of other comprehensive income (unaudited)	3
Interim condensed consolidated statement of financial position (unaudited)	4
Interim condensed consolidated statement of changes in equity (unaudited)	5-6
Interim condensed consolidated statement of cash flows (unaudited)	7
Notes to the interim condensed consolidated financial information (unaudited)	8-15

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Boubyan Bank K.S.C.P. (the “Bank”) and its subsidiaries (collectively “the Group”) as at 30 September 2017, and the related interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of other comprehensive income for the three and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Bank 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 accounts 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 Bank’s Articles of Association and Memorandum of Incorporation, 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 organisation 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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BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)**


For the period from 1 January 2017 to 30 September 2017

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2017	2016	2017	2016
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		38,698	31,548	109,933	89,949
Finance cost and distribution to depositors		(12,119)	(9,092)	(33,078)	(24,526)
Net financing income		26,579	22,456	76,855	65,423
Net investment income	3	1,847	1,141	5,273	2,845
Net fees and commission income		2,291	1,742	7,367	7,721
Share of results of associates		259	(856)	254	(1,418)
Net foreign exchange gain		699	703	1,786	1,731
Operating income		31,675	25,186	91,535	76,302
Staff costs		(7,048)	(6,187)	(21,637)	(19,049)
General and administrative expenses		(4,816)	(3,341)	(13,534)	(10,418)
Depreciation		(977)	(840)	(2,823)	(2,380)
Operating expenses		(12,841)	(10,368)	(37,994)	(31,847)
Operating profit before provision for impairment		18,834	14,818	53,541	44,455
Provision for impairment		(6,033)	(3,616)	(17,929)	(13,444)
Operating profit before deductions		12,801	11,202	35,612	31,011
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(127)	(90)	(353)	(266)
National Labour Support Tax ("NLST")		(327)	(265)	(902)	(767)
Zakat		(131)	(106)	(356)	(307)
Net profit for the period		12,216	10,741	34,001	29,671
Attributable to:					
Equity holders of the Bank		12,199	10,720	34,068	29,627
Non-controlling interests		17	21	(67)	44
Net profit for the period		12,216	10,741	34,001	29,671
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	4	5.37	4.72	13.87	13.03

The notes from 1 to 12 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the period from 1 January 2017 to 30 September 2017


	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	KD'000	KD'000	KD'000	KD'000
Net profit for the period	12,216	10,741	34,001	29,671
Other comprehensive income				
Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:				
Change in fair value of available for sale investments	9	(316)	578	(623)
Foreign currency translation adjustments	(129)	700	(20)	747
Other comprehensive (loss)/ income for the period	(120)	384	558	124
Total comprehensive income for the period	12,096	11,125	34,559	29,795
Attributable to:				
Equity holders of the Bank	12,079	11,104	34,626	29,751
Non-controlling interests	17	21	(67)	44
Total comprehensive income for the period	12,096	11,125	34,559	29,795

The notes from 1 to 12 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)**


As at 30 September 2017

		30 September 2017	(Audited) 31 December 2016	30 September 2016
	Notes	KD'000	KD'000	KD'000
Assets				
Cash and cash equivalents	5	36,678	36,911	34,839
Deposits with Central Bank of Kuwait		299,499	292,742	284,224
Deposits with other banks	6	290,779	328,952	407,148
Islamic financing to customers		2,847,638	2,516,760	2,443,476
Financial assets at fair value through profit or loss		15,414	19,495	19,336
Available for sale investments		176,045	160,305	148,418
Investments in associates		54,673	62,204	70,317
Investment properties		40,800	24,680	25,408
Other assets		15,689	13,943	13,721
Property and equipment		52,781	25,815	24,214
Total assets		3,829,996	3,481,807	3,471,101
Liabilities and equity				
Liabilities				
Due to banks		48,176	76,278	145,156
Depositors' accounts		3,297,779	2,945,076	2,871,365
Other liabilities		41,534	37,300	39,872
Total liabilities		3,387,489	3,058,654	3,056,393
Equity				
Share capital		227,473	216,641	216,641
Share premium		62,896	62,896	62,896
Proposed bonus shares	12	-	10,832	-
Treasury shares	8	(1,122)	(1,438)	(1,193)
Statutory reserve		14,329	14,329	9,998
Voluntary reserve		13,713	13,713	9,570
Share based payment reserve		1,568	1,540	1,483
Fair value reserve		4,277	3,699	3,536
Foreign currency translation reserve		(9,119)	(9,099)	(8,515)
Retained earnings		50,377	18,884	42,293
Proposed cash dividends	12	-	12,974	-
Equity attributable to equity holders of the Bank		364,392	344,971	336,709
Perpetual Tier 1 Sukuk		75,388	75,388	75,388
Non-controlling interests		2,727	2,794	2,611
Total equity		442,507	423,153	414,708
Total liabilities and equity		3,829,996	3,481,807	3,471,101



Mahmoud Yousef Al-Fulaij
Chairman



Adel Abdul Wahab Al Majed
Vice Chairman & Chief Executive Officer

The notes from 1 to 12 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2017 to 30 September 2017

	Share capital	Share premium	Proposed bonus share	Treasury shares	Statutory reserve	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Proposed cash dividends	Equity attributable to equity holders of the Bank	Perpetual tier 1 Sukuk	Non-controlling interests	Total equity
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 1 January 2017	216,641	62,896	10,832	(1,438)	14,329	13,713	1,540	3,699	(9,099)	18,884	12,974	344,971	75,388	2,794	423,153
Profit for the period	-	-	-	-	-	-	-	-	-	34,068	-	34,068	-	(67)	34,001
Other comprehensive income/(loss)	-	-	-	-	-	-	-	578	(20)	-	-	558	-	-	558
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	578	(20)	34,068	-	34,626	-	(67)	34,559
Share based payment	-	-	-	-	-	-	271	-	-	-	-	271	-	-	271
Dividends paid (note 12)	-	-	-	-	-	-	-	-	-	(5)	(12,974)	(12,979)	-	-	(12,979)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	-	-	(2,570)	-	(2,570)	-	-	(2,570)
Issue of bonus shares (note 12)	10,832	-	(10,832)	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	316	-	-	(243)	-	-	-	-	73	-	-	73
Balance at 30 September 2017	227,473	62,896	-	(1,122)	14,329	13,713	1,568	4,277	(9,119)	50,377	-	364,392	75,388	2,727	442,507

The notes from 1 to 12 form an integral part of this interim condensed consolidated financial information.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period from 1 January 2017 to 30 September 2017

	Share capital	Share premium	Proposed bonus share	Treasury shares	Statutory reserve	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Proposed cash dividends	Equity attributable to equity holders of the Bank	Perpetual tier 1 Sukuk	Non-controlling interests	Total equity
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 1 January 2016	206,325	62,896	10,316	(568)	9,998	9,570	1,171	4,159	(9,262)	13,320	10,307	318,232	-	2,567	320,799
Profit for the period										29,627			29,		2
Other comprehensive (loss)/ income									(6						
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	-	(623)	747	29,627	-	29,751	-	44	29,795
Issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	-	-	-	-	-	75,388	-	75,388
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	-	-	(650)	-	(650)	-	-	(650)
Share based payment	-	-	-	-	-	-	423	-	-	-	-	423	-	-	423
Dividends paid (note 12)	-	-	-	-	-	-	-	-	-	(4)	(10,307)	(10,311)	-	-	(10,311)
Issue of bonus shares (note 12)	10,316	-	(10,316)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(787)	-	-	-	-	-	-	-	(787)	-	-	(787)
Sale of treasury shares	-	-	-	162	-	-	(111)	-	-	-	-	51	-	-	51
Balance at 30 September 2016	216,641	62,896	-	(1,193)	9,998	9,570	1,483	3,536	(8,515)	42,293	-	336,709	75,388	2,611	414,708

The notes from 1 to 12 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (UNAUDITED)

For the period from 1 January 2017 to 30 September 2017

	Nine months ended 30 September	
	2017 KD'000	2016 KD'000
OPERATING ACTIVITIES		
Net profit for the period	34,001	29,671
Adjustments for:		
Provision for impairment	17,929	13,444
Depreciation	2,823	2,380
Foreign currency translation adjustments	(2,708)	5,908
Net gain from available for sale investments	(492)	(281)
Net gain from financial assets at fair value through profit or loss	(449)	(72)
Share of results of associates	(254)	1,418
Dividend income	(833)	(676)
Realized gain from investment properties	(463)	(49)
Share based payment reserve	271	423
Operating profit before changes in operating assets and liabilities	49,825	52,166
Changes in operating assets and liabilities:		
Deposit with Central Bank of Kuwait	(6,757)	(151,097)
Deposit with other banks	56,544	(73,160)
Islamic financing to customers	(338,441)	(281,599)
Other assets	(1,746)	448
Due to banks	(28,102)	(237,593)
Depositors' accounts	352,703	472,430
Other liabilities	4,124	9,390
Net cash generated from /(used in) operating activities	88,150	(209,015)
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(1,257)	(5,000)
Proceeds from sale of financial assets at fair value through profit or loss	5,691	5,025
Purchase of available for sale investments	(78,076)	(37,286)
Proceeds from sale of available for sale investments	63,302	9,941
Purchase of investment properties	(15,240)	(1,997)
Purchase of property and equipment	(29,789)	(7,813)
Dividend income received	833	676
Dividend received from associate	-	397
Net cash used in investing activities	(54,536)	(36,057)
FINANCING ACTIVITIES		
Profit paid on perpetual Tier 1 Sukuk	(2,570)	-
Net proceeds from issue of Perpetual Tier 1 Sukuk	-	75,388
Perpetual Tier 1 Sukuk Issuing cost	-	(650)
Cash dividends	(12,979)	(10,311)
Purchase of treasury shares	-	(787)
Net of sale of treasury shares	73	51
Net cash (used in) /generated from financing activities	(15,476)	63,691
Net increase/(decrease) in cash and cash equivalents	18,138	(181,381)
Cash and cash equivalents at beginning of the period	87,380	465,259
Cash and cash equivalents at end of the period	105,518	283,878

The notes from 1 to 12 form an integral part of this interim condensed consolidated financial information.

For the period from 1 January 2017 to 30 September 2017

1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C.P. (“the Bank”) is a Kuwaiti public shareholding company incorporated on 21 September 2004, in accordance with the Commercial Companies Law in the State of Kuwait, by Amiri Decree No. 88 and in accordance with the rules and regulations of the Central Bank of Kuwait (“CBK”) (Law No. 30 of 2003).

The Bank’s shares were listed on the Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the CBK on 28 November 2004. The Bank is principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia’a as approved by the Bank’s Sharia’a Supervisory Board.

On 31 July 2012; the Bank became a subsidiary of National Bank of Kuwait K.S.C.P. (“the Parent Company”).

This interim condensed consolidated financial information as at and for the nine months period ended 30 September 2017 incorporates the financial information of the Bank and its principal operating subsidiaries, Boubyan Takaful Insurance Company K.S.C. (Closed) and Boubyan Capital Investment Company K.S.C. (Closed), (together referred to as “the Group”) and the Group’s interests in associates.

The address of the Bank’s registered office is P.O. Box 25507, Safat 13116, State of Kuwait.

This interim condensed consolidated financial information was authorised for issue by the Board of Directors on 3 October 2017.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting, and the Kuwait Stock Exchange instruction No. 2 of 1998.

The annual consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39, ‘Financial Instruments: Recognition and Measurement’, requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

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 2016.

The interim condensed consolidated financial information has been prepared using the same accounting policies and methods of computation with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 which did not result in any material impact on the accounting policies, financial position or performance of the Group.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. The operating results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

For the period from 1 January 2017 to 30 September 2017

3. NET INVESTMENT INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2017 KD'000	2016 KD'000	2017 KD'000	2016 KD'000
Sukuk coupon income	1,060	662	2,717	1,763
Dividend income	299	148	833	676
Net gain from financial assets at fair value through profit or loss	81	98	449	72
Net gain from available for sale investments	-	229	492	281
Income from investment properties	407	4	782	53
Net investment income	1,847	1,141	5,273	2,845

4. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period plus the weighted average number of share that would be issued on the conversion of all the dilutive potential shares into shares. The diluted earnings per share arising from the issue of employee share option does not result in any change to the reported basic earnings per share.

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Net profit for the period attributable to the equity holders of the Bank (KD'000)	12,199	10,720	34,068	29,627
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	-	-	(2,570)	-
	12,199	10,720	31,498	29,627
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	2,271,412	2,272,458	2,271,200	2,272,992
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	5.37	4.72	13.87	13.03

Earnings per share for the three months and nine months prior period were 4.95 fils and 13.68 fils respectively, before retroactive adjustment to the number of shares following the bonus issue (note 12).

For the period from 1 January 2017 to 30 September 2017

5. CASH AND CASH EQUIVALENTS

	30 September 2017	(Audited) 31 December 2016	30 September 2016
	KD'000	KD'000	KD'000
Cash and balances with banks	36,678	36,911	34,839
Placements with banks maturing within seven days	68,840	50,469	249,039
	105,518	87,380	283,878

6. DEPOSITS WITH OTHER BANKS

The geographical distribution of deposits with other banks is as follows:

	30 September 2017	(Audited) 31 December 2016	30 September 2016
	KD'000	KD'000	KD'000
Kuwait & Middle East	275,776	313,419	376,898
Europe	15,003	15,533	30,250
	290,779	328,952	407,148

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

For the period from 1 January 2017 to 30 September 2017

7. RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members and the Parent Company including their board member, key management personnel, branches, associates and subsidiaries. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial information captions:

	Number of board members or executive officers			Number of related parties			(Audited)		
	30 September 2017	31 December 2016	30 September 2016	30 September 2017	31 December 2016	30 September 2016	30 September 2017	31 December 2016	30 September 2016
							KD'000	KD'000	KD'000
Islamic financing to customers	8	8	8	2	3	3	2,679	2,965	3,441
Depositors' accounts	18	17	17	9	9	8	12,613	22,563	22,768
Letters of guarantee and letters of credit	2	1	1	-	1	1	29	25	25
Murabaha and other Islamic financing									
Income							61	83	62
Finance cost and distribution to depositors							(148)	(500)	(446)
Parent Company									
Due from banks							152,684	124,188	60,930
Due to banks							27,647	38,528	5,677
Murabaha and other Islamic financing income							999	595	349
Finance cost and distribution to depositors							(99)	(278)	(197)

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Details of compensation to key management comprise the following:

	Three months ended 30 September		Nine months ended 30 September	
	2017 KD'000	2016 KD'000	2017 KD'000	2016 KD'000
Short-term benefits	483	436	1,389	1,348
Post-employment benefits	291	76	481	259
Share based compensation	133	117	399	354
	907	629	2,269	1,961

8. TREASURY SHARES

The Bank held the following treasury shares:

	30 September 2017	(Audited)	
		31 December 2016	30 September 2016
Number of treasury shares	3,323,164	4,024,946	3,374,947
Treasury shares as a percentage of total issued shares - %	0.1461%	0.1858%	0.1558%
Cost of treasury shares – KD thousand	1,122	1,438	1,193
Market value of treasury shares – KD thousand	1,462	1,590	1,325
Weighted average of market value per share – KD	0.422	0.382	0.396

9. CONTINGENCIES AND COMMITMENTS

At the financial reporting date there were outstanding contingencies and commitments entered in the ordinary course of business in respect of the following:

	30 September 2017	(Audited)	
		31 December 2016	30 September 2016
	KD'000	KD'000	KD'000
Guarantees	217,796	200,246	207,349
Acceptances and letters of credit	63,844	58,604	45,360
Other commitments	1,828	27,969	2,776
	283,468	286,819	255,485

10. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. The operating segments are divided as either business segments or geographical segments.

Business Segments

For management purposes, the Bank is organized into the following four major business segments:

Consumer banking: Provides a diversified range of products and services to individuals and institutional customers. The range includes consumer finance, credit cards, deposits and other branch related services.

Corporate banking: Provides Murabaha, Ijarah, trade service and other related services to business and corporate customers.

Investment banking: Principally handling direct investments, investment in associates, local and international real estate investment and asset management.

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with banks, as well as the management of the Bank's funding operations.

Group centre: Includes other group activities and residual in respect of transfer pricing and inter segment allocation.

	Consumer banking KD'000	Corporate banking KD'000	Investment banking KD'000	Treasury KD'000	Group centre KD'000	Total KD'000
Nine months ended 30 September 2017						
Net financing income/(loss)	42,741	24,262	(1,848)	8,328	3,372	76,855
Operating income	46,023	31,127	4,058	10,114	213	91,535
Net profit/(loss) for the period	24,072	27,218	(8,304)	9,774	(18,759)	34,001
Total assets	1,272,832	1,821,328	169,149	576,552	(9,865)	3,829,996
Total liabilities	1,472,688	234,606	39,802	1,648,067	(7,674)	3,387,489
Nine months ended 30 September 2016						
Net financing income/(loss)	38,284	21,898	(1,502)	3,230	3,513	65,423
Operating income/(loss)	41,096	28,050	553	4,959	1,644	76,302
Net profit/(loss) for the period	22,260	24,197	(5,817)	4,667	(15,636)	29,671
Total assets	1,121,347	1,565,748	147,514	641,411	(4,919)	3,471,101
Total liabilities	1,157,540	247,306	24,429	1,618,404	8,714	3,056,393

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: input other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
30 September 2017				
Financial assets at fair value through profit or loss	-	12,427	2,987	15,414
Available for sale investments	143,895	22,149	10,001	176,045
	<u>143,895</u>	<u>34,576</u>	<u>12,988</u>	<u>191,459</u>
	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
31 December 2016 (Audited)				
Financial assets at fair value through profit or loss	-	16,508	2,987	19,495
Available for sale investments	122,255	27,953	10,097	160,305
	<u>122,255</u>	<u>44,461</u>	<u>13,084</u>	<u>179,800</u>
	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
30 September 2016				
Financial assets at fair value through profit or loss	-	16,776	2,560	19,336
Available for sale investments	118,628	20,096	9,694	148,418
	<u>118,628</u>	<u>36,872</u>	<u>12,254</u>	<u>167,754</u>

Fair values of all financial instruments are not materially different from their carrying values.

The movement in Level 3 of financial instrument during the period are as follows:

	At 1 January	Change in fair value	Impairment	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 30 September
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
30 September 2017:							
<i>Assets measured at fair value</i>							
Financial assets at fair value through profit or loss	2,987	-	-	-	-	-	2,987
Available for sale investments	10,097	10	-	-	-	(106)	10,001
	<u>13,084</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106)</u>	<u>12,988</u>

	At 1 January	Change in fair value	Impairment	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 30 September
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
30 September 2016:							
<i>Assets measured at fair value</i>							
Financial assets at fair value through profit or loss	2,560	-	-	-	-	-	2,560
Available for sale investments	10,153	-	-	-	(443)	(16)	9,694
	<u>12,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(443)</u>	<u>(16)</u>	<u>12,254</u>

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statements of profit and loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the securities classified under level 2 and level 3 were altered by 5 percent.

For the period from 1 January 2017 to 30 September 2017

12. ANNUAL GENERAL ASSEMBLY MEETING

The shareholders' annual general assembly held on 12 March 2017 approved the audited consolidated financial statements of the Bank for the year ended 31 December 2016 and the distribution of a cash dividends of **6 fils** per share (31 December 2015: 5 fils per share) payable to the shareholders registered in Bank's records as of the date of Annual General Assembly Meeting and **5%** bonus shares (31 December 2015: 5%) to the shareholders on record at the date of regulatory approval for distribution of bonus shares.