

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



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2016 TO 30 JUNE 2016
(UNAUDITED)**

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 June 2016, 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 six 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 six months 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 the executive regulations of Law No. 25 of 2012, or of the Bank’s Articles of Association and Memorandum of Incorporation, as amended, during the six months 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 organisation of banking business, and its related regulations, during the six months period ended 30 June 2016 that might have had a material effect on the business of the Bank or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS



BADER A. AL-WAZZAN
LICENCE NO. 62A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)



For the period from 1 January 2016 to 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		KD'000	KD'000	KD'000	KD'000
Income					
Murabaha and other Islamic financing income		29,864	24,744	58,401	47,913
Distribution to depositors and Murabaha costs		(8,376)	(5,362)	(15,434)	(10,885)
Net financing income		21,488	19,382	42,967	37,028
Net investment income	3	1,092	1,125	1,704	1,592
Net fees and commission income		2,903	1,696	5,979	4,154
Share of results of associates		(35)	44	(562)	282
Net foreign exchange gain		579	324	1,028	755
Operating income		26,027	22,571	51,116	43,811
Staff costs		(6,375)	(5,698)	(12,862)	(11,399)
General and administrative expenses		(3,626)	(3,246)	(7,077)	(6,472)
Depreciation		(787)	(635)	(1,540)	(1,216)
Operating expenses		(10,788)	(9,579)	(21,479)	(19,087)
Operating profit before provision for impairment		15,239	12,992	29,637	24,724
Provision for impairment		(4,967)	(3,927)	(9,828)	(7,958)
Operating profit before deductions		10,272	9,065	19,809	16,766
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(91)	(80)	(176)	(150)
National Labour Support Tax ("NLST")		(258)	(206)	(502)	(401)
Zakat		(103)	(90)	(201)	(167)
Net profit for the period		9,820	8,689	18,930	16,048
Attributable to:					
Equity holders of the Bank		9,810	8,662	18,907	16,036
Non-controlling interests		10	27	23	12
Net profit for the period		9,820	8,689	18,930	16,048
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	4	4.53	4.00	8.73	7.41

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 2016 to 30 June 2016

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD'000	KD'000	KD'000	KD'000
Net profit for the period	9,820	8,689	18,930	16,048
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	(293)	(256)	(307)	(71)
Foreign currency translation adjustments	(547)	(1,336)	47	(1,346)
Other comprehensive loss for the period	(840)	(1,592)	(260)	(1,417)
Total comprehensive income for the period	8,980	7,097	18,670	14,631
Attributable to:				
Equity holders of the Bank	8,970	7,070	18,647	14,619
Non-controlling interests	10	27	23	12
Total comprehensive income for the period	8,980	7,097	18,670	14,631

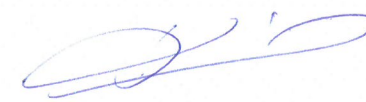
The notes from 1 to 12 form an integral part of this interim condensed consolidated financial information.

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


INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)

As at 30 June 2016

		(Audited)		
		30 June 2016	31 December 2015	30 June 2015
	Notes	KD'000	KD'000	KD'000
Assets				
Cash and cash equivalents	5	155,768	465,259	337,745
Due from banks		595,776	218,076	275,510
Islamic financing to customers		2,359,527	2,171,794	1,995,620
Financial assets at fair value through profit or loss		14,825	15,388	13,883
Available for sale investments		145,517	126,307	129,000
Investments in associates		71,530	79,713	83,521
Investment properties		23,397	23,397	24,733
Other assets		17,940	14,169	13,015
Property and equipment		23,483	18,782	17,419
Total assets		3,407,763	3,132,885	2,890,446
Liabilities and equity				
Liabilities				
Due to banks		185,043	382,749	284,668
Depositors' accounts		2,789,059	2,398,935	2,275,244
Other liabilities		29,426	30,402	24,353
Total liabilities		3,003,528	2,812,086	2,584,265
Equity				
Share capital		216,641	206,325	206,325
Share premium		62,896	62,896	62,896
Proposed bonus shares	11	-	10,316	-
Treasury shares	7	(406)	(568)	(568)
Statutory reserve		9,998	9,998	6,283
Voluntary reserve		9,570	9,570	6,015
Share based payment reserve		1,348	1,171	966
Fair value reserve		3,852	4,159	5,011
Foreign currency translation reserve		(9,215)	(9,262)	(7,814)
Retained earnings		31,573	13,320	22,012
Proposed cash dividends	11	-	10,307	-
Equity attributable to equity holders of the Bank		326,257	318,232	301,126
Perpetual Tier 1 Sukuk	12	75,388	-	-
Non-controlling interests		2,590	2,567	5,055
Total equity		404,235	320,799	306,181
Total liabilities and equity		3,407,763	3,132,885	2,890,446



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 2016 to 30 June 2016

	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	-	-	-	-	-	-	-	-	-	18,907	-	18,907	-	23	18,930
Other comprehensive (loss) income	-	-	-	-	-	-	-	(307)	47	-	-	(260)	-	-	(260)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(307)	47	18,907	-	18,647	-	23	18,670
Issue of Perpetual Tier 1 Sukuk (Note 12)	-	-	-	-	-	-	-	-	-	-	-	-	75,388	-	75,388
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	-	-	(650)	-	(650)	-	-	(650)
Share based payment	-	-	-	-	-	-	288	-	-	-	-	288	-	-	288
Dividends paid (note 11)	-	-	-	-	-	-	-	-	-	(4)	(10,307)	(10,311)	-	-	(10,311)
Issue of bonus shares (note 11)	10,316	-	(10,316)	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	162	-	-	(111)	-	-	-	-	51	-	-	51
Balance at 30 June 2016	216,641	62,896	-	(406)	9,998	9,570	1,348	3,852	(9,215)	31,573	-	326,257	75,388	2,590	404,235

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 2016 to 30 June 2016

	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 Sukuk tier 1	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 2015	196,500	62,896	9,825	(763)	6,283	6,015	864	5,082	(6,468)	5,978	9,815	296,027	-	5,075	301,102
Profit for the period	-	-	-	-	-	-	-	-	-	16,036	-	16,036	-	12	16,048
Other comprehensive (loss) income	-	-	-	-	-	-	-	(71)	(1,346)	-	-	(1,417)	-	-	(1,417)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(71)	(1,346)	16,036	-	14,619	-	12	14,631
Share based payment	-	-	-	-	-	-	102	-	-	145	-	247	-	-	247
Dividends paid	-	-	-	-	-	-	-	-	-	(2)	(9,815)	(9,817)	-	-	(9,817)
Issue of bonus shares	9,825	-	(9,825)	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	195	-	-	-	-	-	(145)	-	50	-	-	50
Capital redemption of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(32)	(32)
Balance at 30 June 2015	206,325	62,896	-	(568)	6,283	6,015	966	5,011	(7,814)	22,012	-	301,126	-	5,055	306,181

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 2016 to 30 June 2016

	Six months ended 30 June	
	2016	2015
	KD'000	KD'000
OPERATING ACTIVITIES		
Net profit for the period	18,930	16,048
Adjustments for:		
Provision for impairment	9,828	7,958
Depreciation	1,540	1,216
Foreign currency translation adjustments	4,700	(4,407)
Net gain from available for sale investments	(52)	(3)
Net loss/(gain) from financial assets at fair value through profit or loss	26	(37)
Share of results of associates	562	(282)
Dividend income	(528)	(850)
(Gain)/loss on sale of investment properties	(49)	222
Share based payment reserve	288	247
Operating profit before changes in operating assets and liabilities	35,245	20,112
Changes in operating assets and liabilities:		
Due from banks	(377,700)	(11,917)
Islamic financing to customers	(193,982)	(197,058)
Other assets	(3,771)	(2,071)
Due to banks	(197,706)	57,929
Depositors' accounts	390,124	183,216
Other liabilities	(1,109)	(4,058)
Dividend income received	528	850
Net cash (used in) from operating activities	(348,371)	47,003
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	-	(990)
Proceeds from sale of financial assets at fair value through profit or loss	525	-
Purchase of available for sale investments	(28,404)	(15,843)
Proceeds from sale of available for sale investments	8,125	3,365
Proceeds from sale of investment properties	-	1,887
Purchase of property and equipment	(6,241)	(3,133)
Dividend received from associate	397	434
Net cash used in investing activities	(25,598)	(14,280)
FINANCING ACTIVITIES		
Net proceeds from issue of Perpetual Tier 1 Sukuk	75,388	-
Perpetual Tier 1 Sukuk Issuing cost	(650)	-
Cash dividends	(10,311)	(9,817)
Capital redemption of non-controlling interest	-	(32)
Proceeds from exercise of shares options	51	50
Net cash generated from/ (used in) financing activities	64,478	(9,799)
Net (decrease)/increase in cash and cash equivalents	(309,491)	22,924
Cash and cash equivalents at beginning of the period	465,259	314,821
Cash and cash equivalents at end of the period	155,768	337,745

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

For the period from 1 January 2016 to 30 June 2016

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.

The new Companies Law No 1 of 2016 was issued on 24 January 2016 and was published in Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to Article No 5, the new law will be effective retrospectively from 26 November 2012, and the executive regulation of Law No 25 of 2012 will continue until a new set of executive regulations is issued.

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 six months period ended 30 June 2016 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 July 2016.

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 2015 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 2015.

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 2015, 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 2016 and 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 six months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

For the period from 1 January 2016 to 30 June 2016

3. NET INVESTMENT INCOME

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD'000	KD'000	KD'000	KD'000
Sukuk coupon income	585	487	1,101	924
Dividend income	438	575	528	850
Net gain/(loss) from financial assets at fair value through profit or loss	24	20	(26)	37
Net gain from available for sale investments	45	-	52	3
Gain/(loss) on sale of investment properties	-	43	49	(222)
Net investment income	1,092	1,125	1,704	1,592

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 June		Six months ended 30 June	
	2016	2015	2016	2015
Net profit for the period attributable to the equity holders of the Bank (KD'000)	9,810	8,662	18,907	16,036
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	2,165,089	2,164,623	2,164,954	2,164,576
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	4.53	4.00	8.73	7.41

Earnings per share for the three months and six months prior period were 4.20 fils and 7.78 fils respectively, before retroactive adjustment to the number of shares following the bonus issue (note 11).

5. CASH AND CASH EQUIVALENTS

	30 June	(Audited) 31 December	30 June
	2016	2015	2015
	KD'000	KD'000	KD'000
Cash on hand	30,222	25,598	28,822
Balances with banks – current accounts	13,831	9,411	8,599
Placements with banks maturing within seven days	111,715	430,250	300,324
	155,768	465,259	337,745

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

For the period from 1 January 2016 to 30 June 2016

6. 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 June 2016		30 June 2015		30 June 2016		30 June 2015		31		
	30 June 2016	31 December 2015	30 June 2015	30 June 2016	30 June 2016	December 2015	30 June 2015	December 2015	30 June 2015	30 June 2015	
Islamic financing to customers	8	8	9	3	3	3	3	3,918	3,462	3,918	5,296
Depositors' accounts	17	16	15	8	8	8	8	53,059	36,913	53,059	36,242
Letters of guarantee and letters of credit	1	1	1	1	-	-	-	43	43	43	40
Murabaha and other Islamic financing income								96	41	96	54
Distribution to depositors and Murabaha costs								(537)	(365)	(537)	(230)
Parent Company											
Due from banks								72,021	138,118	72,021	93,246
Due to banks								124,310	37,819	124,310	35,846
Murabaha and other Islamic financing income								234	215	234	107
Distribution to depositors and Murabaha cost								(246)	(148)	(246)	(22)

For the period from 1 January 2016 to 30 June 2016

6. RELATED PARTY TRANSACTIONS (CONTINUED)**Compensation of key management personnel**

Details of compensation to key management comprise the following:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	450	473	912	931
Post-employment benefits	77	59	183	146
Share based compensation	116	101	237	201
	643	633	1,332	1,278

7. TREASURY SHARES

The Bank held the following treasury shares:

	30 June	(Audited)	30 June
	2016	31 December 2015	2015
Number of treasury shares	1,324,947	1,790,413	1,790,413
Treasury shares as a percentage of total issued shares - %	0.0612%	0.0868%	0.0868%
Cost of treasury shares – KD thousand	406	568	568
Market value of treasury shares – KD thousand	507	790	770
Weighted average of market value per share (fils)	0.413	0.427	0.482

8. 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 June	(Audited)	30 June
	2016	31 December 2015	2015
	KD'000	KD'000	KD'000
Guarantees	206,837	184,644	168,749
Acceptances and letters of credit	55,097	49,756	65,130
Other commitments	3,463	3,812	1,938
	265,397	238,212	235,817

9. 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
Six months ended 30 June 2016						
Net financing income/(loss)	25,394	14,627	(1,077)	3,094	929	42,967
Operating income/(loss)	27,382	19,200	719	4,120	(305)	51,116
Net profit/(loss) for the period	15,684	16,557	(5,014)	3,920	(12,217)	18,930
Total assets	1,089,176	1,509,341	148,260	662,363	(1,377)	3,407,763
Total liabilities	1,159,775	283,838	25,608	1,537,495	(3,188)	3,003,528
	Consumer banking KD'000	Corporate banking KD'000	Investment banking KD'000	Treasury KD'000	Group centre KD'000	Total KD'000
Six months ended 30 June 2015						
Net financing income/(loss)	22,453	13,152	(654)	1,664	413	37,028
Operating income/(loss)	23,512	16,633	2,646	2,419	(1,399)	43,811
Net profit/(loss) for the period	13,348	12,102	(1,140)	2,230	(10,492)	16,048
Total assets	898,953	1,286,217	164,000	546,715	(5,439)	2,890,446
Total liabilities	920,442	177,808	26,865	1,451,560	7,590	2,584,265

10. 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).

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
30 June 2016				
Financial assets at fair value through profit or loss	-	12,265	2,560	14,825
Available for sale investments	110,581	24,804	10,132	145,517
	110,581	37,069	12,692	160,342
31 December 2015 (Audited)				
Financial assets at fair value through profit or loss	-	12,828	2,560	15,388
Available for sale investments	98,139	18,015	10,153	126,307
	98,139	30,843	12,713	141,695
30 June 2015				
Financial assets at fair value through profit or loss	-	10,888	2,995	13,883
Available for sale investments	97,514	19,411	12,075	129,000
	97,514	30,299	15,070	142,883

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	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 30 June
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
30 June 2016:						
<i>Assets measured at fair value</i>						
Financial assets at fair value through profit or loss	2,560	-	-	-	-	2,560
Financial assets available for sale	10,153	-	-	(5)	(16)	10,132
	12,713	-	-	(5)	(16)	12,692
30 June 2015:						
<i>Assets measured at fair value</i>						
Financial assets at fair value through profit or loss	2,995	-	-	-	-	2,995
Financial assets available for sale	11,906	-	336	(258)	91	12,075
	14,901	-	336	(258)	91	15,070

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 2016 to 30 June 2016

11. ANNUAL GENERAL ASSEMBLY MEETING

The shareholders' annual general assembly held on 21 March 2016 approved the audited consolidated financial statements of the Bank for the year ended 31 December 2015 and the distribution of a cash dividends of **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 to the shareholders on record at the date of regulatory approval for distribution of bonus shares.

12. PERPETUAL TIER 1 SUKUK

In May 2016, the Bank through a Sharia's compliant Sukuk arrangement issued Tier 1 Sukuk amounting to USD 250 million. Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuk is listed on the Irish Stock Exchange and NASDAQ Dubai and callable by the Bank after five-year period ending May 2021 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Tier 1 Sukuk bears an expected profit rate of 6.75% per annum to be paid semi-annually in arrears until the First Call Date. After that, the expected profit rate will be reset based on then prevailing 5 years U.S Mid Swap Rate plus initial margin of 5.588 percent per annum.

At the issuer's sole discretion, it may elect not to make any Mudaraba distributions expected and in such event, the Mudaraba profit will not be accumulated and the event is not considered an event of default.