

**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 JUNE 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 June 2017

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## **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 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 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, as amended, and its executive regulations or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the six months period ended 30 June 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 six months period ended 30 June 2017 that might have had a material effect on the business of the Bank or on its financial position.

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4 July 2017  
Kuwait

**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 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		KD'000	KD'000	KD'000	KD'000
<b>Income</b>					
Murabaha and other Islamic financing income		36,518	29,864	71,235	58,401
Finance cost and distribution to depositors		(10,917)	(8,376)	(20,959)	(15,434)
<b>Net financing income</b>		<b>25,601</b>	<b>21,488</b>	<b>50,276</b>	<b>42,967</b>
Net investment income	3	1,645	1,092	3,426	1,704
Net fees and commission income		2,511	2,903	5,076	5,979
Share of results of associates		228	(35)	(5)	(562)
Net foreign exchange gain		500	579	1,087	1,028
<b>Operating income</b>		<b>30,485</b>	<b>26,027</b>	<b>59,860</b>	<b>51,116</b>
Staff costs		(7,271)	(6,375)	(14,589)	(12,862)
General and administrative expenses		(4,575)	(3,626)	(8,718)	(7,077)
Depreciation		(949)	(787)	(1,846)	(1,540)
<b>Operating expenses</b>		<b>(12,795)</b>	<b>(10,788)</b>	<b>(25,153)</b>	<b>(21,479)</b>
<b>Operating profit before provision for impairment</b>		<b>17,690</b>	<b>15,239</b>	<b>34,707</b>	<b>29,637</b>
Provision for impairment		(5,928)	(4,967)	(11,896)	(9,828)
<b>Operating profit before deductions</b>		<b>11,762</b>	<b>10,272</b>	<b>22,811</b>	<b>19,809</b>
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(115)	(91)	(226)	(176)
National Labour Support Tax ("NLST")		(295)	(258)	(575)	(502)
Zakat		(114)	(103)	(225)	(201)
<b>Net profit for the period</b>		<b>11,238</b>	<b>9,820</b>	<b>21,785</b>	<b>18,930</b>
<b>Attributable to:</b>					
Equity holders of the Bank		11,211	9,810	21,869	18,907
Non-controlling interests		27	10	(84)	23
<b>Net profit for the period</b>		<b>11,238</b>	<b>9,820</b>	<b>21,785</b>	<b>18,930</b>
<b>Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)</b>	4	<b>3.81</b>	<b>4.32</b>	<b>8.51</b>	<b>8.33</b>

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 June 2017

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	KD'000	KD'000	KD'000	KD'000
<b>Net profit for the period</b>	<b>11,238</b>	9,820	<b>21,785</b>	18,930
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</b>				
Change in fair value of available for sale investments	<b>302</b>	(293)	<b>569</b>	(307)
Foreign currency translation adjustments	<b>(368)</b>	(547)	<b>109</b>	47
<b>Other comprehensive loss for the period</b>	<b>(66)</b>	(840)	<b>678</b>	(260)
<b>Total comprehensive income for the period</b>	<b>11,172</b>	8,980	<b>22,463</b>	18,670
<b>Attributable to:</b>				
Equity holders of the Bank	<b>11,145</b>	8,970	<b>22,547</b>	18,647
Non-controlling interests	<b>27</b>	10	<b>(84)</b>	23
<b>Total comprehensive income for the period</b>	<b>11,172</b>	8,980	<b>22,463</b>	18,670

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 2017

		30 June 2017	(Audited) 31 December 2016	30 June 2016
	Notes	KD'000	KD'000	KD'000
<b>Assets</b>				
Cash and balances with banks	5	37,861	36,911	44,053
Deposits with Central Bank of Kuwait		274,137	292,742	287,847
Deposits with other banks	6	298,589	328,952	419,644
Islamic financing to customers		2,774,740	2,516,760	2,359,527
Financial assets at fair value through profit or loss		16,798	19,495	14,825
Available for sale investments		190,109	160,305	145,517
Investments in associates		58,599	62,204	71,530
Investment properties		39,400	24,680	23,397
Other assets		16,645	13,943	17,940
Property and equipment		26,385	25,815	23,483
<b>Total assets</b>		<b>3,733,263</b>	<b>3,481,807</b>	<b>3,407,763</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks		94,533	76,278	185,043
Depositors' accounts		3,172,115	2,945,076	2,789,059
Other liabilities		36,276	37,300	29,426
<b>Total liabilities</b>		<b>3,302,924</b>	<b>3,058,654</b>	<b>3,003,528</b>
<b>Equity</b>				
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)	(406)
Statutory reserve		14,329	14,329	9,998
Voluntary reserve		13,713	13,713	9,570
Share based payment reserve		1,496	1,540	1,348
Fair value reserve		4,268	3,699	3,852
Foreign currency translation reserve		(8,990)	(9,099)	(9,215)
Retained earnings		38,178	18,884	31,573
Proposed cash dividends	12	-	12,974	-
<b>Equity attributable to equity holders of the Bank</b>		<b>352,241</b>	<b>344,971</b>	<b>326,257</b>
Perpetual Tier 1 Sukuk		75,388	75,388	75,388
Non-controlling interests		2,710	2,794	2,590
<b>Total equity</b>		<b>430,339</b>	<b>423,153</b>	<b>404,235</b>
<b>Total liabilities and equity</b>		<b>3,733,263</b>	<b>3,481,807</b>	<b>3,407,763</b>

 Mahmoud Yousef Al-Fulaij  
Chairman

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 June 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
<b>Balance at 1 January 2017</b>	<b>216,641</b>	<b>62,896</b>	<b>10,832</b>	<b>(1,438)</b>	<b>14,329</b>	<b>13,713</b>	<b>1,540</b>	<b>3,699</b>	<b>(9,099)</b>	<b>18,884</b>	<b>12,974</b>	<b>344,971</b>	<b>75,388</b>	<b>2,794</b>	<b>423,153</b>
Profit for the period	-	-	-	-	-	-	-	-	-	21,869	-	21,869	-	(84)	21,785
Other comprehensive income	-	-	-	-	-	-	-	569	109	-	-	678	-	-	678
Total comprehensive income for the period	-	-	-	-	-	-	-	569	109	21,869	-	22,547	-	(84)	22,463
Share based payment	-	-	-	-	-	-	184	-	-	-	-	184	-	-	184
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	-	-	(228)	-	-	-	-	88	-	-	88
<b>Balance at 30 June 2017</b>	<b>227,473</b>	<b>62,896</b>	<b>-</b>	<b>(1,122)</b>	<b>14,329</b>	<b>13,713</b>	<b>1,496</b>	<b>4,268</b>	<b>(8,990)</b>	<b>38,178</b>	<b>-</b>	<b>352,241</b>	<b>75,388</b>	<b>2,710</b>	<b>430,339</b>
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	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	-	-	-	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 12)	-	-	-	-	-	-	-	-	-	(4)	(10,307)	(10,311)	-	-	(10,311)
Issue of bonus shares (note 12)	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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
CASH FLOWS (UNAUDITED)

For the period from 1 January 2017 to 30 June 2017

	Note	Six months ended 30 June	
		2017	2016
		KD'000	KD'000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		21,785	18,930
<b>Adjustments for:</b>			
Provision for impairment		11,896	9,828
Depreciation		1,846	1,540
Foreign currency translation adjustments		(1,720)	4,700
Net gain from available for sale investments		(492)	(52)
Net (gain)/loss from financial assets at fair value through profit or loss		(368)	26
Share of results of associates		5	562
Dividend income		(534)	(528)
Income from investment properties		-	(49)
Share based payment reserve		184	288
<b>Operating profit before changes in operating assets and liabilities</b>		<b>32,602</b>	<b>35,245</b>
<b>Changes in operating assets and liabilities:</b>			
Deposits with Central Bank of Kuwait		18,605	(154,718)
Deposits with other banks		96,756	(222,982)
Islamic financing to customers		(264,528)	(193,982)
Other assets		(2,700)	(3,771)
Due to banks		18,255	(197,706)
Depositors' accounts		227,039	390,124
Other liabilities		(1,133)	(1,109)
<b>Net cash generated from /(used in) from operating activities</b>		<b>124,896</b>	<b>(348,899)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of financial assets at fair value through profit or loss		2,995	525
Purchase of available for sale investments		(87,432)	(28,404)
Proceeds from sale of available for sale investments		58,578	8,125
Purchase of investment properties		(14,358)	-
Purchase of property and equipment		(2,416)	(6,241)
Proceed from sale of investment properties		7	-
Dividend income received		534	528
Dividend received from associate		-	397
<b>Net cash used in investing activities</b>		<b>(42,092)</b>	<b>(25,070)</b>
<b>FINANCING ACTIVITIES</b>			
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)
Dividends paid		(12,979)	(10,311)
Proceeds from exercise of shares options		88	51
<b>Net cash generated from /(used in) from financing activities</b>		<b>(15,461)</b>	<b>64,478</b>
Net increase/(decrease) in cash and cash equivalents		67,343	(309,491)
Cash and cash equivalents at beginning of the period		87,380	465,259
<b>Cash and cash equivalents at end of the period</b>	5	<b>154,723</b>	<b>155,768</b>

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 June 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 six months period ended 30 June 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 4 July 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 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 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 June 2017

**3. NET INVESTMENT INCOME**

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	KD'000	KD'000	KD'000	KD'000
Sukuk coupon income	965	585	1,657	1,101
Dividend income	181	438	534	528
Net gain/(loss) from financial assets at fair value through profit or loss	207	24	368	(26)
Net gain from available for sale investments	17	45	492	52
Income from investment properties	275	-	375	49
<b>Net investment income</b>	<b>1,645</b>	<b>1,092</b>	<b>3,426</b>	<b>1,704</b>

**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	
	2017	2016	2017	2016
Net profit for the period attributable to the equity holders of the Bank (KD'000)	11,211	9,810	21,869	18,907
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	(2,570)	-	(2,570)	-
	<b>8,641</b>	<b>9,810</b>	<b>19,299</b>	<b>18,907</b>
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	2,268,290	2,271,016	2,268,699	2,270,881
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	<b>3.81</b>	4.32	<b>8.51</b>	8.33

Earnings per share for the prior period were 4.53 fils and 8.73 fils, before retroactive adjustment to the number of shares following the bonus issue (note 12).

**5. CASH AND CASH EQUIVALENTS**

	30 June	(Audited)	30 June
	2017	31 December 2016	2016
	KD'000	KD'000	KD'000
Cash and balances with banks	37,861	36,911	44,053
Placements with banks maturing within seven days	116,862	50,469	111,715
	<b>154,723</b>	<b>87,380</b>	<b>155,768</b>

**6. DEPOSITS WITH OTHER BANKS**

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

	30 June	(Audited)	30 June
	2017	31 December 2016	2016
	KD'000	KD'000	KD'000
Kuwait & Middle East	263,113	313,419	381,932
Europe	35,476	15,533	37,712
	<b>298,589</b>	<b>328,952</b>	<b>419,644</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
 INFORMATION (UNAUDITED)

For the period from 1 January 2017 to 30 June 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 June 2017	31 December 2016	30 June 2016	30 June 2017	31 December 2016	30 June 2016	30 June 2017	31 December 2016	30 June 2016
							KD'000	KD'000	KD'000
Islamic financing to customers	8	8	8	2	3	3	2,681	2,965	3,462
Depositors' accounts	17	17	17	10	9	8	15,314	22,563	36,913
Letters of guarantee and letters of credit	2	1	1	1	1	1	31	25	43
Murabaha and other Islamic financing income							40	83	41
Finance cost and distribution to depositors							(105)	(500)	(365)
<b>Parent Company</b>									
Due from banks							71,179	124,188	138,118
Due to banks							47,599	38,528	37,819
Murabaha and other Islamic financing income							556	595	215
Finance cost and distribution to depositors							(65)	(278)	(148)

## 7. 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	
	2017	2016	2017	2016
	KD'000	KD'000	KD'000	KD'000
Short-term benefits	455	450	906	912
Post-employment benefits	89	77	190	183
Share based compensation	133	116	266	237
	<b>677</b>	<b>643</b>	<b>1,362</b>	<b>1,332</b>

## 8. TREASURY SHARES

The Bank held the following treasury shares:

	30 June 2017	(Audited)	30 June 2016
		31 December 2016	
Number of treasury shares	3,323,164	4,024,946	1,324,947
Treasury shares as a percentage of total issued shares - %	0.1461%	0.1858%	0.0612%
Cost of treasury shares – KD thousand	1,122	1,438	406
Market value of treasury shares – KD thousand	1,362	1,590	507
Weighted average of market value per share (fils)	0.415	0.382	0.413

## 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 June 2017	(Audited)	30 June 2016
		31 December 2016	
	KD'000	KD'000	KD'000
Guarantees	218,567	200,246	206,837
Acceptances and letters of credit	61,880	58,604	55,097
Other commitments	28,370	27,969	3,463
	<b>308,817</b>	<b>286,819</b>	<b>265,397</b>

**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
<b>Six months ended 30 June 2017</b>						
Net financing income/(loss)	28,114	16,189	(1,170)	4,667	2,476	50,276
Operating income/(loss)	30,132	21,064	2,317	5,753	594	59,860
Net profit/(loss) for the period	16,399	23,817	(4,368)	5,530	(19,593)	21,785
Total assets	1,236,231	1,821,502	172,399	545,805	(42,674)	3,733,263
Total liabilities	1,377,872	255,281	39,272	1,644,274	(13,775)	3,302,924
<b>Six months ended 30 June 2016</b>						
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	172,547	662,363	(25,664)	3,407,763
Total liabilities	1,159,775	283,838	25,608	1,537,495	(3,188)	3,003,528

**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 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>30 June 2017</b>				
Financial assets at fair value through profit or loss	-	13,811	2,987	16,798
Available for sale investments	156,977	23,050	10,082	190,109
	<b>156,977</b>	<b>36,861</b>	<b>13,069</b>	<b>206,907</b>
	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>31 December 2016 (Audited)</b>				
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
	<b>122,255</b>	<b>44,461</b>	<b>13,084</b>	<b>179,800</b>
	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>30 June 2016</b>				
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
	<b>110,581</b>	<b>37,069</b>	<b>12,692</b>	<b>160,342</b>

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 KD'000	Change in fair value KD'000	Additions/ transfers KD'000	Sale/ redemption KD'000	Exchange rate movements KD'000	At 30 June KD'000
<b>30 June 2017:</b>						
<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	(8)	-	-	(7)	10,082
	<b>13,084</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>13,069</b>
	At 1 January KD'000	Change in fair value KD'000	Additions/ transfers KD'000	Sale/ redemption KD'000	Exchange rate movements KD'000	At 30 June KD'000
<b>30 June 2016:</b>						
<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	-	-	(5)	(16)	10,132
	<b>12,713</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>(16)</b>	<b>12,692</b>

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.

**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.