GULF BANK K.S.C.P.

INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2018

EY
Building a better working world
Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.
Deloitte & Touche
Al-Wazzan & Co.
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait
Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

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

Introduction
We have reviewed the accompanying interim condensed statement of financial position of Gulf Bank K.S.C.P. (the "Bank") as at 30 June 2018, and the related interim condensed statement of income and interim condensed statement of comprehensive income for the three month and six month periods then ended and the related interim condensed statement of cash flows and interim condensed statement of changes in equity for the six month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed 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 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 condensed 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 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 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, as amended, and its executive regulations, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, during the six month period ended 30 June 2018 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 material 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 2018 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

TALAL YOUSEF AL-MUZAINI
LICENCE NO. 209 A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

Kuwait
11 July 2018

GULF BANK K.S.C.P.
Interim Condensed Statement of Income (Unaudited)
PERIOD ENDED 30 JUNE 2018

	Notes	***3 months ended 30 June 2018 KD 000's***	*3 months ended 30 June 2017 KD 000's*	***6 months ended 30 June 2018 KD 000's***	*6 months ended 30 June 2017 KD 000's*
Interest income		**61,838**	51,693	**118,718**	98,802
Interest expense		**21,778**	18,208	**41,850**	35,330
Net interest income		**40,060**	33,485	**76,868**	63,472
Net fees and commissions		**6,262**	8,035	**14,711**	16,191
Net gains from dealing in foreign currencies and derivatives		**2,236**	2,106	**4,520**	4,176
Realised gains from disposal of investment securities		**-**	101	**-**	2,749
Dividend income		**110**	85	**588**	549
Other income		**194**	2,032	**414**	3,131
Operating income		**48,862**	45,844	**97,101**	90,268
Staff expenses		**10,646**	9,611	**20,591**	19,216
Occupancy costs		**1,164**	1,081	**2,154**	2,103
Depreciation		**914**	793	**1,820**	1,523
Other expenses		**3,710**	3,752	**7,468**	6,932
Operating expenses		**16,434**	15,237	**32,033**	29,774
OPERATING PROFIT BEFORE PROVISIONS / IMPAIRMENT LOSSES		**32,428**	30,607	**65,068**	60,494
Charge of provisions:					
- specific		**15,665**	14,875	**33,320**	31,508
- general		**934**	2,977	**16,670**	5,621
Loan recoveries, net of write-off		**(943)**	(1,288)	**(19,334)**	(2,866)
Net provision on other financial assets		**17**	-	**26**	-
Impairment loss on other assets	12	**-**	-	**6,315**	2,366
Impairment loss on investment securities-equity		**-**	8	**-**	33
OPERATING PROFIT		**16,755**	14,035	**28,071**	23,832
Contribution to Kuwait Foundation for the Advancement of Sciences		**167**	141	**281**	239
National Labour Support Tax		**415**	347	**695**	590
Zakat		**167**	141	**281**	239
PROFIT FOR THE PERIOD		**16,006**	13,406	**26,814**	22,764
BASIC AND DILUTED EARNINGS PER SHARE (Fils)	3	**6**	5	**9**	8

The attached notes 1 to 12 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Comprehensive Income
(Unaudited)
PERIOD ENDED 30 JUNE 2018

	3 months ended 30 June 2018 KD 000's	*3 months ended 30 June 2017 KD 000's*	***6 months ended 30 June 2018 KD 000's***	*6 months ended 30 June 2017 KD 000's*
Profit for the period	**16,006**	13,406	**26,814**	22,764
Other comprehensive income				
Items that will not be reclassified subsequently to interim condensed statement of income :				
Net changes in fair value of investment securities -equity	**(73)**	-	**(53)**	-
Items that are reclassified or may be reclassified subsequently to interim condensed statement of income:				
Net changes in fair value of debt instruments at FVOCI	**38**	-	**38**	-
Investment securities:				
- Net realised gains on disposal	-	(97)	-	(271)
- Impairment loss	-	8	-	33
- Net unrealised gains	-	50	-	1,845
Other comprehensive (loss) income for the period	**(35)**	(39)	**(15)**	1,607
Total comprehensive income for the period	**15,971**	13,367	**26,799**	24,371

The attached notes 1 to 12 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Financial Position

	Notes	*(Unaudited)* *30 June* *2018* *KD 000's*	*(Audited)* *31 December* *2017* *KD 000's*	*(Unaudited)* *30 June* *2017* *KD 000's*
ASSETS				
Cash and cash equivalents		**592,632**	475,441	679,896
Treasury bills and bonds		**480,693**	566,784	455,284
Central Bank of Kuwait bonds		**359,091**	394,555	399,729
Deposits with banks and other financial institutions		**110,989**	39,053	129,084
Loans and advances to banks		**142,345**	128,930	141,735
Loans and advances to customers		**3,878,784**	3,808,766	3,517,705
Investment securities		**120,073**	117,820	118,929
Other assets	12	**125,877**	122,101	165,949
Premises and equipment		**30,694**	29,954	29,715
TOTAL ASSETS		**5,841,178**	5,683,404	5,638,026
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		**335,987**	412,105	526,403
Deposits from financial institutions		**987,715**	969,197	928,933
Customer deposits		**3,712,471**	3,489,977	3,417,091
Subordinated Tier 2 bonds		**100,000**	100,000	100,000
Other liabilities		**105,275**	110,847	88,106
TOTAL LIABILITIES		**5,241,448**	5,082,126	5,060,533
EQUITY				
Share capital	4	**304,813**	304,813	304,813
Statutory reserve		**26,475**	26,475	21,433
Share premium		**153,024**	153,024	153,024
Property revaluation reserve		**17,852**	17,852	18,610
Treasury share reserve		**24,246**	24,246	24,246
Fair valuation reserve		**6,187**	6,444	7,160
Retained earnings		**139,621**	139,181	118,964
		672,218	672,035	648,250
Treasury shares	5	**(72,488)**	(70,757)	(70,757)
TOTAL EQUITY		**599,730**	601,278	577,493
TOTAL LIABILITIES AND EQUITY		**5,841,178**	5,683,404	5,638,026

Ali Morad Behbehani
(Deputy Chairman)

Antoine Daher
(Chief Executive Officer)

The attached notes 1 to 12 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Cash Flows
(Unaudited)
PERIOD ENDED 30 JUNE 2018

	Notes	*6 months ended 30 June 2018 KD 000's*	*6 months ended 30 June 2017 KD 000's*
OPERATING ACTIVITIES			
Profit for the period		**26,814**	22,764
Adjustments:			
Effective interest rate adjustment		**(18)**	-
Unrealised fair value gains on credit default swaps		-	(18)
Realised gains from disposal of investment securities		-	(2,749)
Dividend income		**(588)**	(549)
Depreciation		**1,820**	1,523
Loan loss provisions		**49,990**	37,129
Net provision on other financial assets		**26**	-
Impairment loss on other assets	12	**6,315**	2,366
Impairment loss on investment securities-equity		-	33
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**84,359**	60,499
Decrease/(increase) in operating assets:			
Treasury bills and bonds		**86,086**	(82,365)
Central Bank of Kuwait bonds		**35,463**	(23,489)
Deposits with banks and other financial institutions		**(71,963)**	(21,071)
Loans and advances to banks		**(13,504)**	(5,205)
Loans and advances to customers		**(118,490)**	(107,796)
Other assets		**(9,328)**	20,071
(Decrease)/increase in operating liabilities:			
Due to banks		**(76,118)**	46,039
Deposits from financial institutions		**18,518**	104,253
Customer deposits		**222,494**	21,751
Other liabilities		**(6,983)**	(6,080)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**150,534**	6,607
INVESTING ACTIVITIES			
Purchase of investment securities		**(4,300)**	(13,555)
Proceeds from sale of investment securities		**850**	43,386
Purchase of premises and equipment		**(2,560)**	(2,241)
Dividend income received		**588**	549
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		**(5,422)**	28,139
FINANCING ACTIVITIES			
Dividend paid	6	**(26,190)**	(20,370)
Purchase of treasury shares		**(1,731)**	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(27,921)**	(20,370)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**117,191**	14,376
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**475,441**	665,520
CASH AND CASH EQUIVALENTS AT 30 JUNE		**592,632**	679,896
Additional cash flows information			
Interest received		**121,843**	104,512
Interest paid		**41,336**	34,015

The attached notes 1 to 12 form part of the interim condensed financial information.

GULF BANK K.S.C.P.
Interim Condensed Statement of Changes in Equity
(Unaudited)
PERIOD ENDED 30 JUNE 2018

		RESERVES								
	Share capital KD 000's	*Statutory reserve* KD 000's	*Share premium* KD 000's	*Property revaluation reserve* KD 000's	*Treasury share reserve* KD 000's	*Fair valuation reserve* KD 000's	*Retained earnings* KD 000's	*Sub-total reserves* KD 000's	*Treasury shares* KD 000's	*Total* KD 000's
At 1 January 2017	304,813	21,433	153,024	18,610	24,246	5,553	116,570	339,436	(70,757)	573,492
Profit for the period	-	-	-	-	-	-	22,764	22,764	-	22,764
Other comprehensive income for the period	-	-	-	-	-	1,607	-	1,607	-	1,607
Total comprehensive income for the period	-	-	-	-	-	1,607	22,764	24,371	-	24,371
Dividend paid (Note 6)	-	-	-	-	-	-	(20,370)	(20,370)	-	(20,370)
At 30 June 2017	304,813	21,433	153,024	18,610	24,246	7,160	118,964	343,437	(70,757)	577,493
At 1 January 2018	**304,813**	**26,475**	**153,024**	**17,852**	**24,246**	**6,444**	**139,181**	**367,222**	**(70,757)**	**601,278**
Impact on initial application of IFRS 9 (Note 2.1.e)	-	-	-	-	-	(242)	(184)	(426)	-	(426)
At 1 January 2018 (restated)	**304,813**	**26,475**	**153,024**	**17,852**	**24,246**	**6,202**	**138,997**	**366,796**	**(70,757)**	**600,852**
Profit for the period	-	-	-	-	-	-	26,814	26,814	-	26,814
Other comprehensive income for the period	-	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	-	(15)	26,814	26,799	-	26,799
Dividend paid (Note 6)	-	-	-	-	-	-	(26,190)	(26,190)	-	(26,190)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(1,731)	(1,731)
At 30 June 2018	**304,813**	**26,475**	**153,024**	**17,852**	**24,246**	**6,187**	**139,621**	**367,405**	**(72,488)**	**599,730**

The attached notes 1 to 12 form part of the interim condensed financial information.

1. INCORPORATION AND REGISTRATION

Gulf Bank K.S.C.P. (the "Bank") is a public shareholding company incorporated in Kuwait on 29 October 1960 and is registered as a bank with the Central Bank of Kuwait. The Bank's shares are listed on Kuwait Stock Exchange. Its registered office is at Mubarak Al Kabir Street, P.O. Box 3200, 13032 Safat, Kuwait City.

The interim condensed financial information of the Bank for the six months period ended 30 June 2018 was authorised by the Board of Directors for issue on 11 July 2018.

The principal activities of the Bank are described in Note 7.

2. BASIS OF PRESENTATION

This interim condensed financial information of the Bank has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" except as noted below:

The annual financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all IFRS except for the IAS 39, Financial Instruments: Recognition and Measurement requirement for a collective provision, which was replaced by the CBK'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 accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017 except for the adoption of IFRS 9: Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The details of adoption are described in 2.1 Changes in accounting policies.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Bank.

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2017. The Bank has adopted IFRS 9: Financial Instruments, effective 1 January 2018, except for the requirement of Expected Credit Losses ("ECL") on credit facilities, which have been replaced by the CBK's requirement for credit losses. The Bank has also adopted IFRS 15: Revenue from Contracts with Customers from 1 January 2018. The accounting policies for these new standards are disclosed in the Note 2.1. Significant judgments and estimates relating to impairment are disclosed in note 2.1 considering IFRS 9 first time adoption. Further, operating results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

This interim condensed financial information has been presented in Kuwaiti Dinars ("KD") which is the Bank's functional currency, rounded off to the nearest thousand (KD 000's), except when otherwise indicated.

2.1. CHANGES IN ACCOUNTING POLICIES

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Bank adopted IFRS 15 Revenue from Contracts with Customers resulting in no change in the revenue recognition policy of the Bank in relation to its contracts with customers. Further, adoption of IFRS 15 had no significant impact on this interim condensed financial information of the Bank.

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments

The Bank has adopted IFRS 9: Financial Instruments issued by the IASB in July 2014 with a date of application of 1 January 2018, with the exception of requirements of the expected credit losses on credit facilities as noted above in Note 2. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any of IFRS 9 in prior periods.

The Bank has availed the exemption allowing it not to restate comparative information for prior periods. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current period.

a. Classification of financial instruments

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The business model reflects how the Bank manages the financial assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FTVPL.The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test").

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility in contractual cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

a. Classification of financial instruments (continued)
The Bank reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

b. Measurement of financial instruments
IFRS 9 contains three classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") (with and without recycling of gains or losses to profit or loss on derecognition of debt and equity instruments, respectively) and Fair Value Through Profit or Loss ("FVTPL"). IFRS 9 classification and measurement approach for financial assets is based on the business model in which assets are managed and their cash flow characteristics. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

Debt instruments at amortised cost
A financial assest is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Cash and cash equivalents, treasury bills and bonds, Central Bank of Kuwait bonds, deposits with banks and other financial institutions, loans and advances to banks, loans and advances to customers, certain investment debt securities and other assets are classified as debt instruments at amortised cost.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured except loans and advances to banks, loans and advances to customers and related receivabes in other assets. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Debt instruments at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in income statement. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in 'Realised gains from disposal of investment securities'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

b. Measurement of financial instruments (continued)
All other financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instruments that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in income statement and presented in the income statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments at FVOCI
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity instruments at FVTPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to income statement, including on disposal. Equity instruments at FVOCI are not subject to impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair valuation reserve to retained earnings in the statement of changes in equity. Dividends, when representing a return on such investments, continue to be recognised in income statement as 'Dividend income' when the Bank's right to receive payments is established.

Financial asset at FVTPL
The Bank classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Included in this classification are derivatives that are not designated as hedging instruments in a hedge relationship, that have been acquired principally for the purpose of selling or repurchasing in the near term.

c. Impairment on financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The management has applied the new impairment model only to debt instruments at amortised cost and FVOCI excluding loans and advances to customers and financial institution for which the Bank continues to apply impairment requirements under CBK regulations. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Key changes in the Bank's accounting policy for impairment of financial assets are listed below:

The Bank applies three-stage approach to measuring expected credit losses (ECL). Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

c. Impairment on financial assets (continued)
Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Banks methodology for specific provisions remains largely unchanged.

The Bank recognises loss allowances for ECL on debts instruments at amortised cost excluding loans and advances to customers and banks.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and;
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The management recognises a 12-month ECL on current accounts with banks and other financial institutions, placements with banks and other financial institutions and debt securities carried at amortised cost since these are determined to have low credit risk at the reporting date and these financial instrument represent investments in corporate and sovereign bonds that are of high credit quality grade.

Lifetime ECL are recorded on financial assets that is credit-impaired. A financial asset is 'credit-impaired' when there is an objective evidence of impairment that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money. The 12-months ECL is equal to the discounted sum over the next 12-months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining life multiplied by LGD and EAD.

Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and are taken to Stage 3.

When determining whether the risk of default has increased significantly since initial recognition, the Bank considers quantitative, qualitative information and back stop indicators and analysis based on the Bank's historical experience and expert credit risk assessment, including forward-looking information.

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

c. Impairment on financial assets (continued)

Objective evidence that debt instrument is impaired includes whether any payment of principal or interest is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Bank assess whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant except for financial assets classified as loans and advances to banks and customers where minimum general provision as per CBK's instructions is followed.

The Bank recognises provision charge for credit facilities in accordance with the existing accounting policies for the impairment of financial assets carried at amortised cost as disclosed in the annual financial statements for the year ended 31 December 2017. This complies in all material respects with the specific and general provision requirements of the CBK.

Incorporation of forward looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, consumer price index and government expenditure, and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

d. Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

The Bank does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 does not have a significant impact on Bank's interim condensed financial information.

e. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

e. Transition (continued)
Impact of Adopting IFRS 9
The impact of this change in accounting policy as at 1st January 2018 has been to decrease retained earnings by KD 184 thousand, and to decrease the fair value reserve by KD 242 thousand as follows:

	Retained earnings KD 000's	*Fair valuation reserve KD 000's*
Closing balance under IAS 39 (31 December 2017)	139,181	6,444
Impact on reclassification and re-measurements:		
Investment securities (debt) from available-for-sale to amortised cost	-	15
Investment securities (equity) from available-for-sale to FVOCI	-	(257)
Impact on recognition of Expected Credit Losses on financial assets at amortised cost other than Loans and advances to banks and customers:		
Cash and cash equivalents excluding cash in hand and deposit with CBK	(34)	-
Deposits with banks and other financial institutions	(3)	-
Investment securities-debt securities	(147)	-
Opening balance under IFRS 9 on date of initial application of 1 January 2018	138,997	6,202

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9
The following table is reconciliation of original measurement categories and carrying value in accordance with IAS 39 and new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018:

	Classification under IAS 39	***Classification under IFRS 9***	***Carrying amount under IAS 39 KD 000's***	***Carrying amount under IFRS 9 KD 000's***
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized Cost	475,441	475,407
Treasury bills and bonds	Loans and receivables	Amortized Cost	566,784	566,784
Central Bank of Kuwait bonds	Loans and receivables	Amortized Cost	394,555	394,555
Deposits with banks and other financial institutions	Loans and receivables	Amortized Cost	39,053	39,050
Loans and advances to banks	Loans and receivables	Amortized Cost	128,930	128,930
Loans and advances to customers	Loans and receivables	Amortized Cost	3,808,766	3,808,766
Investment securities:				
- Equity securities	Available-for-sale	FVOCI	37,660	37,403
- Debt securities	Available-for-sale	Amortized Cost	20,564	20,214
- Held to maturity securities	Held to maturity	Amortized Cost	59,596	59,449
Other assets- accrued interest receivable	Loans and receivables	Amortized Cost	21,370	21,735
Total financial assets			5,552,719	5,552,293

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

e. Transition (continued)
Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

	Classification under IAS 39	*Classification under IFRS 9*	*Carrying amount under IAS 39 KD 000's*	*Carrying amount under IFRS 9 KD 000's*
Financial liabilities				
Due to banks	Loans and receivables	Amortized Cost	412,105	412,105
Deposits from financial institutions	Loans and receivables	Amortized Cost	969,197	969,197
Customer deposits	Loans and receivables	Amortized Cost	3,489,977	3,489,977
Subordinated Tier 2 bonds	Loans and receivables	Amortized Cost	100,000	100,000
Other liabilities-accrued interest payable	Loans and receivables	Amortized Cost	27,728	27,728
Total financial liabilities			4,999,007	4,999,007

The application of these policies resulted in the reclassifications set out in the table above and explained below:

- On the adoption of IFRS 9, certain Debt securities were reclassified out of the available-for-sale categories to amortised cost. The carrying amount of those assets was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.
- The Bank has elected to irrevocably designate strategic investments of KD 37,403 thousand of non-trading equity securities at FVOCI (without recycling) as permitted under IFRS 9. These securities were previously classified as available-for-sale. The changes in fair value of such securities will no longer be reclassified to income statement when they are disposed of.

Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Carrying amount under IAS 39 KD 000's	*Reclassification KD 000's*	*Remeasurements KD 000's*	*Carrying amount under IFRS 9 KD 000's*
Financial assets at amortised cost				
Cash and cash equivalents	475,441	-	(34)	475,407
Treasury bills and bonds	566,784	-	-	566,784
Central Bank of Kuwait bonds	394,555	-	-	394,555
Deposits with banks and other financial institutions	39,053	-	(3)	39,050
Loans and advances to banks	128,930	-	-	128,930
Loans and advances to customers	3,808,766	-	-	3,808,766
Investment securities- held to maturity	59,596	20,214	(147)	79,663
Other assets- accrued interest receivable	21,370	365	-	21,735
	5,494,495	20,579	(184)	5,514,890

2.1. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

e. Transition (continued)
Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9 (continued)

	Carrying amount under IAS 39 *KD 000's*	*Reclassification* *KD 000's*	*Remeasurements* *KD 000's*	*Carrying amount under IFRS 9* *KD 000's*
Financial assets at FVOCI				
Investment securities				
- Equity securities	37,660	-	(257)	37,403
- Debt securities	20,564	(20,579)	15	-
	58,224	(20,579)	(242)	37,403

Investment in debt securities amounting to KD 20,564 thousand classified as available-for-sale under IAS 39 were reclassified as amortised cost under IFRS 9. This reclassification were adjusted based on business model assessment.

There is no impact on the Bank's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Bank does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

3. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are based on the weighted average number of shares outstanding during the period, which is as follows:

	3 months ended 30 June 2018 ***KD 000's***	*3 months ended 30 June 2017* *KD 000's*	***6 months ended 30 June 2018*** ***KD 000's***	*6 months ended 30 June 2017* *KD 000's*
Profit for the period	**16,006**	13,406	**26,814**	22,764
	Shares	Shares	**Shares**	Shares
Weighted average number of shares outstanding during the period, net of treasury shares	**2,908,711,208**	2,909,979,052	**2,909,341,628**	2,909,979,052
Basic and diluted earnings per share (Fils)	**6**	5	**9**	8

4. SHARE CAPITAL

	(Unaudited) ***30 June*** ***2018*** ***KD 000's***	*(Audited)* *31 December* *2017* *KD 000's*	*(Unaudited)* *30 June* *2017* *KD 000's*
Authorised, issued and fully paid up 3,048,127,898 (31 December 2017: 3,048,127,898 and 30 June 2017: 3,048,127,898) shares of 100 fils	**304,813**	304,813	304,813

5. TREASURY SHARES

	(Unaudited) ***30 June*** ***2018***	*(Audited)* *31 December* *2017*	*(Unaudited)* *30 June* *2017*
Number of treasury shares	**145,214,098**	138,148,846	138,148,846
Percentage of treasury shares	**4.76%**	4.53%	4.53%
Cost of treasury shares (KD 000's)	**72,488**	70,757	70,757
Weighted average market value of treasury shares (KD 000's)	**36,304**	33,985	34,261

This includes 13,641,280 treasury shares costing KD 5,488 thousand, which represent collaterals repossessed in settlement of debts from customers. The balance in the treasury share reserve of **KD 24,246 thousand** (31 December 2017: KD 24,246 thousand and 30 June 2017: KD 24,246 thousand) is not available for distribution. An amount equivalent to the cost of the treasury shares have been earmarked as non-distributable from statutory reserve, share premium, treasury shares reserve and retained earnings through out the holding period of treasury shares.

6. DIVIDEND

The shareholders at the Annual General Meeting (AGM) held on 7 March 2018 approved a cash dividend of **9 fils** per share (2016: 7 fils) for the year ended 31 December 2017. The cash dividend was recorded on 29 March 2018 and paid subsequently.

7. SEGMENTAL ANALYSIS

By Business Unit

Commercial Banking — Acceptance of deposits from individuals, corporate and institutional customers and providing consumer loans, overdrafts, credit card facilities and funds transfer facilities to individuals; and other credit facilities of corporate and institutional customers.

Treasury & Investments — Providing money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities, placements and acceptances with other banks. The proprietary investments of the Bank are managed by the investments unit.

Segmental information for the six months period ended 30 June is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2018 KD 000's	2017 KD 000's	**2018 KD 000's**	2017 KD 000's	**2018 KD 000's**	2017 KD 000's
Operating income (excluding unallocated income provided below)	**75,275**	74,880	**8,148**	3,544	**83,423**	78,424
Segment result	**41,212**	32,116	**7,585**	2,999	**48,797**	35,115
Unallocated income					**13,678**	11,844
Unallocated expense					**(35,661)**	(24,195)
Profit for the period					**26,814**	22,764
Segment assets	**4,142,014**	3,876,955	**1,615,134**	1,695,181	**5,757,148**	5,572,136
Unallocated assets					**84,030**	65,890
Total Assets					**5,841,178**	5,638,026
Segment liabilities	**2,942,125**	2,876,924	**2,147,207**	2,049,121	**5,089,332**	4,926,045
Unallocated liabilities and equity					**751,846**	711,981
Total Liabilities and Equity					**5,841,178**	5,638,026

Comparative periods have been restated, as the Bank has reclassified repossessed collaterals from 'unallocated assets' to 'commercial banking' in prior periods. This change does not have any impact on the profit and equity of the Bank. Such change has been made to improve the segment comparative analysis.

8. RELATED PARTY TRANSACTIONS

Certain related parties (Major shareholder, Board members and executive management of the Bank, their families and companies of which they are principal owners) were customers of the Bank in the ordinary course of business. The terms of these transactions were approved as per the Bank's policies.

The transaction and balances included in the interim condensed financial information are as follows:

	Number of Board Members or executive management			Number of related parties					
		(Audited)			*(Audited)*			*(Audited)*	
	30 June 2018	*31 December 2017*	*30 June 2017*	***30 June 2018***	*31 December 2017*	*30 June 2017*	***30 June 2018***	*31 December 2017*	*30 June 2017*
							KD 000's	*KD 000's*	*KD 000's*
Board members:									
Balances									
Loans and advances	**1**	1	1	**16**	14	12	**195,094**	196,738	166,259
Deposits	**8**	8	8	**48**	40	40	**555,164**	552,672	446,138
Commitments/derivatives									
Guarantees / letters of credit	**1**	1	1	**7**	8	8	**7,524**	27,569	25,321
Forward foreign exchange contracts	**-**	-	-	**3**	2	2	**32,299**	22,122	25,332
Transactions									
Interest income	**1**	1	1	**21**	18	15	**4,171**	6,588	2,400
Interest expense	**4**	3	3	**15**	15	12	**5,736**	7,807	3,574
Net fees and commissions	**-**	1	1	**10**	9	8	**321**	242	115
Other expenses	**-**	-	-	**9**	7	6	**719**	222	287
Purchase of equipment	**-**	-	-	**3**	4	4	**59**	368	252
Executive management:									
Balances									
Loans and advances	**2**	2	2	**-**	-	-	**37**	43	48
Deposits	**10**	10	12	**-**	-	-	**1,137**	820	1,049
Transactions									
Interest income	**2**	2	2	**-**	-	-	**1**	2	1
Interest expense	**11**	12	12	**-**	-	-	**8**	16	9

8. RELATED PARTY TRANSACTIONS (continued)

The loans issued to directors and executive management are repayable within CBK regulatory limits and have interest rates of **3.5% to 5.75%** (2017: 2.5% to 5%) per annum. Some of the loans advanced to Board members and their related parties during the period are collateralised. The fair value of these collaterals as of 30 June 2018 was **KD 93,484 thousand** (31 December 2017: KD 102,204 thousand and 30 June 2017: KD 108,291 thousand).

Compensation for key management, including executive management, comprises the following:

	6 months ended 30 June 2018 KD 000's	*6 months ended 30 June 2017 KD 000's*
Salaries and other short-term benefits	**1,820**	1,763
End of service/termination benefits	**108**	69
	1,928	1,832

9. CONTINGENT LIABILITIES AND COMMITMENTS

	(Unaudited) 30 June 2018 KD 000's	*(Audited) 31 December 2017 KD 000's*	*(Unaudited) 30 June 2017 KD 000's*
Guarantees	**1,257,847**	1,247,906	1,267,785
Letters of credit and acceptances	**178,230**	199,955	202,276
	1,436,077	1,447,861	1,470,061

As at reporting date, the Bank had undrawn commitments to extend credit facilities to customers amounting to **KD 210,077 thousand** (31 December 2017: KD 208,055 thousand and 30 June 2017: KD 204,531 thousand). The contractual terms entitle the Bank to withdraw these facilities at any time.

10. DERIVATIVES

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair value of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the period end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

At 30 June 2018:				***Notional amounts by term to maturity***	
Derivatives instruments held as:	***Positive fair value KD 000's***	***Negative fair value KD 000's***	***Notional amount total KD 000's***	***Within 3 months KD 000's***	***3-12 months KD 000's***
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	**467**	**(488)**	**118,608**	**75,040**	**43,568**

10. DERIVATIVES (continued)

At 31 December 2017:

Derivatives instruments held as:	Positive fair value KD 000's	Notional Negative fair value KD 000's	Notional amount total KD 000's	Notional amounts by term to maturity Within 3 months KD 000's	3-12 months KD 000's
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	1,441	(1,237)	179,171	133,074	46,097

At 30 June 2017:

Derivatives instruments held as:	Positive fair value KD 000's	Negative fair value KD 000's	Notional amount total KD 000's	Notional amounts by term to maturity Within 3 months KD 000's	3-12 months KD 000's
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	1,011	(799)	178,215	117,655	60,560
Credit default swaps*	-	-	24,240	24,240	-
	1,011	(799)	202,455	141,895	60,560

*All credit default swaps instruments were matured during the previous year.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value 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), the carrying amounts approximate to their fair value and this applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

The methods 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:

At 30 June 2018:

	Level 1 KD '000	*Level 2 KD '000*	*Level 3 KD '000*	*Total KD '000*
Financial assets at FVOCI:				
Equity securities	15,423	5,128	16,823	37,374
Debt securities	-	3,486	-	3,486
	15,423	**8,614**	**16,823**	**40,860**

The amortized cost and fair value of investment securities at amortised cost as at 30 June 2018 were **KD 79,213 thousand** (investment securities held to maturity 31 December 2017: KD 59,596 thousand; 30 June 2017: KD 60,520 thousand) and **KD 59,984 thousand** (Level 1) (31 December 2017: KD 59,356 thousand; 30 June 2017: KD 60,377 thousand) and **KD 17,801 thousand** (Level 2) (previously classified as avaiable-for-sale 31 December 2017: KD 18,166 thousand; 30 June 2017: KD 17,330 thousand) respectively.

The Bank has adopted IFRS 9 on 1 January 2018 and fair valued certain unquoted equity securities, which were carried at cost, net of impairment in prior periods (31 December 2017: KD 17,494 thousand; 30 June 2017: KD 17,460 thousand). These unquoted equity securities are classified as Level 3. Refer Note 2.1.e.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2017:

	Level 1 KD '000	*Level 2 KD '000*	*Level 3 KD '000*	*Total KD '000*
Financial assets available for sale :				
Equity securities	15,391	4,775	-	20,166
Debt securities	2,398	18,166	-	20,564
	17,789	22,941	-	40,730

At 30 June 2017:

	Level 1 KD '000	*Level 2 KD '000*	*Level 3 KD '000*	*Total KD '000*
Financial assets available for sale :				
Equity securities	16,276	4,921	-	21,197
Debt securities	2,422	17,330	-	19,752
	18,698	22,251	-	40,949

During the period, there were no transfers between any of the fair value hierarchy levels.

The positive and negative fair values of forward foreign exchange contracts and credit default swaps are valued using significant inputs of observable market data (Level 2). Refer Note 10.

Other financial assets and liabilities are carried at amortized cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates.

12. OTHER ASSETS

	(Unaudited) 30 June 2018 KD 000's	*(Audited) 31 December 2017 KD 000's*	*(Unaudited) 30 June 2017 KD 000's*
Accrued interest receivable	**18,245**	21,370	16,725
Sundry debtors and others	**35,091**	21,875	19,450
Repossessed collaterals (refer movement below)	**72,541**	78,856	129,774
	125,877	122,101	165,949

Movement in repossessed collaterals:

	(Unaudited) 30 June 2018 KD 000's	*(Audited) 31 December 2017 KD 000's*	*(Unaudited) 30 June 2017 KD 000's*
Beginning balance	**78,856**	144,781	144,781
Disposals	**-**	(62,559)	(12,641)
Impairment loss	**(6,315)**	(3,366)	(2,366)
Closing balance	**72,541**	78,856	129,774

The fair values of the real estate properties are not materially different from their carrying values.