

**WARBA BANK K.S.C.P.**  
**INTERIM CONDENSED**  
**CONSOLIDATED FINANCIAL**  
**INFORMATION**  
**31 MARCH 2017 (UNAUDITED)**



Building a better  
working world

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Warba Bank K.S.C.P. (the "Bank") and its subsidiaries (collectively "the Group") as at 31 March 2017, and the related interim condensed consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in note 2.

### **Report on other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of 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, the Executive Regulations, or of the Bank's Articles of Associations and Memorandum of Incorporation during the three months period ended 31 March 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 three months period ended 31 March 2017 that might have had a material effect on the business of the Bank or on its financial position.

WALEED A. AL OSAIMI  
LICENSE NO. 68 A  
EY  
(AL AIBAN, AL OSAIMI & PARTNERS)

SAFI A. AL-MUTAWA  
LICENSE NO. 138A  
KPMG Safi Al-Mutawa & Partners  
MEMBER FIRM OF KPMG INTERNATIONAL

12 April 2017  
Kuwait

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

		(Audited)	
	31 March	31 December	31 March
	2017	2016	2016
Notes	KD'000	KD'000	KD'000
<b>ASSETS</b>			
Cash and balances with banks	3	5,712	5,835
Placements with banks		188,895	135,237
Financing receivables		970,530	592,200
Available-for-sale investments		112,403	69,621
Investment properties		24,245	15,074
Other assets		8,109	5,341
Property and equipment		5,423	6,256
<b>TOTAL ASSETS</b>		<b>1,315,317</b>	<b>829,564</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions		353,872	199,988
Depositors' accounts		779,771	529,871
Other liabilities		9,342	6,799
<b>TOTAL LIABILITIES</b>		<b>1,142,985</b>	<b>736,658</b>
<b>EQUITY</b>			
Share capital		100,000	100,000
Accumulated losses		(3,955)	(7,045)
Fair value reserve		(76)	(49)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>		<b>95,969</b>	<b>92,906</b>
Perpetual Tier 1 Sukuk	9	76,363	-
<b>TOTAL EQUITY</b>		<b>172,332</b>	<b>92,906</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,315,317</b>	<b>829,564</b>

Abdulwahab A. Al Houti  
Chairman

Shaheen H. Al Ghanem  
Chief Executive Officer

The accompanying notes 1 to 9 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

For the period ended 31 March 2017

	<i>Note</i>	<i>Three months ended 31 March</i>	
		<i>2017 KD'000</i>	<i>2016 KD'000</i>
Placements and financing income		10,177	6,551
Finance costs and distribution to depositors		(4,447)	(3,099)
<b>Net financing income</b>		<b>5,730</b>	<b>3,452</b>
Net investment income		1,097	928
Net fees and commission		650	202
Other income		56	45
Foreign exchange gain		162	141
<b>Operating income</b>		<b>7,695</b>	<b>4,768</b>
Staff costs		(2,594)	(2,400)
General and administrative expenses		(975)	(810)
Depreciation		(375)	(416)
<b>Operating expenses</b>		<b>(3,944)</b>	<b>(3,626)</b>
<b>Operating profit before provision for impairment</b>		<b>3,751</b>	<b>1,142</b>
Provision for impairment		(2,397)	(800)
<b>Profit before deductions</b>		<b>1,354</b>	<b>342</b>
National Labor Support Tax (NLST)		(36)	(10)
Zakat		(14)	(4)
<b>Net profit for the period</b>		<b>1,304</b>	<b>328</b>
<b>Basic and diluted earnings per share</b>	<b>4</b>	<b>1.30 fils</b>	<b>0.33 fils</b>

The accompanying notes 1 to 9 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD'000</i>	<i>KD'000</i>
<b>Net profit for the period</b>	<b>1,304</b>	<b>328</b>
<b>Other comprehensive income:</b>		
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income</i>		
Change in fair value of available-for-sale investments	<b>365</b>	<b>322</b>
Gain on sale of available-for-sale investments realized during the period, transferred to interim condensed consolidated statement of income	<b>(11)</b>	<b>(24)</b>
<b>Other comprehensive income for the period</b>	<b>354</b>	<b>298</b>
<b>Total comprehensive income for the period</b>	<b>1,658</b>	<b>626</b>

The accompanying notes 1 to 9 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

	Share capital KD '000	Accumulated losses KD '000	Fair value reserve KD '000	Equity attributable to shareholders of the Bank KD '000	Perpetual Tier 1 Sukuk KD '000	Total equity KD '000
Balance at 1 January 2017 (audited)	100,000	(4,798)	(430)	94,772	-	94,772
Net profit for the period	-	1,304	-	1,304	-	1,304
Other comprehensive income	-	-	354	354	-	354
Total comprehensive income for the period	-	1,304	354	1,658	-	1,658
Issue of Perpetual Tier 1 Sukuk (Note 9)	-	-	-	-	76,363	76,363
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	(461)	-	(461)	-	(461)
<b>Balance at 31 March 2017</b>	<b>100,000</b>	<b>(3,955)</b>	<b>(76)</b>	<b>95,969</b>	<b>76,363</b>	<b>172,332</b>
Balance at 1 January 2016 (audited)	100,000	(7,373)	(347)	92,280	-	92,280
Net profit for the period	-	328	-	328	-	328
Other comprehensive income	-	-	298	298	-	298
Total comprehensive income for the period	-	328	298	626	-	626
Balance at 31 March 2016	100,000	(7,045)	(49)	92,906	-	92,906

The accompanying notes 1 to 9 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2017

	Note	Three months ended 31 March	
		2017 KD'000	2016 KD'000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		1,304	328
Adjustments for:			
Realised gain on available-for-sale investments		(11)	(24)
Dividend income		(306)	(316)
Sukuk income		(590)	(406)
Net rental income from investment properties		(152)	(182)
Other investment income		(38)	-
Provision for end of service benefits		104	63
Depreciation		375	416
Provision for impairment		2,397	800
		<u>3,083</u>	<u>679</u>
<i>Changes in operating assets and liabilities:</i>			
Placements with banks		4,208	(25,488)
Financing receivables		(144,967)	(49,184)
Other assets		(1,598)	(437)
Due to banks and other financial institutions		79,741	(44,345)
Depositors' accounts		29,273	96,406
Other liabilities		1,921	958
Net cash used in operating activities		<u>(28,339)</u>	<u>(21,411)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of available-for-sale investments		(19,222)	(11,809)
Proceed from sale and redemption of available-for-sale investments		6,632	10,823
Purchase of investment property		(9,483)	-
Purchase of property and equipment		(155)	(296)
Dividend income received		306	316
Sukuk income received		514	515
Rental income received		240	246
Net cash used in investing activities		<u>(21,168)</u>	<u>(205)</u>
<b>FINANCING ACTIVITIES</b>			
Perpetual Tier 1 Sukuk issuing costs		(461)	-
Proceeds from issue of Perpetual Tier 1 Sukuk		76,363	-
Net cash generated from financing activities		<u>75,902</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		116,505	127,636
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	3	<u><u>142,900</u></u>	<u><u>106,020</u></u>

The accompanying notes 1 to 9 form an integral part of this interim condensed consolidated financial information.

# Warba Bank K.S.C.P.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

### 1 CORPORATE INFORMATION

Warba Bank K.S.C.P. (the "Bank") is a Kuwaiti public shareholding company, incorporated on 17 February 2010 in the State of Kuwait by Amiri Decree No. 289/2009, listed on the Kuwait Stock Exchange and is registered as an Islamic banking institution in accordance with the rules and regulations of the Central Bank of Kuwait (the "CBK") on 7 April 2010. The Bank's registered office is at Sanabil Tower, 26<sup>th</sup> – 28<sup>th</sup> floor, Abdullah Al Ahmed Street, P.O. Box 1220, Safat 13013, State of Kuwait.

The Bank is primarily involved in investment, corporate and retail banking in the State of Kuwait in accordance with the principles of Sharia'h, as approved by the Bank's Sharia'h Supervisory Board.

The Annual General Meeting ("AGM") of the shareholders of the Bank to approve the financial statements for the year ended 31 December 2016 was held on 14 March 2017. No cash dividend or bonus shares for the year ended 31 December 2016 (31 December 2015: nil) were proposed by the Directors and approved by the shareholders at the AGM.

This interim condensed consolidated financial information as at and for the three months period ended 31 March 2017 incorporates the financial information of the Bank and its wholly owned special purpose vehicles (together referred to as "the Group").

This interim condensed consolidated financial information has been approved for issue by the Board of Directors on 12 April 2017.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The interim condensed consolidated financial information of the Group 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 2016 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement* requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's annual financial statements as at 31 December 2016.

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 three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

#### New standards and amendments adopted by the Bank

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual 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 did not result in any material impact on the accounting policies, financial position or performance of the Group.

#### Standards issued but not yet effective

Standards issued but not yet effective during the period ended 31 March 2017 are listed below:

##### *IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard requires lessees to recognise assets and liabilities for most leases on-balance sheet. Lessees applying IFRS 16 will have a single accounting model, with certain exemptions. Lessors applying IFRS 16 will classify leases using the same principle as in IAS 17 and lessor accounting is substantially unchanged.

## Warba Bank K.S.C.P.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

#### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Standards issued but not yet effective (continued)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Bank intends to adopt this standard when it becomes effective. However, the Bank expects no material impact from the adoption on its financial position or performance.

#### 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows consist of the following:

	<i>31 March</i> <i>2017</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD'000</i>	<i>31 March</i> <i>2016</i> <i>KD'000</i>
Cash	2,358	1,616	1,171
Current account with the CBK	208	352	2,197
Current account with commercial banks	3,146	3,512	2,467
Cash and balances with banks	5,712	5,480	5,835
Placements with the CBK whose original maturity is within 3 months	35,049	44,054	32,035
Placements with banks whose original maturity is within 3 months	102,139	66,971	68,150
	<u>142,900</u>	<u>116,505</u>	<u>106,020</u>

Placements with banks represent placements placed with highly reputed and good credit rating banks in accordance with Wakala and Murabaha agreements.

#### 4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net profit for the period of the Bank by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
Net profit for the period (KD'000)	<u>1,304</u>	<u>328</u>
Weighted average number of shares outstanding (shares'000)	<u>1,000,000</u>	<u>1,000,000</u>
Basic and diluted earnings per share (fils)	<u>1.30</u>	<u>0.33</u>

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

**5 TRANSACTIONS WITH RELATED PARTIES**

These are transactions with certain related parties (major shareholders, directors and executive officers of the Bank, close members of their families and companies in which they are principal owners or over which they are able to exercise significant influence) who were customers of the Bank in the ordinary course of business. Such transactions were made on substantially the same terms including profit and collateral as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

Balances recorded in the interim condensed consolidated statement of financial position are as follows:

	<i>Major shareholders</i>	<i>Board members and executive officials</i>	<i>Other related parties</i>	<i>Total 31 March 2017</i>	<i>(Audited) Total 31 December 2016</i>	<i>Total 31 March 2016</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Finance facilities	-	533	49	582	134	4,306
Credit cards	-	8	1	9	49	5
Depositors' accounts	440,648	868	162	441,678	394,011	212,486
Contingent liabilities	-	-	-	-	-	470

	<i>No. of major Shareholders</i>	<i>No. of Board members and executive officials</i>	<i>No. of other related parties</i>
Finance facilities	-	7	2
Credit cards	-	11	1
Depositors' accounts	2	20	12

Transactions with related parties recorded in the interim condensed consolidated statement of income are as follows:

	<i>Major shareholders</i>	<i>Board members and executive officials</i>	<i>Other related parties</i>	<i>Total 31 March 2017</i>	<i>Total 31 March 2016</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Placements and financing income	-	-	13	13	40
Finance costs and distributions to depositors	1,857	-	-	1,857	1,036

**Compensation to key management personnel:**

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD'000</i>	<i>KD'000</i>
Salaries and other short-term benefits	386	381
Post-employment benefits	40	32
	<u>426</u>	<u>413</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

**6 COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>31 March 2017 KD'000</i>	<i>(Audited) 31 December 2016 KD'000</i>	<i>31 March 2016 KD'000</i>
Acceptances and letters of credit	13,722	9,140	10,550
Letter of guarantees	53,996	41,156	26,502
Contingent liabilities	<u>67,718</u>	<u>50,296</u>	<u>37,052</u>
Capital commitments	<u>353</u>	<u>238</u>	<u>1,994</u>

**7 SEGMENT REPORTING**

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operating segments meet the criteria for reportable segments and are as follows:

- **Corporate** - comprising of range of banking services and investment products to corporate customers, in addition to providing commodity and real estate murabaha finance and Ijarah facilities;
- **Retail** - comprising of a diversified range of products and services to individual customers. The range includes consumer finance, credit cards, deposits and other branch related services.
- **Treasury** – comprising of the Bank's funding operations management, local and international Murabaha and other Islamic financing primarily with banks & financial institutions.
- **Investment** - comprising of investment in direct equity, real estate investment and other investments.
- **Other** – comprising of cost center assets and expenses.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The following table presents operating income, results for the period and total assets information regarding the Group's reportable segments.

	<i>Corporate KD'000</i>	<i>Retail KD'000</i>	<i>Treasury KD'000</i>	<i>Investment KD'000</i>	<i>Other KD'000</i>	<i>Total KD'000</i>
<i>31 March 2017</i>						
Segment operating income	4,771	1,436	410	1,078	-	7,695
Segment result	<u>2,568</u>	<u>(405)</u>	<u>366</u>	<u>934</u>	<u>(2,159)</u>	<u>1,304</u>
Segment assets	<u>771,998</u>	<u>198,532</u>	<u>188,895</u>	<u>136,648</u>	<u>19,244</u>	<u>1,315,317</u>
<i>31 March 2016</i>						
Segment operating income	2,755	1,090	259	664	-	4,768
Segment result	<u>1,859</u>	<u>(306)</u>	<u>224</u>	<u>607</u>	<u>(2,056)</u>	<u>328</u>
Segment assets	<u>455,735</u>	<u>136,465</u>	<u>155,891</u>	<u>64,042</u>	<u>17,431</u>	<u>829,564</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

**8 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise financial assets and financial liabilities.

**Fair value hierarchy**

The Bank uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in an active market for identical assets and liabilities;

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

**Level 3:** other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

		<i>Fair value measurement</i>			
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>31 March 2017</i>	<i>Date of valuation</i>	<i>Total KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value</i>					
<i>Available-for-sale investments</i>					
<i>Quoted Sukuk</i>					
- Government Sukuk	31 March 2017	84,708	84,708	-	-
- Corporate Sukuk	31 March 2017	31,211	31,211	-	-
		53,497	53,497	-	-
<i>Quoted equity security</i>					
	31 March 2017	786	786	-	-
<i>Unquoted Sukuk</i>					
	31 March 2017	2,000	-	-	2,000
<i>Managed Portfolio</i>					
	31 March 2017	4,212	-	-	4,212
		<i>Fair value measurement</i>			
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>31 December 2016</i>	<i>Date of valuation</i>	<i>Total KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value</i>					
<i>Available-for-sale investments</i>					
<i>Quoted Sukuk</i>					
- Government Sukuk	31 December 2016	71,820	71,820	-	-
- Corporate Sukuk	31 December 2016	31,009	31,009	-	-
		40,811	40,811	-	-
<i>Quoted equity security</i>					
	31 December 2016	837	837	-	-
<i>Unquoted Sukuk</i>					
	31 December 2016	2,000	-	-	2,000
<i>Managed portfolio</i>					
	31 December 2016	4,281	-	-	4,281

## Warba Bank K.S.C.P.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

#### 8 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 March 2016	Date of valuation	Total KD'000	Fair value measurement			
			Quoted prices in active markets (Level 1) KD'000	Significant observable inputs (Level 2) KD'000	Significant unobservable inputs (Level 3) KD'000	
<i>Assets measured at fair value</i>						
Available-for-sale investments						
Quoted Sukuk						
-	Government Sukuk	31 March 2016	51,188	51,188	-	-
-	Corporate Sukuk	31 March 2016	26,590	26,590	-	-
-	Corporate Sukuk	31 March 2016	24,598	24,598	-	-
Quoted equity security						
-		31 March 2016	869	869	-	-

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets.

	At 1 January 2017 KD 000's	Change in fair value KD 000's	Impairment KD 000's	Additions KD 000's	Sale/ redemption KD 000's	Exchange rate movements KD 000's	At 31 March 2017 KD 000's
<b>Available for sale investments</b>							
Unquoted Sukuk	2,000	-	-	-	-	-	2,000
Managed Portfolio	4,281	-	-	-	(69)	-	4,212
	6,281	-	-	-	(69)	-	6,212

During the year ended 31 December 2016, Bank made an investment in unquoted sukuk and a managed portfolio amounting to KD 2,000 and KD 4,281 respectively and was classified under Level 3 of the fair value hierarchy.

No financial assets were classified under Level 3 of the fair value hierarchy during the period ended 31 March 2016.

Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating a range of input assumptions that are appropriate in the circumstances. Carrying value of financial assets and liabilities that are carried at amortised cost 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 profit rates.

The impact on the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of income would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5 per cent.

#### 9 PERPETUAL TIER 1 SUKUK

On 14 March 2017, 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 14 March 2022 (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 a profit rate of 6.5% 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 4.374% 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.