

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



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE PERIOD
FROM 1 JANUARY 2019 TO 31 MARCH 2019
(UNAUDITED)**

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

For the period from 1 January 2019 to 31 March 2019

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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 31 March 2019, and the related interim condensed consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flow 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.

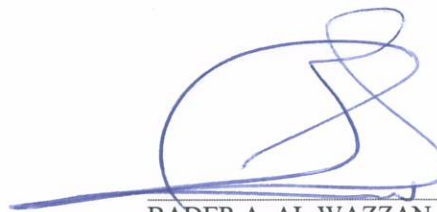
Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of 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, as amended, or of the Bank's Articles of Association and Memorandum of Incorporation, as amended, during the nine months period ended 31 March 2019 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the nine months period ended 31 March 2019 that might have had a material effect on the business of the Bank or on its financial position.



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



BADER A. AL-WAZZAN
LICENCE NO. 62A
DELOITTE & TOUCHE
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BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS (UNAUDITED)**

For the period from 1 January 2019 to 31 March 2019



		Three months ended 31 March	
		2019	2018
	Notes	KD'000's	KD'000's
Income			
Murabaha and other Islamic financing income		48,775	41,969
Finance cost and distribution to depositors		(20,168)	(13,139)
Net financing income		28,607	28,830
Net investment income	3	2,697	874
Net fees and commission income		4,975	3,746
Net foreign exchange gain		935	727
Operating income		37,214	34,177
Staff costs		(8,993)	(8,342)
General and administrative expenses		(3,408)	(4,233)
Depreciation		(1,945)	(1,069)
Operating expenses		(14,346)	(13,644)
Operating profit before provision for impairment		22,868	20,533
Provision for impairment	4	(7,601)	(7,283)
Operating profit before deductions		15,267	13,250
Taxation	5	(643)	(597)
Net profit for the period		14,624	12,653
Attributable to:			
Equity holders of the Bank		14,619	12,562
Non-controlling interests		5	91
Net profit for the period		14,624	12,653
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	6	5.83	5.01

The notes from 1 to 15 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 2019 to 31 March 2019



	Three months ended 31 March	
	2019	2018
	KD'000's	KD'000's
Net profit for the period	14,624	12,653
Other comprehensive income/(loss):		
Items that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:		
Change in fair value of debt investments at fair value through other comprehensive income	1,897	(2,209)
Foreign currency translation adjustments	337	(2,524)
Items that will not be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:		
Change in fair value of equity investments at fair value through other comprehensive income	181	-
Other comprehensive income/(loss) for the period	2,415	(4,733)
Total comprehensive income for the period	17,039	7,920
Attributable to:		
Equity holders of the Bank	17,034	7,829
Non-controlling interests	5	91
Total comprehensive income for the period	17,039	7,920

The notes from 1 to 15 form an integral part of this interim condensed consolidated financial information.

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

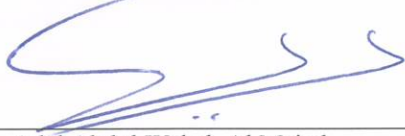
INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (UNAUDITED)

As at 31 March 2019



			(Audited)	
	Notes	31 March 2019	31 December 2018	31 March 2018
		KD'000's	KD'000's	KD'000's
Assets				
Cash and balances with banks	7	122,767	83,805	42,763
Deposits with Central Bank of Kuwait		249,183	244,685	317,352
Deposits with other banks		213,797	237,088	422,528
Islamic financing to customers		3,404,764	3,262,285	3,013,453
Investment in Sukuk	8	322,584	309,339	204,165
Other investment securities	8	91,873	73,500	50,252
Investments in associates		31,846	28,916	49,925
Investment properties		24,499	24,036	29,850
Other assets		23,040	24,088	25,885
Property and equipment		69,532	57,036	54,313
Total assets		4,553,885	4,344,778	4,210,486
Liabilities and equity				
Liabilities				
Due to banks		204,654	97,216	174,679
Depositors' accounts		3,793,921	3,720,935	3,536,482
Other liabilities		71,229	40,667	54,839
Total liabilities		4,069,804	3,858,818	3,766,000
Equity				
Share capital		250,789	238,847	238,847
Share premium		62,896	62,896	62,896
Proposed bonus shares	15	-	11,942	-
Treasury shares	10	(54)	(643)	(643)
Statutory reserve		25,251	25,251	19,349
Other reserves	11	21,165	19,165	10,492
Retained earnings		46,326	31,707	35,853
Proposed cash dividends	15	-	19,092	-
Equity attributable to equity holders of the Bank		406,373	408,257	366,794
Perpetual Tier 1 Sukuk		75,388	75,388	75,388
Non-controlling interests		2,320	2,315	2,304
Total equity		484,081	485,960	444,486
Total liabilities and equity		4,553,885	4,344,778	4,210,486


 Mahmoud Yousef Al-Fulaij
 Chairman


 Adel Abdul Wahab Al Majed
 Vice Chairman & Chief Executive Officer

The notes from 1 to 15 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 2019 to 31 March 2019

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Other reserves (note 11)	Retained earnings	Proposed cash dividends	Equity attributable to equity holders of the Bank	Perpetual tier 1 Sukuk	Non-controlling interests	Total equity
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Balance at 1 January 2019	238,847	62,896	11,942	(643)	25,251	19,165	31,707	19,092	408,257	75,388	2,315	485,960
Profit for the period	-	-	-	-	-	-	14,619	-	14,619	-	5	14,624
Other comprehensive income	-	-	-	-	-	2,415	-	-	2,415	-	-	2,415
Total comprehensive income for the period	-	-	-	-	-	2,415	14,619	-	17,034	-	5	17,039
Dividends paid (note 15)	-	-	-	-	-	-	-	(19,092)	(19,092)	-	-	(19,092)
Issue of bonus shares (note 15)	11,942	-	(11,942)	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	589	-	(415)	-	-	174	-	-	174
Balance at 31 March 2019	250,789	62,896	-	(54)	25,251	21,165	46,326	-	406,373	75,388	2,320	484,081
Balance at 1 January 2018	227,473	62,896	11,374	(1,122)	19,349	14,764	24,122	15,900	374,756	75,388	2,213	452,357
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	-	798	(831)	-	(33)	-	-	(33)
Balance as at 1 January 2018 (<i>restated</i>)	227,473	62,896	11,374	(1,122)	19,349	15,562	23,291	15,900	374,723	75,388	2,213	452,324
Profit for the period	-	-	-	-	-	-	12,562	-	12,562	-	91	12,653
Other comprehensive loss	-	-	-	-	-	(4,733)	-	-	(4,733)	-	-	(4,733)
Total comprehensive (loss) / income for the period	-	-	-	-	-	(4,733)	12,562	-	7,829	-	91	7,920
Dividends paid (note 15)	-	-	-	-	-	-	-	(15,900)	(15,900)	-	-	(15,900)
Issue of bonus shares (note 15)	11,374	-	(11,374)	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	479	-	(337)	-	-	142	-	-	142
Balance at 31 March 2018	238,847	62,896	-	(643)	19,349	10,492	35,853	-	366,794	75,388	2,304	444,486

The notes from 1 to 15 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 2019 to 31 March 2019

Notes	Three months ended 31 March	
	2019 KD'000's	2018 KD'000's
OPERATING ACTIVITIES		
Net profit for the period	14,624	12,653
Adjustments for:		
Provision for impairment	4 7,601	7,283
Depreciation	1,945	1,069
Foreign currency translation adjustments	(5,728)	(1,084)
Unrealised gain from financial assets at fair value through profit or loss	(288)	(312)
Share of results of associates	(1,160)	81
Dividend income	(223)	(156)
Operating profit before changes in operating assets and liabilities	16,771	19,534
Changes in operating assets and liabilities:		
Deposits with Central Bank of Kuwait	33,710	(6,932)
Deposits with other banks	45,433	51,230
Islamic financing to customers	(150,037)	(141,505)
Other assets	1,050	(9,306)
Due to banks	107,438	107,205
Depositors' accounts	72,986	127,763
Other liabilities	1,325	(2,977)
Net cash generated from operating activities	128,676	145,012
INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through profit or loss	17,333	4,231
Purchase of financial assets at fair value through other comprehensive income	(109,680)	(28,723)
Purchase of financial assets at fair value through profit or loss	(35,249)	-
Proceeds from sale of financial asset at fair value through other comprehensive income	102,173	604
Purchase of investment properties	-	(1,243)
Proceeds from sale of investment properties	-	24,963
Purchase of property and equipment	(4,339)	(1,025)
Dividend income received	223	156
Net cash used in investing activities	(29,539)	(1,037)
FINANCING ACTIVITY		
Proceeds from exercise of share options	174	142
Net cash from financing activity	174	142
Net increase in cash and cash equivalents	99,311	144,117
Cash and cash equivalents at beginning of the period	164,767	131,378
Cash and cash equivalents at end of the period	264,078	275,495

The notes from 1 to 15 form an integral part of this interim condensed consolidated financial information.

For the period from 1 January 2019 to 31 March 2019

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 three months period ended 31 March 2019 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 7 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 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 accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the changes described below arising from the adoption of IFRS 16 'Leases' effective from 1 January 2019.

The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guideline or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). The ECL for Islamic financing to customers as at 31 March 2019 is **KD 48,432** thousand (31 December 2018: KD 49,914 thousand) which is lower than the provision for impairment of Islamic finance to customers required by CBK.

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with IFRS as adopted for use by the State of Kuwait, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

For the period from 1 January 2019 to 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Changes in accounting policies and disclosures****Adoption of IFRS 16 'Leases'**

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective yield method.

Impact on adoption of IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the interim condensed consolidated statement of financial position.

3. NET INVESTMENT INCOME

	Three months ended 31 March	
	2019	2018
	KD'000's	KD'000's
Dividend income	223	156
Net gain from financial assets at fair value through profit or loss	228	312
Net gain from investment properties	104	487
Gain on deemed acquisition in an associate	982	-
Share of results of associates	1,160	(81)
	2,697	874

4. PROVISION FOR IMPAIRMENT

	Three months ended 31 March	
	2019	2018
	KD'000's	KD'000's
Provision charge for Islamic financing to customers	7,601	4,895
Other impairment losses	-	2,388
	7,601	7,283

For the period from 1 January 2019 to 31 March 2019

5. TAXATION

	Three months ended 31 March	
	2019	2018
	KD'000's	KD'000's
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	136	120
National Labour Support Tax ("NLST")	362	341
Zakat (Based on Zakat law no: 46/2006)	145	136
	643	597

6. 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.

	Three months ended 31 March	
	2019	2018
Net profit for the period attributable to the equity holders of the Bank (KD'000)	14,619	12,562
Weighted average number of shares outstanding during the period net of treasury shares (thousands of shares)	2,506,682	2,505,155
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	5.83	5.01

Earnings per share for the prior period were 5.27 fils before retroactive adjustment to the number of shares following the bonus issue (note 15).

7. CASH AND CASH EQUIVALENTS

	31 March 2019	(Audited) 31 December 2018	31 March 2018
	KD'000's	KD'000's	KD'000's
Cash and balances with banks	122,767	83,805	42,763
Placements with banks maturing within seven days	141,311	80,962	232,732
	264,078	164,767	275,495

For the period from 1 January 2019 to 31 March 2019

8. INVESTMENT SECURITIES

	(Audited)		
	31 March 2019	31 December 2018	31 March 2018
	KD'000's	KD'000's	KD'000's
Investment in Sukuk - FVOCI	322,584	309,339	204,165
Financial assets at fair value through profit or loss	60,921	42,760	34,798
Financial assets at fair value through other comprehensive income	30,952	30,740	15,454
	414,457	382,839	254,417

	(Audited)		
	31 March 2019	31 December 2018	31 March 2018
	KD'000's	KD'000's	KD'000's
Financial assets at fair value through profit or loss			
Investment in unquoted equity funds	60,921	42,760	34,798
	60,921	42,760	34,798

	(Audited)		
	31 March 2019	31 December 2018	31 March 2018
	KD'000's	KD'000's	KD'000's
Financial assets at fair value through other comprehensive income			
Investment in unquoted equity securities	30,780	30,574	15,249
Investment in quoted equity securities	172	166	205
	30,952	30,740	15,454

9. 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)		
	31 March 2019	31 December 2018	31 March 2018	31 March 2019	31 December 2018	31 March 2018	31 March 2019	31 December 2018	31 March 2018
							KD'000's	KD'000's	KD'000's
Islamic financing to customers	5	7	6	1	2	3	2,986	5,157	7,045
Depositors' accounts	9	5	16	9	9	12	4,124	3,028	10,017
Letters of guarantee and letters of credit	-	-	2	-	-	-	-	-	29
Murabaha and other Islamic financing income							48	231	74
Finance cost and distribution to depositors							(14)	(87)	(29)
Parent Company									
Due from banks							53,263	43,139	206,187
Due to banks							76,689	59,140	43,701
Murabaha and other Islamic financing income							422	1,617	608
Finance cost and distribution to depositors							(117)	(664)	(74)

9. RELATED PARTY TRANSACTIONS (continued)**Compensation of key management personnel**

Details of compensation to key management comprise the following:

	Three months ended 31 March	
	2019	2018
	KD'000's	KD'000's
Short-term benefits	557	500
Post-employment benefits	129	118
Deferred compensation	156	148
	842	766

10. TREASURY SHARES

The Bank held the following treasury shares:

	31 March 2019	(Audited) 31 December 2018	31 March 2018
Number of treasury shares	283,242	2,027,659	1,904,388
Treasury shares as a percentage of total issued shares - %	0.01129%	0.0849%	0.0837%
Cost of treasury shares – KD thousand	54	643	643
Market value of treasury shares – KD thousand	171	1,135	901
Weighted average of market value per share – fils	0.578	0.508	0.467

11. OTHER RESERVES

	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Balance at 1 January 2019	24,158	1,381	3,543	(9,917)	19,165
Other comprehensive income for the period	-	-	2,078	337	2,415
Total comprehensive income for the period	-	-	2,078	337	2,415
Sale of treasury shares	-	(415)	-	-	(415)
Balance at 31 March 2019	24,158	966	5,621	(9,580)	21,165

11. OTHER RESERVES (continued)

	Voluntary reserve	Share based payment reserve	Fair value reserve	Foreign currency translation reserve	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Balance at 1 January 2018	18,510	1,671	3,859	(9,276)	14,764
Impact of adopting IFRS 9 at 1 January 2018	-	-	798	-	798
Balance at 1 January 2018 (restated)	18,510	1,671	4,657	(9,276)	15,562
Other comprehensive loss for the period	-	-	(2,209)	(2,524)	(4,733)
Total comprehensive income / (loss) for the period	-	-	(2,209)	(2,524)	(4,733)
Sale of treasury shares	-	(337)	-	-	(337)
Balance at 31 March 2018	18,510	1,334	2,448	(11,800)	10,492

12. 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:

	31 March 2019	(Audited) 31 December 2018	31 March 2018
	KD'000's	KD'000's	KD'000's
Guarantees	265,676	264,940	249,610
Acceptances and letters of credit	97,866	91,632	90,876
Other commitments	9,278	9,278	1,278
	372,820	365,850	341,764

13. 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.

13. SEGMENT REPORTING (continued)

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Three months ended 31 March 2019						
Net financing income/(loss)	15,425	7,862	(823)	3,071	3,072	28,607
Operating income	16,784	11,201	3,679	4,007	1,543	37,214
Net profit/(loss) for the period	7,190	3,317	2,628	3,859	(2,370)	14,624
Total assets	1,510,862	2,337,370	179,747	481,618	44,288	4,553,885
Total liabilities	2,132,952	282,994	14,112	1,588,293	51,453	4,069,804
Three months ended 31 March 2018						
Net financing income/(loss)	15,945	9,185	(883)	2,342	2,241	28,830
Operating income	17,090	11,274	1,749	3,069	995	34,177
Net profit/(loss) for the period	8,717	7,210	(1,524)	2,941	(4,691)	12,653
Total assets	1,363,222	1,996,540	160,980	679,693	10,051	4,210,486
Total liabilities	1,617,530	372,511	26,166	1,726,406	23,387	3,766,000

14. 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 measured 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).

	Level 1	Level 2	Level 3	Total
	KD'000's	KD'000's	KD'000's	KD'000's
31 March 2019				
Financial assets at fair value through profit or loss	-	60,921	-	60,921
Investment in Sukuk - FVOCI	322,584	-	-	322,584
Financial assets at fair value through other comprehensive income	172	-	30,780	30,952
	322,756	60,921	30,780	414,457
31 December 2018 (Audited)				
Financial assets at fair value through profit or loss	-	42,760	-	42,760
Investment in Sukuk - FVOCI	309,339	-	-	309,339
Financial assets at fair value through other comprehensive income	166	-	30,574	30,740
	309,505	42,760	30,574	382,839
31 March 2018				
Financial assets at fair value through profit or loss	-	34,798	-	34,798
Investment in Sukuk - FVOCI	204,165	-	-	204,165
Financial assets at fair value through other comprehensive income	205	-	15,249	15,454
	204,370	34,798	15,249	254,417

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

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	At 1 January	Change in fair value	Impairment	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 31 March
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
31 March 2019:							
Assets measured at fair value							
Financial assets at fair value through other comprehensive income	30,574	-	-	-	-	206	30,780
	30,574	-	-	-	-	206	30,780
31 March 2018:							
Assets measured at fair value							
Financial assets at fair value through profit or loss	3,477	-	-	(3,477)	-	-	-
Available for sale investments	9,788	-	-	(9,788)	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	15,370	-	(121)	15,249
	13,265	-	-	2,105	-	(121)	15,249

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement 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.

15. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of the shareholders held on 10 March 2019 approved 5% bonus shares (2017: 5%) and a cash dividend of 8 fils per share (2017: 7 fils per share) for the year ended 31 December 2018. The cash dividend payable amounting to **KD 19,092 thousand** is included in other liabilities as at 31 March 2019. The bonus shares increased the number of issued and fully paid up shares by **119,423,580** shares (2018: 113,736,743 shares) and increase in share capital by **KD 11,942 thousand** (2018: KD 11,374 thousand).