ANNUAL REPORT 2015

Commercial Bank Of Kuwait

Al-Tijari

His Highness Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

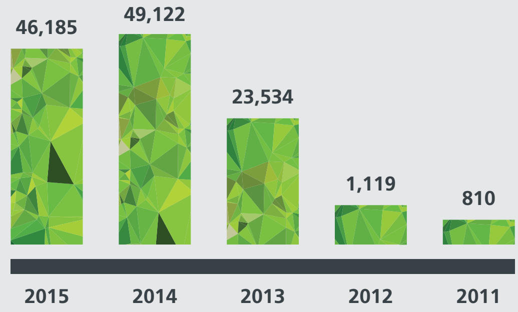
His Highness Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

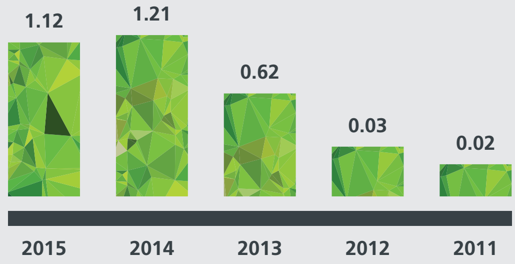
Crown Prince

TABLE OF CONTENTS

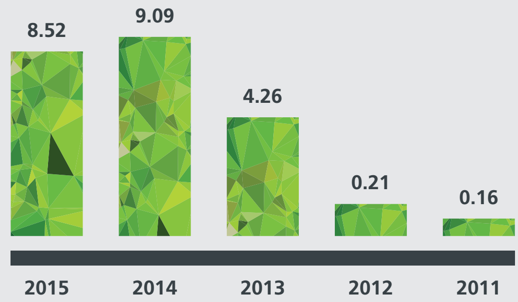
FINANCIAL TRENDS



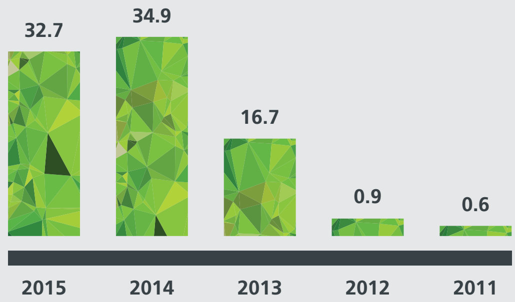
Net profit Attributable to Shareholders of the Bank
KD 000's



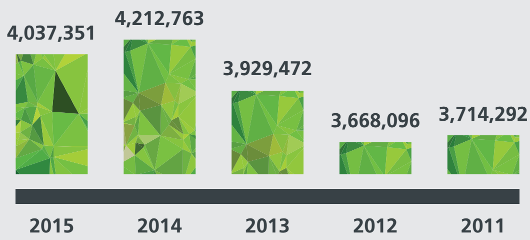
Return on Average Assets %



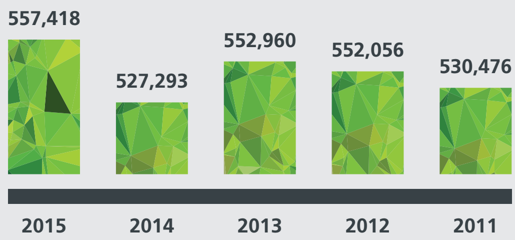
Return on Shareholders' Equity
(Average)%



Earning Per Share Attributable to Shareholders of the Parent Bank
Fils Per Share



Total Assets
KD 000's



Equity Attributable to Shareholders of the Bank
KD 000's

BOARD OF DIRECTORS

Mr. Ali Mousa M. Al Mousa
Chairman

Sheikh. Ahmed Duaij Al Sabah
Vice Chairman

Mr. Abdulrazzak A. Al Kandari
Member

Mr. Abdulrahman Abdullah Al Ali
Member

Dr. Arshid Abdulhadi Al Houri
Member

Mr. Bader Sulaiman Al Ahmad
Member

Mr. Musaed Nuri Al Saleh
Member

Rasha Y. H. Al Awadhi
Member

Hazem Meshari Al Khaled
Member

Mona Mousa Al Sarraf
Member

INTRODUCTION

INTRODUCTION

Commercial Bank of Kuwait, the second oldest incorporated Bank in Kuwait has set focused objectives to become among the leading banks in Kuwait by providing innovative banking services & unrivalled investment solutions which meet all needs & requirements of its retail and corporate customers and demonstrate its well-established and profound franchise in Kuwait banking industry.

The global economy saw many challenges & difficulties represented in the unfavorable geopolitical conditions and the volatile growth rates of the world's largest economies that took its toll on Kuwait's economy which was adversely affected by the tumbling oil prices. However, and through its well-defined strategy, prudent vision & conservative approach of its Management that remain on course for addressing all variables & conditions posed by the operating environment, Commercial Bank of Kuwait managed to realize the aspired objectives amidst vulnerable and difficult economic conditions.

The Bank will endeavor to enhance and reinforce the confidence it has built with its customers over the past 5 decades by providing superior banking products and services that meet customers' requirements and cater for their aspirations to remain the Bank of choice for customers. The Bank will strive to maintain its significant role in corporate social responsibility as a socially responsible financial institution that seeks to underpin principles of corporate social responsibility initiatives.

Ali Mousa M. Al Mousa
Chairman

CHAIRMAN'S MESSAGE

In the name of Allah the Most Gracious, the Most Merciful

Our valued shareholders,

On behalf of myself and the Board of Directors, I am pleased to present an overview on the Bank's business results. The attached financial statements contained all details, information, statements and disclosures required by the law and the regulatory instructions. We hope to shed light on the issues of concern for our valued shareholders and the Bank's stakeholders.

First: Highlights on the Main Items as Contained in Financial Statements

The Bank's financial statements reveal clearly the contracting trend adopted by the Bank's Management in mid 2014 and onward until 2015. This trend covers the Bank's operations and assets with the objective of improving asset classes and enhancing the Bank's ability to avert and overcome any risks that may arise in the future. Unfortunately, certain risks materialized as a reflection of the economic variables Kuwait economy has witnessed as a result of downfall in oil prices and resultant decline in the State's revenues.

Cognizant reader of the Bank's financial statements will obviously realize that the Bank's shareholders' equity and Return on Equity showed an improvement. This was coupled by healthier retained earnings & provisions. The Bank managed to deal with the sudden state of instability suffered by some of its customers without any impact on the Bank's position except for the contracting trend that prevailed in its activities.

Total Assets & Growth

The total assets decreased by 4.2% to reach KD 4,037 million at the end of December 2015 compared with KD 4,213 million at the end of December 2014. This contracting trend was triggered by the Bank's Senior Management's decision to restructure the Bank's assets & liabilities for improving assets quality and income on the same. This led to improvement of profitability across certain divisions at the Bank, particularly Treasury & Investment Division and International Banking & Syndication Loans Division. This contracting trend was also a by-product of the Bank's policy targeting off-loading the doubtful debts and this issue will be illustrated in the coming lines.

The Bank's total loans portfolio of KD 2,297 as at the end of December 2015 was lower by 0.99% compared with KD 2,320 million at the end of December 2014. This decrease was driven from the Bank's continued strategy targeting improvement of loans portfolio quality and off-loading non-performing loans from the Bank's records without waiving any of the Bank's legal rights. The accumulated balance of off-loaded debts amounted to KD 601.7 million and this figure is usually not published in the financial statements. The Bank continues initiating the required procedures towards the debtors who obtained such loans so that the Bank can get the largest possible amount of such loans. Undoubtedly, the off-loaded debts are one of the reasons behind the decrease in the Bank's total assets.

It is worthwhile to note that percentage of the non-performing loans to total loans portfolio stood at 0.9% at the end of December 2015 which is among the best NPL ratios at the level of banking sector in Kuwait if not the best.

Provisions

Over the past years, the Bank adopted a conservative approach for building up the required provisioning base (general or specific). The Bank continues with this approach which primarily aims at hedging against customers' defaults or impairment of the Bank's investments, thus solidifying the Bank's balance sheet to avert any potential risks that may arise in the future. The Bank's provisions amounted to KD 125 million and the provision coverage ratio for NPL stood at 571.4%.

Profitability & Shareholders' Equity

Total operating income of KD 136.2 million was lower by approximately 5.7% compared with KD 144.4 million for 2014. The net profit amounting to KD 46.2 million (32.7 fils per share) as at the end of December 2015 was 6.3% lower than KD 49.2 million (34.9 fils per share) at the end of December 2014. It is to be noted that the net profit declined as the Bank off-loaded some doubtful loans within its precautionary measures.

Return of Assets (ROA) stood at 1.12% and Return on Equity (ROE) stood at 8.52% at the end of December 2015 compared with 1.21% and 9.09% respectively as at the end of December 2014.

In this regard, the retained earnings carried forward to the coming year amounted to KD 152.1 million with an increase of KD 19.5 million (14.7%) in 2015 compared with KD 132.6 million at the end of 2014. This was the main reason of the increase in the Bank's shareholders' equity from KD 527.3 million at the end of December 2014 up to KD 557.4 million at the end of December 2015 with an increase of KD 30.1 million (5.7%).

Capital Adequacy & Leverage Ratios

The capital adequacy ratio stood at 18.39% at the end of December 2015 compared with 18.15% at the end of 2014 and this ratio comfortably exceeds the ratio mandated by the regulatory authorities represented in the Central Bank of Kuwait.

Furthermore, leverage ratio stood at 11.5% and liquidity coverage ratio reached 138.5% and these ratios comfortably exceeds the minimum requirements set by the Central Bank of Kuwait.

Second: Future Challenges

All economists and financial experts were monitoring the economic conditions in 2015 with major concern. These worries and concerns were due to tumbling of oil prices which started at the end of 2014, not to mention the downward indicators and a state of disruption in managing China economy, the world's second largest economy and one of the largest industrial products & commodities exporting countries and is amongst the largest importers of raw materials in all its forms. In addition, the European Union market is still struggling to establish mechanisms for driving an economic growth.

In view of the above, we have experienced and undergone a state of uncertainty and doubts that the global economy may slip into recession. All these negative signs were reflected on the domestic economy with the prices of quoted shares dramatically falling, apart from the real estate market which plummeted leaving huge drop on real estate prices. Despite the above negative indicators, government spending remains a main factor in enhancing the local economy drive and this is positively reflected on banks' business results where the Bank endeavors to snap up the available investment opportunities besides its efforts exerted to develop the products and services provided to its customers.

In conclusion, the Board of Directors would like to extend its thanks and appreciation to the Bank's shareholders, customers, employees and all stakeholders wishing them all success and progress.

Ali Mousa M. Al Mousa
Chairman

EXECUTIVE MANAGEMENT

Elham Yousry Mahfouz

Chief Executive Officer

Mona Hussain Al Abdulrazzaq

GM-Human Resources Department

Sahar Abdulaziz Al Rumaih

GM - Corporate Credit & Acting GM - Retail Banking Division

Paul Abdoulnour Daoud

Acting GM - Operations Division

Syama Sundar Parvatraj

Acting Head- Risk Management Division

Sheikha. Nouf Salem Al Ali Al Sabah

Head of Advertising & Pub. Relations Department

Tan Tat Thong

GM - International & Syndication Division
GM - Strategy & Planning Department

Jens Tang Pedersen

Acting Head of ITD

Masud Ul Hassan

GM- Financial Control Department

Ahmad Mohammad Saif AlDeen Farahat

Chief Internal Auditor

Adli Abdullah Ghazal

GM Treasury & Investment Division

Khaled Mohamed Taha Senger

Legal Consultant - Legal & LTU

Yaqoub Habib Al - Ebrahim

GM- Compliance & Corporate Governance Department

Nawaf Ali Sabah Al Sabah

Senior Manager - General Services Department

ECONOMIC BACKGROUND

GLOBAL ECONOMY

In 2015, Global economy has been in the midst of three major forces of which first, China's economic slow-down due to transformation from manufacturing, export and investment oriented growth to greater focusing on consumption and services. Second, the fall of commodity prices and third, US interest rate hike expectations and its possible global repercussions to add current uncertainties. Global GDP growth remained moderate at around 3.1% in 2015 and forecasted to be around 3.6% in 2016, as per IMF survey. Global economic growth in 2015 has been lower compared to 2014 mainly due to slower growth in some emerging economies as well as oil exporting countries even though advanced economies particularly US and UK demonstrated rather modest pick-up.

Nevertheless, it has been expected a "prolonged period" of low prices for the commodities and that might pause as a major concern to many developing and oil exporting countries and those countries need to diversify their economies. Further, many countries might be less prepared to weather the financial storm that could arise when the US Federal Reserve raise interest rates further in 2016.

KUWAIT ECONOMY

The sharp decline in oil prices over the past year has adversely affected Kuwait's fiscal and current account positions basically in line with the oil producing neighbouring countries. However, Kuwait Govt's prudent investment strategy has resulted to accumulate high level of foreign assets and its income flow has helped to minimize the impact of oil price fall in the economy.

Kuwait continues its pegged exchange rate system to an undisclosed basket of currencies with a large US Dollar component.

To safeguard the financial stability, Kuwait central bank has strengthened its regulations and its monitoring follow-ups. Liquidity in the banking system was comfortable and that kept interest rate rather lower throughout 2015.

Geopolitical tension particularly in the Middle East region continued to negatively impact Kuwait's long term economic diversification program. Recent escalation of political strife between countries in the Middle East is alarming and might pause as a major threat for economic growth.

In today's economic environment, uncertainty is becoming a certainty. However, the overall economic situation in the country is looking better and is moving in the right direction.

KUWAIT STOCK MARKET

Kuwait Stock market witnessed to see bears controlling the market in most part of the year 2015. Investor sentiment was rather depressed on concerns of falling oil price, geo-political tension in the region, economic slow-down in China and its knock-on effects on the global economy. Stock index in 2015 fluctuated in a range between 6,775 and 5,560 as against 7,871 and 6,096, the previous year.

Abundance of liquidity in the banking system, prevalence of low interest rate, comparatively better corporate earnings and acceleration of Government spending on Kuwait development plan has helped to arrest the stock market from a steep fall.

The general risk perception levels are still high in the stock market but expects gradually to decline in 2016 on the back of increased capital flows to sectors having growth potential. Expected economic reforms, acceleration of Government spending, improvement in oil price and above all better corporate results will bring cheers to the market again in 2016.

REVIEW OF OPERATIONS

Retail Banking Division

Over the past years, Commercial Bank of Kuwait endeavors, through Retail Banking Division, to leverage its strong franchise in retail banking. As such, and within its ongoing efforts to maintain its market share and attain customers' satisfaction, the Bank continued to provide superior and innovative services to its retail customers by taking a number of important initiatives in 2015 to optimally satisfy its customers' needs. This was done through the diverse programs and banking services especially tailored for retail customers. During 2015, the Bank launched "Al-Tijari Offers" program, a typically discount program that allows Al-Tijari credit & prepaid cardholders to avail themselves the opportunities to get distinctive offers and discounts from about 120 retailers and a large number of reputable and renowned restaurants, entertainment centers and medical centers. In this context, a booklet containing the names of the retailers, outlets and restaurants providing such offers and discounts was printed and distributed to customers. This program was meant to grant customers privileges when using the Bank's credit and prepaid cards.

Furthermore, the Bank launched an exclusive marketing campaign for Al-Tijari Visa credit and prepaid cardholders in cooperation with Souq.com website. Al-Tijari Visa credit & prepaid cardholders obtained discounts in given days and won back the value of their weekly purchases when shopping on Souq.com within the weekly draw held by the Bank for selecting three winners. The campaign aimed at encouraging online shopping and attracting new customers. On the other hand, the Bank launched a campaign for the youth account " @Tijari" where four lucky winners got a lifetime opportunity to attend and watch the Manchester City match. The campaign was designated to attract new customers to the youth segment account and encourage customers to use the Bank's cards as a means of payment. In another front, the Bank has installed an Automated Teller Machine "ATM" in Avenues Mall to help customers to withdraw cash when shopping. Apart from this, the Bank set up temporary booths at the Avenues Mall for marketing campaigns' purposes with a view to get the Mall's visitors familiarized with the privileges of such campaigns.

Within the direct marketing campaigns, the Bank launched six-month campaign under Base Account Package designated especially for the recently employed youth offering several monthly prizes to this segment of customers. Winners in the monthly draw held by the Bank had the chance to select the prize that appeals to them among three prizes, namely 2015 Lexus car or a monthly salary for one year totaling KD 12,000 or a marvelous family trip on a private jet to Dubai with accommodation at Atlantis Hotel Dubai.

Premier Banking customers and holders of Visa Infinite cards enjoyed the Bank's exclusive offer which was launched in cooperation with Bader Al-Yahya Yachts Company so that they would avail an exclusive 10% discount when buying any yacht from Bader Al-Yahya Yachts Company. Further, the customers have the option to get the yacht purchase financed with an interest free loan against pledge of a deposit with the Bank.

Within the distinct offers provided to Kuwaiti customer segment, the Bank provided a new offer to Kuwaiti employees when transferring their salaries to the Bank where they can obtain an instant cash gift in addition to the chance of entering the quarterly draw on two luxurious cars.

The Bank also entered into agreement with Agoda Company, a company for hotel reservation on the internet, that provides competitive prices where Al-Tijari Visa card and prepaid cardholders could obtain instant discounts ranging from 5% till 7% based on the type of the used card when booking their accommodation on Agoda.com.

As regarding the new electronic services offered by RBD, the Bank launched "Call Back" service – a new advanced service pertaining to Interactive Voice Response (IVR) system which enables customers contacting the Call Center for speaking to a Call Center Representative to select "Call Back" service if the telephone line is engaged and the callers are unwilling to be put on hold for entertaining their calls. This service comes within the initiatives taken by the Bank for the purpose of providing customers with superior and state-of-the-art services. Moreover, the Bank developed the Electronic Notifications Service for the customers where they can receive notifications of all transactions processed on their accounts in & outside Kuwait and these notifications are sent to their e-mails registered with the Bank. Additionally, the Bank launched both Customs Invoices Payment Service and LGs Authentication Service via Corporate Online Banking portal. The Bank, further, upgraded CBK Mobile Banking Application by introducing new features such as First Time Registration, invoices payment, activation & deactivation of credit cards and the electronic withdrawal by using credit cards. In addition, the Bank upgraded Call Center's services and introduced new features to the same where a customer can directly chat with the Call Center Representative through the Bank's website. Apart from this, the Bank enhanced communication with customers via the Bank's social media pages i.e. Twitter, Instagram and Facebook where communication and responding to customers' queries became available 24/7. The Bank also activated the E-PIN feature of credit cards where a customer can get his credit card E-PIN via a text message (SMS) sent to his mobile number registered when applying for the credit card. Furthermore, the Bank developed mechanisms that limit and minimize frauds associated with cards' transactions particularly when using the same outside Kuwait where the Bank has introduced a feature that enables the customer to activate or deactivate the card through the electronic channels such as Mobile Banking or Online Banking services.

In 2016, Retail Banking Division's endeavors will continue for launching innovative banking products, services and solutions so that Al-Tijari would remain the Bank of choice for all customers.

Corporate Credit Division

Commercial Bank of Kuwait provides, through Corporate Credit Division, a broad array of credit products & services targeting local market in particular. The Bank also endeavors to become the reliable banking partner for its customers. This can be achieved through a group of CCD managers who work all the time to strengthen the banking relationships with customers so that the Bank can optimally meet customers' credit requirements.

Despite the economic circumstances the region has seen over the past few years and which continued to adversely affect banks' financial results, the Bank's corporate Credit Division remains one of the main contributors to the Bank's profitability. Corporate Credit operational scale within the Bank continues to focus on the implementation of the Bank's standards for maximizing returns but within acceptable risk parameters.

The delay in implementing mega government projects which may have had a significant role in stimulating the domestic economy continued to adversely affect the economic cycle. However, the implementation of such projects has started initially at a slower pace and afterwards it improved relatively during the last quarter of the year. In such operating environment, Corporate Credit Division worked to further improve the quality of credit portfolio and reducing the percentage of non-performing loans (NPLs). The consolidated efforts of the Bank's senior management and CCD staff reaped its fruits and resulted in having lower than industry level NPLs ratio, reflected thereby in a substantial improvement in the Bank's loan portfolio quality.

Amidst tough market conditions which negatively affect cash flows of some corporate customers, Corporate Credit Division continued to provide assistance to its customers whether by restructuring some liabilities or extending the expiry dates of some credit facilities without compromising or violating the Bank's defined policy which aims at attaining the highest customer service levels, increasing quality assets and returns on the same along with enhancing and boosting the professional competence of the Division's staff.

The Bank's Management succeeded in having in place highly skilled and full-fledged corporate credit team members who possess adequate expertise and know-how that enable them to identify and analyze credit requirements of corporate customers and render the required technical consultation on the credit needs of corporate customers along with providing a wide range of financing solutions for supporting business of corporate customers and assisting them to cope with the financial challenges facing them as a result of the volatile market conditions and to avail the new available business opportunities.

On the other hand, Corporate Credit Division has endeavored to deliver innovative and unrivalled services to its customers by setting up special centers to provide corporate credit customers with a complete package of banking services. Furthermore, the Bank introduced a new function within Corporate Credit, namely the financial analysis unit that will handle issues related to preparing financial analysis for the Division's customers, furnishing accounts' officers with the statistics and information required for conducting the technical & credit studies and assisting in providing customers with financial & investment services simultaneous to acting as their financial advisors.

On another front, the Bank's Corporate Online Banking Service provide corporate banking customers with the chance to perform their LGs, LCs and other transaction Online and around the clock through safe and secured portals.

Corporate Credit Division aims at maximizing the Bank's returns and bringing high quality assets to the credit portfolio by financing diverse economic sectors. The Division functions through three specialized Units, namely Contracting & Services, General trade and Investment & Real Estate to satisfy requirements of diverse companies and support their credit & financing needs by extending short-term facilities related to working capital, medium and long-term facilities pertaining to capital expenditures and investment requirements. Additionally, CCD extends facilities for financing government's mega projects through syndication loan arrangements. Mega projects financed by the Division includes the construction & supply of New Jahra Hospital, construction & supply and expansion of Al Addan Hospital, renovation & maintenance of Al Salam Palace Al-Diwan Al-Amiri - and construction, completion and maintenance of the western part of the fifth Ring Road. Apart from this the Division continues to provide loans and financing solution to the oil sector in terms of the loans offered for financing oil well drilling in favor of Kuwait oil Company.
With a view to keep CCD's customers abreast of the latest economic updates, review and assess their credit requirements and evaluate the extent of their satisfaction with the services offered to them, regular visits are being arranged to the customers by the concerned credit officers and members of the senior management in the Bank.

Corporate Credit Division will continue its efforts in 2016 to provide customers with state-of-the-art credit services and solution in terms of making available all financing requirements for its corporate customers along with lending the required finance to the mega infrastructure projects announced and launched by the State so that the Bank would remain the Bank of choice for corporate customers and continue to play its profound role in contributing to such projects which drive the economic growth cycle in Kuwait.

International Banking & Syndication Division

CBK's relationships with banks and financial institutions located in local, regional and international markets permit the Bank to support our customers and stakeholders in their cross border international banking activities.

International Banking and Syndication Division facilitates the Bank's proprietary and customers' cross border transactions by maintaining a broad base of reciprocal business activities with local as well as foreign banks and financial institutions. The Division contributes to the Bank's strategic mandate to dilute its geographical and sectoral concentration by participating in various syndicated lending activities outside the country. Additionally, the Division supports the banking needs of multinational companies (MNCs) by providing banking and credit facilities specifically tailored to meet requirements for their business in Kuwait.

In 2015, despite a challenging operating environment saddled with ample liquidity and increasing downward pressure on the margins, the Division continued to increase its contribution to the Bank's over-all profitability and geographical diversification initiatives.The Division succeeded in increasing its funded and unfunded portfolio through participation in primary and secondary syndicated lending transactions as well as supporting the local banking needs of MNCs involved in the various strategic projects launched by the Government of Kuwait as a part of Kuwait Development Plan.

The Division strives to sustain the momentum gained by sourcing/participating in similar transactions on an opportunistic basis based on a holistic risk-return analysis. Concurrently, the Division endeavours to identify potential new revenue drivers for the Bank as well as focus on continuously improving operational efficiency within the Division.

TREASURY & Investment Division

Treasury's strategy, in 2015, was on prioritizing liquidity as well as asset & liability management and also gave attention to raise investments in fixed income securities with appropriate hedging for minimizing the associated risks. Treasury continued its focusing on bank's balance sheet management by integrating the operations of different financial markets.

Treasury remained active in domestic and global markets for funding the balance sheet as well as for managing interest rate and foreign currency exposures. Continuing its efforts, Treasury's emphasis was to further develop customer business in foreign exchange and also to enlarge deposit base, which saw a remarkable rise in turn-over vis-à-vis profitability.

Treasury is equipped with high tech technology with modern communication facilities, handles all major types of financial products, in line with customer needs and for managing its resources with effective compliance of regulatory requirements.

Treasury's major functions are handled by professionally experienced dealers through:

- **Foreign Exchange Desk:** Trading & covering in FX Spot/Forward & Swaps;
- **Money Market Desk:** Taking care of cash flow management, Inter-bank lending/borrowing, fixed income securities, liquidity and other related statutory ratio management;.
- **Corporate Desk:** Taking care of corporate client's requirements offering various types of Treasury products such as deposits, fx spot, including hedging of interest rate through FX forward cover.
- **Investment Desk:** Manages the bank's investment portfolio under various asset classes particularly domestic/ foreign equity investments.

Treasury is continuing its focus in the field of Corporate bond investments with the aim to diversify asset class and thereby to enhance portfolio yield.

Efficiency with strict compliance of regulatory requirements/ethical practice combined with innovative technology are the key for Treasury's success.

Risk Management Division

The Bank believes in undertaking risks associated with its business only after proper identification, assessment, management and adequate mitigation of potential risk factors. The material risks to which the Bank is exposed to are credit risk, market risk, operational risk, liquidity risk, interest rate risk, reputational risk and strategic risk.

Risk Management structure and independence

The Risk Management division of the Group is an independent and dedicated function which reports directly to Board Risk Management Committee and administratively to Chairman. The division is responsible for assessing, monitoring and recommending strategies for control of credit, market, liquidity and operational risks. Specific personnel are assigned within the Risk Management division for overseeing each of these risks. The absence of any direct or indirect reporting lines or arrangements with other internal divisions and permanent membership in all of the Group's executive committees are amongst the factors which reflect the independent nature of Risk Management's operations and the central role it maintains within the Group.

The Risk Management Division is sub divided into different units which assess, monitor and control different risks. The Credit and Investment review unit is responsible for pre-fact assessment of corporate credit, international banking including assessment of credit lines for various countries and banks and investment proposals as per the credit policy as well as post fact analysis of corporate credit exposures. In addition, Control Unit, part of Credit & Investment review, verifies and monitors the activities and functions carried out by Credit Administration department on an ongoing daily basis to ensure that credit dispensation is in compliance with the related approvals as well as within internal and regulatory guidelines. In addition the Credit & Investment review unit is responsible for reviewing and updating the Credit policy of the bank at periodic intervals so as to ensure that the policy is attuned to the operating environment and is in line with regulatory guidelines. The operational risk unit is responsible for monitoring, measuring and reporting operational risks of the Bank. The Operational risk unit collects operational risk data through Risk & Control Self Assessment, KRI, procedure reviews and reported incidents. A loss database is maintained and reported during the periodic risk management reports. The Operational risk unit is also responsible for the bank wide insurance management and for coordinating the bank wide Business Continuity Plan and ensure regular testing.

The Risk Policies and Analytics unit is responsible for monitoring market, liquidity, interest rate, strategic, reputational and legal risks. It is also responsible for calculating the economic capital for various risks, conducting stress tests, reporting these to the ALCO, BRMC, Board and the Central Bank, keeping the risk management policies up to date, conducting ALCO and CIC for investments items. The unit also prepares a monthly portfolio analysis report which is circulated to the ALCO members while a more detailed half-yearly portfolio analysis is put up to ALCO, BRMC and the Board.

The IT Security unit is responsible for ensuring that all banks information and equipment are secured from internal and external threats whether deliberate or accidental. IT Security ensures the implementation of security tools and access control so that the Information is protected against unauthorized access and disclosures and the IT assets are kept safe.

During 2015 the division worked in co-ordination with FCD to conduct the QIS for the NSFR as well as to the regular calculation of the LCR which has been introduced as a regulatory ratio. Stress tests were conducted on time and the results reported. The division started concurrent monitoring of the FX open positions through an internally developed software program. Bank-wide BCP test was conducted successfully in Feb 2015. The methodology for calculation of economic capital for legal risks was amended in order to include a component relating to the amount of claims against the bank.

The risk management framework includes a hierarchy of committees involving the Board of Directors and the executive management for approval and reporting purposes. The governance structure of the Bank is explained in detail elsewhere in this report.

Treatment of different types of risks

The treatment of different types of risks by the Bank is elaborated hereunder.

a) Credit Risk

The Credit Policy and the Credit Risk Management Policy lay down the guiding principles for lending activities and the basis of measuring, monitoring and managing credit risks. The credit policy provides guidelines that establish the lending criteria and all credit decisions are made after giving due consideration to credit policy requirements. Continuous review and update of the credit policy is carried out to calibrate it with regulatory and business requirements.

The credit policy is supplemented by the credit risk management policy which establishes the infrastructure for credit risk management including tools for risk rating, portfolio analysis and independent reviews. Internal limits are also established for credit concentration and credit quality. Credit approvals are preceded by detailed due diligence on credit proposals including reviews that are independent from the risk taking units. The due diligence covers assessment of the quality of financial information, historical financial performance, future prospects, structure of facilities, their relevance to the business needs, management expertise, identifiable sources of repayment, available collateral, additional support available etc. In addition, comprehensive post approval reviews at the individual and portfolio levels are undertaken to effectively monitor / control the existing credit portfolio. The portfolio reports and post approval reviews are escalated to the management and the Board/Chairman.

The Bank introduced a revised obligor risk rating model during 2012. It utilises an advanced algorithm using both financial and non-financial parameters to generate an obligor risk rating. The system follows a scale of 1 to 11 with 1 being the best risk and 11 being the worst. The internal risk rating is used to drive the credit approval process. The obligor rating is calibrated to probability of default. Non-financial considerations are industry specific and thus allow more fine-tuned risk assessment for different industries. Maximum counterparty/group wise lending limits are applied to exposures according to regulatory norms for credit concentration.

Appropriate risk analysis ensures that the limits approved are commensurated with the risk profile of the borrower. Apart from individual lending limits, broader portfolio level exposure limits have been stipulated for perceived higher risk sectors and exposure to these segments are continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings by external credit rating agencies like Moodys and S&P, are in place to ensure adequate portfolio diversification in terms of sovereign ratings and geographies. The Division also implemented a sector risk assessment model allowing more granularities in sector classification.

The Bank also measures economic capital for credit risk including that for name and collateral concentration under Pillar two of Basel II. Measurement of concentration risks uses a model that comprehensively captures name, sector and geographic concentration risks. The method of calculating capital for these concentration risks was changed during the year based on the recommendations of the external consultant who had validated the ICAAP methodologies.

b) Market Risk

Market risk exposure for the Bank is evident in portfolios of equities and foreign exchange that are actively traded, as well as in other positions whose fair values are directly derived from market parameters.

Market risk limits are in place to control the equity and foreign exchange risks. Foreign exchange risks are monitored daily and controlled through currency-wise absolute limits as well as stop loss limits. Overnight regulatory limits that include overall absolute limits are strictly enforced.

The Bank also assesses the market risk through internally developed Value at Risk (VaR) measures. VaR is based on historical simulation over the relevant observation period and is computed as the maximum possible loss over the relevant holding period at the 99th percentile. Limits are in place for the maximum permitted VaR for the foreign exchange and equity positions. The VaR models are back tested annually to confirm their robustness. In addition, economic capital for market risk, including concentrations therein, is calculated regularly.

Investment proposals are subject to detailed due diligence including reviews that are independent from the risk taking units. Investments are classified under pre-defined asset categories and are subject to pre-approved limits for such categories. Further the Group’s overall investment capacity and individual investments are restricted to stipulated limits and guidelines laid down by the Central Bank.

c) Liquidity Risk

The Bank manages liquidity risks that are evident in maturity mismatches and liability-side concentrations. Limits are in place for the control of liquidity risk and these include the maximum allowable cumulative mismatches. Internal alert limits are also laid down to ensure continued adherence to the regulatory limits. Liquidity risk management is further enhanced through limits that attempt to restrict concentration of deposits from sensitive significant depositors as well as products. Limits are also in place for mismatches in different time buckets thereby ensuring that maturing liabilities and assets remain largely matched. A detailed liability side analysis is conducted periodically to discern rollover patterns, identify core deposits, behavioural trends in short-term funds and correlations with macro economic variables.

The Bank's liquidity risk management policy also requires that proper liquidity planning is periodically conducted and that stress tests are performed based on scenario analyses. A detailed contingency plan also forms part of the liquidity management framework. Economic capital for liquidity risk under pillar two of Basel II using internally developed methodology is also measured regularly.

The Basel Committee for Banking Supervision has introduced the Basel III regulations covering, among others, a global framework for liquidity risk management. While these regulations are currently being developed for Kuwait banks, the Bank has in 2012 proactively introduced the new liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). LCR became a regulatory ratio during 2015. These ratios are being measured and monitored regularly against regulatory limits or internal limits that are progressively phased to reach the regulatory limits.

d) Interest Rate Risk

Interest rate risk is managed as per the guidelines laid down in the interest rate risk management policy. The majority of the assets and liabilities of the Bank mature and / or re-price within one year and hence there is limited exposure to interest rate risk. Interest rate risk is monitored with the help of an interest rate sensitivity monitor (IRSM) in which assets and liabilities are distributed in pre-defined maturity/re-pricing time bands. The Earnings at Risk (EaR) is computed by applying pre-defined rate shocks to the IRSM and this is compared against internal limits that define the Bank's appetite for this risk. Varied rate shocks for different time buckets/currencies are used for calculating the EaR. In addition, the sensitivity of the economic value of equity is also calculated. Economic capital under pillar two for interest rate risk is measured regularly using an internally developed methodology.

e) Operational Risk

Operational Risk management is focused on identifying, assessing and minimizing the impact of risk events that may arise through inadequate processes, human error, system failures as well as external factors by using a range of assessment methods including Risk Control Self Assessments (RCSA) and a comprehensive review of group-wide procedures. An objective scorecard is used to assess the different operational risk areas based on pre-defined parameters and to grade them under certain categories. This gradation is used in the measurement of economical capital for operational risk, compliance risk and legal risk. Internally maintained loss data, consolidated principally from incident reporting channels, provides information on the frequency and impact of operational risk events. A group-wide business continuity framework is in place to tackle any unforeseen contingencies that aims to ensure that business continuity is achieved with minimal disruption to critical processes and systems.

Insurance management which is integrated into this framework facilitates prudent transfer of risks. Insurance coverage provides partial mitigation for operational risk. The operational risk management policy lays down general guidelines for insurance management including factors to be considered in structuring insurance policies, credit risk of insurer, definition of policy limits and deductibles, policy reviews and handling of claims.

f) Other risks

Policies are in place for other risks including strategic risk and reputational risk. These policies establish roles and responsibilities for various stakeholders in managing and controlling these risks. In addition, quantification methodologies are in place for measuring the economic capital for these risks.

Information Technology Department

Information technology has always been the prime factor that helped the Bank in penetrating new markets and launching new products & services and it was and still one of the main channels for delivering such products & services in banking industry. Furthermore, IT enabled banking sector through a high-tech platform to cope with the economic variables. Undoubtedly, IT helps banks to meet their customers' needs and expectations by providing advanced and cutting-edge services. Drawing on this, 2015 was a remarkable year for the Bank's ITD which succeeded during the year in applying, launching and developing a number of IT projects associated with the Bank's activities whether those related to the Bank's key business lines or back office. Below are some of these projects.

CMC - ATM replenishment

Replenishment of ATMs is currently being shifted from the outsourcing service provider AMSS to CMC which is being managed by RBD. All necessary changes in the IT systems and core banking are carried out by ITD to support this activity and add further flexibility to replenishment process and will be implemented in a phase by phase method.

Fraud Score Data

Within its ongoing endeavors to protect its customers' funds and accounts against online frauds, the Bank has launched, in cooperation with MasterCard, a new online card fraud monitoring method.

HR System: Mystro

Within its continued efforts to develop and restructure the operations that ensure faster processing of the issues and services staff members need from HRD and quick access to employees' details, both HRD and ITD launched a package of e-self services which allow staff members to complete and submit their leave application forms and inquire about their salaries & leave balance through such e-services.
Moreover, both HRD and ITD have launched two new modules of HR System (Mystro), namely Training Module and Recruitment Module according to the agreed upon plan for implementation.

CDM System

A full approval workflow supported with a set of controls have been added to the CDM administrator interface allowing quick access to approvals, a better audit tracking, speeding up the overdraft & operational limits approvals along with saving all the documents related to the transactions. This change made the customer's visit to the branch much faster and easier in conducting their transactions. The following functions related to CDM have been activated

- Cash withdrawal.
- Depositing the cheques issued by the Bank into accounts.
- Cash withdrawal for the cheques issued by the Bank.
- Salary processing to the accounts with the Bank.
- Salary processing to local banks.
- Different Customs payment (cheque, from account and cash).
- Credit card payment in cash or from account.
- Transfers between the accounts with the Bank .
- Fee collections.

Communicating the LG requests

The branches have been enabled to use a new system to send customers' LG request to the processing office and get the LG creation and amendments of related requests processed in a very secure and traceable application. The new system will allow the branches to inquire about the status of the customer's requests and will allow the operation offices to accurately produce and process more requests in shorter time.

KECCS

In compliance with the Central Bank of Kuwait's instructions directed to local and foreign banks' branches, Commercial bank of Kuwait has implemented and integrated the Kuwait Electronic Cheque Clearing System and started to provide cheque clearing services within the same day. KECCS module was developed for processing inward and outward cheques from local banks.

New Windows 7 ATM

CBK has been a forerunner in developing and upgrading ATMs to windows 7 where the Bank upgraded its ATMs at the beginning of 2015. This enhanced the customers experience with new touch based screens and much efficient and high performance hardware components.

E-PIN

The Bank has launched a service of delivering the credit card's PINs to its credit cardholders with a higher level of security. This service enables customers to obtain the E-PIN of their credit cards through CBK SMS service and customers can also get their credit cards' E- PIN through any of the Bank's e-channels including E-Banking, Mobile Banking and IVR.

Custom Payments through Corporate Online Banking

ITD always endeavors to facilitate and streamline customers' transactions with the Bank's business areas. Drawing on this and for the purpose of saving and shortening customers' time, the Bank introduced a new service allowing its corporate customers to pay all their custom payments through the Bank's Corporate Online Banking. The Bank has introduced this new value added service besides the sophisticated e-services provided to its customers.

NCR Promote and Gasper

Launch of marketing campaigns via ATMs became easier with NCR Promote and Gasper which enabled the Bank to show, through ATM idle screen, marketing images and other customer oriented marketing messages according to their needs and for satisfying their ambitions to get familiarized with the Bank's marketing campaigns when withdrawing funds from ATMs.

Updating Information Related to Know Your Customer "KYC"

In compliance with the Central Bank of Kuwait's instructions for getting customers' information updated, the Bank has put in place some controls which ensure updating of customers' information so that they can continue in availing the banking services.

ITD will continue with its significant role in 2016 by taking the initiatives which ensure providing the innovative banking services to customers and assisting the Bank's business areas and back offices to perform their business activities easily by introducing the best electronic banking systems applicable in banking industry.

OPERATIONS DIVISION

In continuation of its focus on 'Customer Convenience & Delivery', Operations Division in 2015 has continued in providing best-in-class service to the customers of the Bank. The Division has played a significant role in automating processes that included the implementation of Kuwait Electronic Cheque Clearing Service (KECCS) in an effective and efficient manner.

With a customer centric approach, the Division has successfully initiated and implemented improvements in processes within its different units:

Central Processing Department (CPD) – The Bank was proud to have been selected as one of the Central Bank steering committee member bank for the Kuwait Electronic Cheque Clearing Service (KECCS) project. The project was successfully coordinated & implemented within the mandated timelines.
To enhance the centralized remittance process, a workflow model was designed in-house and implemented wherein; all the stake holders in the process could seamlessly contribute to fulfilling the transaction in the shortest span of time-the objective being shortest turnaround time among the stake holders and a paperless environment.

Treasury Operations – The treasury system was successfully upgraded as per the plan and within the expected time frame. And with the internal re-engineering efforts along with the technology support, the unit has achieved the objective of paperless processing of all Forex & Money Market products.

Trade Finance – A highly specialized technical unit within Operations where personnel with domain expertise cater to our customers within the trade related product suit. The unit has been constantly focusing on "cross training" and "on-the job training".

Credit Administration – Being a critical unit for the Bank emphasis has been placed in accurate updating of credit facilities and documentation for the Asset customers of the Bank. Efforts are on to automate processes and reduce manual efforts and provide to the Corporate Credit Department in timely manner.

Account Processing & Record Management – Ac. Processing &Records Management perform a vital role in providing an ongoing daily support to other divisions who are directly involved with meeting the needs of the banks customers. Several projects were initiated & work process improvements had taken place at Ac Processing & Records Management that have greatly improved the work flow & increased efficiency. RBD's Quality Assurance Team based in Al Rai has contributed in providing a seamless customer service, streamlined process for providing faster service & enhancing customer satisfaction.

ISPEED – The unit worked on multiple areas of the Bank and highest focus was given to address Central Bank requirements. Kuwait Electronic Cheque Clearing Service (KECCS), Procurement & Asset Management system implementation were 2 significant projects successfully completed to address the CB requirements. The unit is working along with the businesses to execute the Bank's strategic project – implementation of workflow based solutions and a consolidated MIS reporting model that will add an overall value proposition for the organization. Bank-wide policy & procedure documentation related efforts are being given high importance to ensure the organization is 100% compliant on the regulatory aspects.

Operations Department will continue its endeavors to provide business areas with the best solutions that will reflect positively on customers' services.

Human Resource Department

The success of a bank is directly related with employing Human Resources that understand the needs of customers and provide quality service, placing importance in employee satisfaction and supporting their developments with continuous training.

At CBK, we aim for leadership in the area of Human Resources. Our objective in Human Resources Division is to create a work environment in which CBK employees feel valuable and can improve themselves personally and professionally. CBK employees constitute our greatest strength in fulfilling our commitment of high quality service and customer satisfaction.

Recruitment

The objective of the Recruitment Unit at CBK is to hire the right personnel for the vacant positions. Accordingly, job offers are made to candidates who fit the requirements of the job as closely as possible.

Recruitment plays a prominent role in CBK to ensure the selection of the right workforce in order to achieve the Bank's current and future goals and objectives.

HRD aims at promoting CBK as an "employer of choice" for job seekers and therefore attracting high caliber candidates in order to fulfill the business needs of the bank. The Bank aims at recruiting Kuwaiti candidates across all departments with the objectives of creating carrier path and developing the skills of national laborers along with increasing the Kuwaiti workforce at the Bank which reached 67% as at the end of December 2015.

One of the main objectives of HRD strategy is to continue building up the relations between the academic institutions. Our participation in career fairs throughout the year 2015 enabled us to attract high caliber students in business related majors for opportunities of growth in the bank.

CBK has participated in the "Kuwait University, College of Business Administration", the "American University of the Middle East" and "Gulf University for Science & Technology" career fairs.

In addition, one of the significant participation for the year 2015 was the sponsoring of the "Youth Banking Conference". CBK along with local banks participated in an exhibition and a discussion panel on opportunities of the young Kuwaitis in the private sector in Kuwait with more emphasis in banking.

HRD team believes that CBK's presence in the market as a leader should be through attracting and retaining a highly skilled and qualified workforce, investing intensely in their capabilities and developing them into a promising generation of professional Bankers.

Training & Development

In line with CBK's strategic goals and vision, our employees are considered the most valuable banking tool and asset. For this, HRD's training unit is thriving on providing our employees with the state-of-the-art training and development that equip them with needed skills, knowledge and attitude; driving them to provide the best of what we have to offer to our current and future clients in addition to our community.

The training unit proactively looks after employees learning needs, to meet and exceed banking and management internationally recognized standards, to ensure clients satisfaction and loyalty. One approach to achieve this, is by investing in in-house training. Another training approach is enrolling employees in recognized certification programs such as CCM, CBBM, CABBM etc...
As for Leadership development and specialized training, employees are sent to internationally recognized institutions, such as Harvard University, to attend training courses and seminars, in order to obtain up-to-date knowledge and skills, to enhance their working performance.

To serve its social responsibility commitment, CBK offers students from local Universities, Institutes, Social Organizations, and employees' relatives, the opportunity for field training, during all year long, in all branches and departments.

During the Year, HRT arranged 202 in-house and external training courses with a total of 5870 training hours. This included training courses arranged by the Institute of Banking Studies (IBS) and the New Recruits Development Programs arranged yearly by the Bank.

Design & Implement Effective Performance Management System

This program is meant to design, implement and administer a performance management system that supports the mission of CBK by evaluating performance from a system's perspective, understanding the relationships between the various system components and developing strategies for interlinking components into a system that supports CBK management.

Succession and Career Development Planning

This program aims at developing & implementing an effective succession plan based on CBK's current and future needs, assisting CBK in transitioning from a reactive replacement plan to a proactive strategic solution and developing the understanding that monitoring, developing, and retaining critical talent has a positive impact on the bottom line. The Program also aimed at identifying current and future organizational needs that are critical for success and describing how succession planning and replacement planning play a role in the success of the bank.

Staff Administration Unit

Staff Administration Unit undertakes the responsibility of providing assistance to all CBK staff in order to ensure effective and efficient operations.

This unit performs a variety of tasks related to employees in terms of issuance of various kinds of certificates, preparing various kinds of personnel actions (New appointment, confirmation of appointment, transfers, promotions, salary adjustment, merit increase, re-designation and allowance related issues), ensuring filing systems are maintained and up to date and maintaining records of Personal files to ensure up-to-date and secure.

In March, 2015, the Employee Self Service Portal was implemented as part of (MYSTRO) system which enables employees to access "leaves module" through this Self Service tool.

Internal Audit Department

The major role of the Internal Audit department is to provide independent assurance to the Board and senior management regarding the adequacy and the effectiveness of Internal Controls of the bank's operation and business processes. Internal Audit Department in CBK has fulfilled this role utilizing latest techniques and audit tools.

Internal Audit Department has migrated into a full risk based approach during 2015 which is approved by the Board Audit Committee and based on performing yearly risk assessment exercises covering all auditable business units, processes and systems across the entire Bank.

Internal Audit Department has developed a tracking system as well to follow up for prompt implementation of agreed actions according to Internal Audit recommendations which are highlighted in final audit reports. The main purposes of this system are providing the Board and senior management with full reports regarding implementation progress of agreed actions.

In addition to planned audit assignments which are approved by the Board Audit Committee, the Internal Audit function is also in undertaking occasional, unscheduled investigation work. In addition, Internal Audit carry out continuous monitoring activities utilizing technological solution to generate regular exception reports to Senior Management as a pro-active measure.

Compliance & Corporate Governance Department

The main objective of Compliance & Corporate Governance Department is to help the Bank in averting any risk that may arise from non-compliance with the instructions issued by regulatory authorities, basically the Central Bank of Kuwait. Compliance & Corporate Governance Department addresses these risks by continuously verifying that the Bank has in place the required policies and procedures for meeting all regulatory requirements. Furthermore, the Department endeavors to take the necessary arrangements to enhance the actions and procedures adopted by the Bank and cope with all developments associated with AML & CFT. Additionally, the Department is tasked with monitoring & following up the extent of the Bank's compliance with sound Corporate Governance rules. The following units function under Compliance & Corporate Governance Department:

1- Compliance Unit is responsible for taking the required actions and procedures that would warrant the Bank's compliance with the domestic regulatory requirements covering all aspects associated with the banking business so that the Bank can avert risks that may result from non-compliance with the same. To this end, Compliance Unit helps the Bank's diverse departments to enrich their awareness and understanding of regulatory instructions & application thereof for complying with such regulatory requirements.

2- AML Unit assumes the responsibility of applying the prevailing legislations and existing regulatory instructions for AML & CFT as well as the implementation of the related international standards. The Bank endeavors to take all necessary actions so as not to be used in channeling suspicious transactions.

3- Corporate Governance Unit undertakes the responsibility of implementing regulators' instructions on the sound Corporate Governance rules where the Unit monitors and verifies the Bank's application and compliance with the said rules. Corporate Governance rules cover disclosure & transparency standards, an important issue which the Bank endeavors to fully comply with. Moreover, the Unit monitors all remarks and observations raised by regulatory authorities to ensure that the Bank has taken the required rectifying procedures for resolving such remarks and observations.

Compliance & Corporate Governance Department coordinates and cooperates with the Bank's diverse departments on the one hand and with the Central Bank of Kuwait's officials on the other hand in order to ensure that legal and regulatory requirements are put in place and are implemented by the Bank's diverse departments as and when required.

The year 2015 was another challenging year for Compliance and Corporate Governance Department that required the Department to double its efforts to properly cope with such challenges and help the Bank avert any risk that may arise from failure in confronting these challenges. Here below are some of these challenges:

- The increased requirements seen, on the international and domestic level, to combat money laundering and terrorism financing. This urged all public & private institutions over the globe to take more stringent procedures for AML & CFT and the Bank was required to take several precautionary procedures and intensify its efforts for complying with such requirements.
- Enhancing and upgrading the applicable automated systems with a view to monitor all the Bank's operations to verify its authenticity and to ensure that suspected money laundering and terrorism financing transactions are not processed through the Bank.
- "Foreign Account Tax Compliance Act" requirements and related ministerial resolution where the Bank adopted the required procedures for compliance with such requirements and ministerial resolution, the most important of which were the amendments introduced to accounts opening form and "Know Your Customer" form and other procedures applicable with the Bank. Furthermore, the Bank entered into agreement with an international audit firm to act as the Bank's consultant for implementing the requirements of the said Act and related ministerial resolution. In addition, an automated system has been devised to facilitate the process of monitoring compliance with the said Act and resolutions issued in this regard.
- Handling and acting upon all instructions issued by the regulators particularly those issued during 2015 along with upgrading the in-house monitoring system to swiftly resolve any remarks or observations raised by those regulators and take the necessary actions to avert recurrence of such remarks.
- Enhancing all aspects associated with the implementation of Corporate Governance rules at the Bank.
- Reinforcing Corporate Governance & Compliance culture and awareness among all officials and staff members in the Bank by circulating the regulatory instructions and communicating with them with a view to enrich their understanding of such instructions and application mechanism.

Legal Department

The Bank's Legal Department aims at safeguarding the Bank's rights and interests and endeavors to achieve these objectives by employing all its legal and administrative capabilities to defend the Bank's rights & interests before courts and other bodies.

To this end, Legal Department renders all legal services and judicial assistance to the Bank's diverse departments and branches to enable them to perform their usual day-to-day business without any violations to legally acceptable norms and with a view to maintain the Bank's rights and corporate image. Furthermore, Legal Department monitors and follows up the collection process from the Bank's defaulting customers and proceeds with the required legal & administrative actions against customers who fail to discharge their obligations so that the Bank can reach compromise with those customers to ensure maintaining the Bank's rights.

Legal Department cooperates with all other departments to maintain the Bank's interests according to well-defined strategies whose principles were set by the Bank's Board of Directors so that the Bank can attain a leading position among local banks.

Additionally, Legal Department drafts the required contracts & agreements related to the Bank's business. Further, Legal Department endeavors, through its full-fledged staff, to get the court rulings passed in favor of the Bank executed and surmount all obstacles that may hinder work flow at the Bank's departments.

Moreover, Legal Department represents the Bank before courts with their diverse degrees and government agencies such as Ministry of Justice, Ministry of Commerce & Industry and Capital Markets Authority and also represents the Bank in Legal Advisors Committee – Kuwait Banking Association .. etc to provide the utmost scope of protection and safety for the Bank, its shareholders and employees.

Advertising & Public Relations Department

Advertising and Public Relations Department was very active with a number of social programs during the year 2015. The Department participated and offered sponsorship to a variety of social activities. Advertising & PR Department endeavored to firmly illustrate and reinforce the Bank's corporate image and dedication towards social responsibility programs through its sponsorship and participation in the diverse social activities as well as the different philanthropic events in a way that highlighted and demonstrated the Bank's social responsibility towards the community in which it operates.

Advertising and PR Department was in the heart of social activity programs through the Bank's participation and sponsorship offered to a number of educational, cultural and social related activities during the year 2015, and this reflects its belief that the Bank is an integral part of Kuwaiti society and its effective communication with all civil society institutions supported by the Bank is the real success of the Bank & the non-profit making institutions.

Furthermore, the Department assumed a significant role towards the Bank's sponsorship, support and participation in all societal and humanitarian activities throughout the year. This role was clearly manifested during the Holy Month of Ramadan which saw several philanthropic & humanitarian initiatives and activities arranged by the Bank, the most important of which was the campaign captioned "Contribute in Printing a Copy of the Qur'an for Each Blind" with the objective of contributing in printing the Holy Qur'an in Braille Manner for the people with visual disability in collaboration with Kuwait Blind Association. Moreover, the Department arranged visits to the diverse society segments, salient of which was the visit made to the injured victims of the terrible terrorist attack and deadly blast which hit Al-Imam Al-Sadiq Mosque where the Advertising and PR Team visited them in all Ministry of Health hospitals. The visit came to relieve their worries & fears and support them in such difficult time along with wishing them quick recovery.

At another front, the Department continued its annual humanitarian initiative under "Hawwen Alaihom" Campaign designated to assist and support road cleaners & construction workers at the locations where they work during summer and winter. The Campaign continues to achieve outstanding success and attracts several followers of the Bank's social media pages.

Furthermore, and as a usual practice every year, the Bank issued its annual calendar which consistently highlights the old Kuwaiti heritage and became closely correlated with the Bank's name. The calendar mirrors and depicts vivid scenes from the traditions and customs of ancestors and forefathers in the past. Within the same context, the Bank's innovative campaign that aimed at reviving Kuwait's old heritage and traditions "Ya Zeen Turathna" continued to achieve great success year after year.

As for the in-house activities, Advertising and Public Relations Department continued its successful and active cooperation with the Bank's diverse departments by organizing campaigns, activities and events for the banking services and marketing offers the Bank continuously provides and launches to its customers. The Department, further, had a positive role in creating friendly and amicable atmosphere among the Bank staff members when celebrating the National Day of Kuwait in which most executives of the Bank shared staff members their happiness of this important occasion for all nationals and residents alike. Additionally, the Department organized "Al-Tijari Hobbyist Exhibition" for the 12th year in row which brings the Bank staff members together along with their families. The organization of such exhibition came with the objective of supporting staff various activities and talents and helping them to show their homemade and art products.

As the Bank's social responsibility covered various and extensive activities, Advertising and Public Relations Department issued a booklet highlighting all societal activities and events organized and patronized by the Bank during the year 2015.

CORPORATE GOVERNANCE RULES AND SYSTEMS

First: Introduction

Within the requirements of Corporate Governance principles under the international standards issued by Basel Committee on Banking Supervision and the instructions issued by the Central Bank of Kuwait in this regard, Commercial Bank of Kuwait has laid down prudent Corporate Governance framework and systems taking into account all the instructions issued by the Central Bank of Kuwait over the previous years. These rules and systems are a key factor in enhancing the Corporate Governance standards at the Bank.

The Bank continues to enhance its policies and procedures in corporate governance with a view to effectively apply the standards and instructions pertaining to Corporate Governance rules and systems with a view to safeguard the Bank, its rights and the rights of its shareholders, creditors, staff members and stakeholders. Additionally, the Bank adopts the utmost degrees of transparency while disclosing all material and significant information relevant to the Bank. Furthermore, the Bank has taken the required procedures to develop the existing systems, regulations and policies applicable at the Bank in compliance with the Central Bank of Kuwait's requirements.

Second: Board of Directors

The Board of Directors is composed of 10 Members. Presented below is a synopsis on the Bank's Board Members:

Mr. Ali Mousa Al Mousa – Chairman

Mr. Ali Mousa is a Kuwaiti national born on 25/4/1947 holding bachelor degree in Management 1970 /American University of Beirut. Mr. Ali Mousa possesses long experience and has occupied many positions in the public & private sectors salient of which are the following:

- Assistant Under-Secretary, Planning Affairs, Ministry of Planning during the period from 1976 to 1982.
- Participated in setting up the Central Internal Audit Function in Kuwait Petroleum Corporation in 1984 and managed the same during the period from 1984 to 1992.
- Deputy Governor of the Central Bank of Kuwait during the period from 1992 to 1998.
- State Minister of Planning & Administrative Development during the period from 1998 to 1999.

In addition, Mr. Al Mousa was a Member in councils, board of directors and committees such as the Supreme Planning Council, Kuwait Petroleum Corporation's Board of Directors, College of Commerce, Economy and Political Sciences Council (Kuwait University), Industry Development Committee and Supreme Education Council, Center of Gulf and Arabian Peninsula Studies (Kuwait University), etc. In addition to this, he had significant contributions in several economic and social development action-oriented committees, councils and forums.

Mr. Ali Mousa was a chairman of the board and member in the board of directors in a number of companies such as:

- Kuwait Investment Company.
- Chairman, Kuwait International Fair Company.
- Morocco Economic Development Bank (Morocco).
- Arab Bank of Greece (Greece).
- Kuwait Oil Tanker Company.
- Education Institutions & Private Training Establishment.
- Chairman and Managing Director, Securities Group Company.
- International Investor Company.
- Industrial Bank of Kuwait.
- Venture Capital Bank (Bahrain).
- Venture Capital Investment Company (Saudi Arabia).
- Commercial Real Estate Company.

Mr. Ali Mousa holds the position of the Bank's Chairman since 29/4/2012 and he is the Chairman of the Board Loans Committee.

Sheikh / Ahmad Duaij Jaber Al Ali Al Sabah - Vice Chairman

Sheikh / Ahmad is of Kuwaiti nationality born on 30/11/1978 holding bachelor of Economy and Finance May 2000 / Bentli University, USA and Master in Management January 2008 / from Kuwait Maastricht Business School. Shiekh / Ahmad held the following positions during his tenure.

- Financial analyst in Kuwait Petroleum Corporation during the period from 2001 to 2003.
- Credit analyst in Commercial Bank of Kuwait during the period from 2005 to 2010.
- Investment Manager in Tijari Investment Company during the period from 2010 to 2012.

In addition to being a Member in the Bank's Board of Directors since 29/4/2012, he is the Chairman of Board Corporate Governance Committee and is also a Member in the Board Loans Committee. Sheikh / Ahmad Al Sabah is also the Chairman of Al-Tijari Financial Brokerage Company.

Mr. Abdulrazzaq Abdulqader Al Kandari

Mr. Abdulrazzaq is a Kuwaiti national born on 1/4/1943 holding bachelor of Political Sciences 1966 / Cairo University. Mr. Abdulrazzaq possesses long experience in political and diplomatic field where he was the Ambassador of Kuwait in many countries such as:

- Syria during the period from 1981 to 1985.
- Egypt during the period from 1985 to 1992.
- Spain during the period from 1992 to 1995.
- Lebanon during the period from 1995 to 1998.
- United Arab Emirates during the period from 2004 to 2006.
- Switzerland during the period from 2006 to 2008.

Furthermore, Mr. Abdulrazzaq was a Board Member in Beirut Tower Company (Lebanese Co.) during the period from 2004 to 2007.

Mr. Abdulrazzaq is a Member in the Bank's Board of Directors since 29/4/2012 and he was the Bank's Deputy Chairman during the period from 29/4/2012 to 4/4/2015. Mr. Abdulrazzaq is now the Chairman of the Board Nomination & Remuneration Committee and is also a Member in the Board Loans Committee.

Mr. Abdulrahman Abdullah Al Ali

Mr. Abdulrahman is a Kuwaiti national born on 1/7/1953 holding bachelor of Mechanical Engineering 1975 / University of Weskans, USA and Master in Business Administration/ Finance & Investment 1979/ Weskans University, USA and he also held PHD in Business Administration / finance 2006 / American University, London.

Mr. Abdulrahman is an experienced board member offering 30 years of experience in investment and projects financing mostly acquired during his work at Gulf Investment Corporation, where he held the position of Senior Deputy Chairman, besides being a Board Member in Industrial Bank of Kuwait during the period from 2010 until 2011. He is now a Board Member in other shareholding companies in addition to running some private commercial business.

Besides being a Member in the Bank's Board of Directors since 29/4/2012, he is the Chairman of the Board Risk Management Committee and is also a Member in the Board Corporate Governance Committee.

Mr. Bader Sulaiman Abdullah Al Ahmad

Mr. Bader is of Kuwaiti nationality born on 8/7/1956 holding a bachelor of Accounting 1980 / Kuwait University and a Master in Business Administration 1983 / USA. Mr. Bader is an experienced board member and has occupied diverse positions including the following:

- Accounting Controller / Civil Service Commission (1983 – 1985).
- Member of the Saudi Organization for Certified Public Accountants in Saudi Arabia (Riyadh) No. 212 on 14/9/1407H.
- Analyst of Companies' balance sheets / Kuwait Stock Exchange (1985 – 1986).
- Deputy Manager, Catering Department / Kuwait Aviation Service Company (1986 – 2002).
- General Manager, United Poultry Company (2007 – 2008).
- Manager, Safway General Trading & Contracting Company since 1989 to date.
- Deputy Chairman of Commercial Bank of Kuwait during the period from 7/4/2010 until 11/5/2010.
- Chairman of Commercial Bank of Kuwait during the period from 11/5/2010 until 23/3/2011.
- Board Member during the period from 23/3/2011 until 29/4/2012.

In addition to his responsibilities as a Member in the Bank's Board of Directors since 25/6/2013, Mr. Bader is the Chairman of the Board Audit Committee and is also a Member in the Board Nomination & Remuneration Committee in addition to his membership in Securities Group Company's Board of Directors since year 2000 to date.

Retired Major General Dr. Arshid Abdulhadi Zaid Mubarak Al Houri

Dr. Arshid is a Kuwaiti national born on 12/5/1962 holding bachelor of Law & Legislation from Kuwait University in 1986 and high diploma in Administrative Law 1993 -1994 from the Police Academy - Egypt and he also held Master in Administrative law 1996 / Cairo University - Egypt and a PHD in law (public law – Administrative law) 2001 / Ain Shams University - Egypt. Dr. Arshid experience extends to several years during which he occupied a number of positions including the following:

- Manager, Legal Department – National Guard (1994 – 2007).
- Advisor to His Highness Head of Kuwait National Guard (2007 – 2008).

Dr. Arshid was also a Board Member in Tijari Investment Company- CBK Capital from 2010 – 2013. In addition, he was seconded for training in Kuwait University – College of Law during the period from 2012 – 2013.

Besides being a Member in the Bank's Board of Directors since 6/7/2013, he is a Member in both the Board Audit Committee and the Board Nomination & Remuneration Committee and is also the Deputy Chairman of Yiaco Medical Company.

Mr. Musaed Nuri Musaed Al Saleh

Mr. Musaed is of Kuwaiti nationality born on 30/1/1977 holding a bachelor of business administration 1998 / Suffolk University, USA. He also obtained fellowship of Harvard University, (Weatherhead Center for International Affairs). Mr. Musaed worked in a number of companies and institutions where he acquired 17- year experience in diverse areas such as investment, real estates and advisory services and management of companies & banks.

- Deputy CEO in MASS United Trading & Contracting Company.
- Former Deputy Chairman and the CEO - National Projects Holding Company.
- Honored by World Economic Forum (Davos) being one of the young global leaders.
- Member in Young Presidents' Organization over the past ten years.
- Former Board Member in Kuwait Society for the Handicapped.
- Banking experience obtained from working with a number of banks such as Banque Baring Brothers and First International Merchant Bank.

In addition to being a Board Member in Commercial Bank of Kuwait since 30/9/2014, Mr. Musaed Al Saleh is a Member in both the Board Loans Committee and the Board Risk Management Committee.

Mr. Hazem Meshari Khaled Al Khaled

Mr. Hazem is a Kuwaiti national born on 25/5/1973 holding Bachelor of Science in Business Administration 1996 - American University, Washington, D.C. in addition to advanced training courses in accounting, credit and financial analysis.

Mr. Hazem possesses an excellent professional experience in management area at the level of board of directors as well as, executive management which was acquired during his tenure in the following institutions:

- General Manager in Al-Khaled Aluminum Company (2000 to 2005).
- Board Member in Kuwait Dairy Company (from 2005 to date).
- The CEO – Al-Khaled Companies Group (from 2005 to date).
- Board Member – Real Estate Financing Company (Al-Tashilat) during the period from 2008 to date.

In addition to being a Member in the Bank's Board of Directors since 12/5/2015, he is a Member in both the Board Audit Committee and the Board Corporate Governance Committee.

Ms. Rasha Yousef Hussein Al Awadhi

Ms. Rasha is of Kuwaiti nationality holding a Bachelor of Accounting & Auditing 1992 / Kuwait University. Ms. Rasha also obtained recognized professional certification such as Certified Auditor, Certified Stock Trader, Arbitrator, Certified International Investment Analyst and Certified Accountant. She is a member in Kuwait Association of Accountants & Auditors and is also an executive in T-MAS International Consulting Company. Apart from her higher academic qualifications & credentials, Ms. Rasha possesses long experience in investment field where she has occupied diverse positions including the following:

- Senior Vice Chairman – Housing Finance Company (ISKAN) since 2006 to date.
- Deputy Head – Operations / Global Investment House (2000 to 2006).
- Assistant Deputy Head - Operations / Global Investment House (1998 to 1999).
- Senior Officer in Kuwait Investment Company (1997 to 1998).
- Investment Officer in Kuwait Foreign Trading Contracting and Investment Company (KFTCIC) (1992 to 1996).

In addition to the above, Ms. Rasha is currently holding the following positions:
Board Member in Iskan Oman Investment Company and Head – Audit Committee in the Company.
Board Member in First Bahrain Real Estate Development Company and a Member in both the Executive Committee and Audit Committee in the Company.
Member in Investment Committee of Housing Finance Company.

Ms. Rasha is a Member in the Bank's Board of Directors since 4/4/2015 and is also a Member in both the Board Corporate Governance Committee and the Board Audit Committee.

Ms. Mona Mousa Jaafar Al Sarraf

Ms. Mona is a Kuwaiti national holding a Bachelor of Arts, English Major 1987 / Kuwait University. She possesses long experience in banking and financial business in Kuwait where she held the following positions:

- Advisor, Private Banking Department – Kuwait International Bank (May - September 2011).
- Head, Private Banking and Assistant General Manager – Private Banking Group / Burgan Bank (1998 - 2010).
- Manager, Customer Services – Kuwait Foreign Trading Contracting and Investment Company (KFTCIC) (1993 – 1995).
- Manager, Operations - Banking Services Section / Al Ahli Bank of Kuwait (1987 – 1992).

In addition to being a Board Member in Commercial Bank of Kuwait since 4/4/2015, Ms. Mona is a Member in both the Board Risk Management Committee and the Board Loans Committee.

Third: The Board Committees

Within the process of enhancing the principles of Corporate Governance within the Bank, CBK formed 5 Board Committees with 4 non-executive Committees.
Brief description on the functions, responsibilities and authorities of each of the above Committees is presented below.

Board Corporate Governance Committee

Sheikh / Ahmad Duaij Al Sabah – Chairman, BCGC
Mr. Abdulrahman Abdullah Al Ali
Ms. Rasha Yousef Al Awadhi
Mr. Hazem Meshari Al Khaled
The most important functions of BCGC are as follows:

- Prepare and update comprehensive Corporate Governance Manual to be approved by the Board of Directors and posted on the Bank's homepage on the internet. The manual shall include, as a minimum, the Central Bank of Kuwait's rules and instructions on Corporate Governance.
- Verify the extent to which the Bank is in compliance with the rules and controls contained in the Corporate Governance Manual by conducting an annual assessment of such rules & controls and reporting the same to the Board of Directors.
- Propose any amendment to be introduced to the Bank's Articles of Association.
- Identify the role and responsibilities of both the Chairman and the CEO with due observation of the segregation between and independence of both positions.
- Propose the policies that ensure integration of Corporate Governance rules such as code of conduct, the insider trading policy, transactions with related parties, conflict of interests, confidentiality of the Bank's information & security of the same, disclosure & transparency and safeguarding shareholders' & stakeholders' rights.

Board Risk Management Committee

Mr. Abdulrahman Abdullah Al Ali – Chairman, BRMC
Mr. Musaed Nuri Al Saleh
Ms. Mona Mousa Al Sarraf

The most important functions of MRMC are presented below:

- Review the Bank's present and future risk appetite and strategy, develop effective systems and stringent & comprehensive procedures for risk management and provide advice to the Board of Directors in this respect.
- Review the Bank's risk management policies before submission to the Board of Directors for approval.
- Oversee the Executive Management's implementation of the risk management strategy and policy.
- Review risk reports related to subsidiary and associated companies and take the necessary action in relation to such reports and review the policies associated with such risks prior to presenting the same to the Board of Directors.
- Review credit risk metrics and related assessment process prior to presenting the same to the Board of Directors for approval.
- Review regular and periodic risk reports submitted by Risk Management Division on the Bank's exposures and its adherence to the prescribed various risk limits, capital adequacy calculations, economic capital assessment and stress testing results.

Board Audit Committee

Mr. Bader Sulaiman Al Ahmad – Chairman, BAC
Dr. Arshid Abdulhadi Al Houri
Ms. Rasha Yousef Al Awadhi
Mr. Hazem Meshari Al Khaled

The most important functions of BAC are presented below:

- Review the scope, outcomes and the sufficiency of internal & external audit functions within the Bank.
- Review accounting issues that may have a significant impact on the Bank's financial statements.
- Review the Bank's internal control systems and ensure that human and other resources dedicated to handle jobs related to regulatory issues are adequate and sufficient.
- Oversee and support independence of Internal Audit function.
- Review the Bank's financial statements before presenting the same to the Board of Directors and ensure adequacy of provisions.
- Verify the extent of the Bank's compliance with the laws, resolutions and regulatory instructions pertinent to the Bank's business and which are issued by the competent authorities in the country. This shall include and may not be limited to Commercial Companies Law, Law No. 32/1968 concerning Currency, Central Bank of Kuwait & Organization of Banking Business, the Central Bank of Kuwait's regulatory instructions, Capital Markets Authority Law and resolutions and Kuwait Stock Exchange's resolutions.

Board Nomination & Remuneration Committee

Mr. Abdulrazzaq Abdulqader Al Kandari – Chairman, BNRC
Mr. Bader Sulaiman Al Ahmad
Dr. Arshid Abdulhadi Al Houri

The most important functions of BNRC are presented below:

- Raise recommendations to the Board of Directors regarding the nomination for board membership pursuant to the Central Bank of Kuwait's rules and instructions issued in this regard.
- Conduct an annual review on the required skills for board membership and prepare a description of the required credentials, competencies & knowledge that should be possessed by the Board Member.
- Conduct an annual assessment of the Board of Directors' overall performance and performance of each individual Board Member.
- Ensure that the Board Members are always cognizant of the up-to-date issues related to banking business through the proper means.
- Review the Bank's remuneration policy before presentation to the Board of Directors and oversee its implementation and propose amendments to be made thereto if necessary taking into account the Bank's subsidiaries when preparing this policy.
- Conduct an annual independent review of the remuneration policy or upon the Board of Directors' request and this review can be conducted through the Internal Audit Department or an external advisor.
- Assess on regular and periodic basis the sufficiency and effectiveness of the remuneration policy in achieving its objectives.
- Ensure that the Bank's Executive Management has put in place solid procedures as well as an effective supervisory mechanism to guarantee full compliance with the Central Bank of Kuwait's instructions and the Board of Directors' decisions on remunerations.

- Recommend to the Board of Directors the level and components of the remunerations of the Managing Director and the CEO and his deputies & assistants and any other job position as may be determined by the Board of Directors.
- Ensure that remuneration policy and related practices at the Bank and its subsidiaries are consistent with Corporate Governance rules as per the Central Bank of Kuwait's instructions.

Board Loan Committee

Mr. Ali Mousa Al Mousa – Chairman, BLC
Sheikh / Ahmad Duaij Al Sabah
Mr. Abdulrazzaq Abdulqader Al Kandari
Mr. Musaed Nuri Al Saleh
Ms. Mona Mousa Al Sarraf

As per the authorities approved by the Board of Directors, the Board Loan Committee assumes the following functions:

- Review and amend the credit policy.
- Review, amend and approve country credit limits and the prescribed counter parties' limits for banks.
- Review, amend and approve the foreign exchange limits (FX Limits).
- Review, amend and approve to extend, renew and reschedule the credit facilities.
- Give the other approvals pertaining to credit facilities as per the credit policy applicable in the Bank.

All the above functions shall be governed by the applicable legislations and the relevant Central Bank of Kuwait's instructions.

Fourth: Meetings of Board of Directors and its Sub-Committees

Presented below is the number of meetings of the Board of Directors and other related Board Committees during year 2015 along with an outline of the frequency of participation by the Board Members in such meetings.

	Board of Directors	BCGC	BRMC	BAC	BNRC	BLC	Total Number of Meetings Attended by Board Members
Total Number of Meetings Held During 2015	20	5	7	7	2	52	
Board Members	Number of Meetings Attended by the Board Members						
Ali Al Mousa	18	2				51	71
Sheikh/ Ahmad Al Sabah	18	3	3			48	72
Abdulrazzaq Al Kandari	17				2	44	63
Abdulrahmn Al Ali	19	3	7			12	41
Bader Al Ahmad	18			6	1		25
Arshid Al Houri	17	2	2	5	2		28
Musaed Al Saleh	17	2	2	2		34	57
Mona Al Sarraf	10		2			32	44
Rasha Al Awadhi	11	2		4			17
Hazem Al Khaled	8	3		2			13
Majed Awad	4			2			6
Mahmoud Behbehani	6	2		2			10
Shukri Al Enezi	5					10	15
Khaled Al Ali	2						2

- A new Board of Directors was elected on 4/4/2015 where Mr. Khaled Al Ali, Ms. Mona Al Sarraf and Ms. Rasha Al Awadhi joined the Board of Directors replacing Mr. Majed Awad, Dr. Mahmoud Behbehani and Mr. Shukri Al Enezi.
- The Board of Directors called the First Reserve Member Mr. Hazem Al Khaled to join the Board on the back of the resignation of Mr. Khaled Al Ali from the Board membership on 3/5/2015.
- The Board Committees have been formed once again in view of the above changes.

Fifth: Executive Management

Ms. Elham Mahfouz

The CEO

Ms. Elham is a banker holding a Bachelor with honor degree in Business Administration / American University in Cairo and she is a Member in the legal bankers Institute in London. Ms. Elham joined Commercial Bank of Kuwait in the year 2000 as Manager – International Banking and progressively held top-executive positions holding the position of GM – New York Branch, Acting GM – International Banking, GM – International Banking in December 2010 and she was promoted as Deputy CEO in April 2012 and was appointed as the CEO of the Bank on 20/11/2014.
Before joining Commercial Bank of Kuwait, Ms. Elham worked with a number of Kuwaiti financial institutions possessing a long experience and a proven track record in banking financial areas for approximately 30 years.

Ms. Sahar Al Rumaih

GM- Corporate Credit Division

Ms. Sahar is a banker holding a Bachelor degree in Economy / Kuwait University and possesses more than 27 year experience in corporate credit. Ms. Sahar joined Commercial Bank of Kuwait in the year 2000 after working about 12 years in other Kuwaiti financial institutions. Ms. Sahar manages, in cooperation with her taskforce, the Bank's credit portfolio and she is also a Member in the Credit & Investment Committee and ALCO and participates in the BLC meetings and acts as the Bank's representative in the Board of Directors of First Hotels Company. Further, she was assigned, effective from 9/12/2015, to take over responsibilities as Acting General Manager - Retail Banking in addition to her responsibilities as General Manager - Corporate Credit Division.

Mr. Adli Ghazal

GM – Treasury & Investment

Mr. Adli is a banker holding a Bachelor of Commerce. Mr. Adli joined Commercial Bank of Kuwait in the year 2001 as Senior Manager - Treasury and he has banking experience of more than 40 years in treasury business and financing & liquidity in Kuwaiti banks. Mr. Adli progressively held many positions and he now holds the position of GM – Treasury & Investment and he is also a Member in Credit & Investment Committee and ALCO.

Mr. Yaqoub H. Al Ebrahim

GM – Compliance & Corporate Governance

Mr. Yaqoub is of Kuwaiti nationality and held a Bachelor degree with honor degree in Accounting / USA. Mr. Yaqoub joined Commercial Bank of Kuwait in December 2011 based on his 33 years of experience during his career in the Central Bank of Kuwait where he held the position of Director, On-Site Supervision Department and he is a Member in the National Committee for AML & CFT. Mr. Yaqoub was also a Board Member of financial and non-financial companies, besides being a Member in a number of local and regional committees. He was also as Secretary to the Board and all Board Committees during the period from December 2014 to November 2015. In addition to his responsibilities as GM – Compliance & Corporate Governance and AML, Mr. Yaqoub is the Chairperson of Purchasing & Tender Committee and is also the Bank's official spokesman besides being Secretary to the Board Corporate Governance Committee.

Mr. Masud Ul Hassan

GM - Financial Control Department

Mr. Masud is an accountant holding a Bachelor of Commerce from the University of Punjab, Lahore, Pakistan and also obtained a diploma in International Financial Reporting Standards and he is a Fellow Member in the Institute of Costs & Management Accountants in Pakistan. Mr. Masud possesses an experience of more than 24 years in banking industry since he joined the Bank in 1992 and enjoys sound analytical skills, financial & management reporting potentials and preparing of budgets and the reports required by regulators and the Central Bank of Kuwait. He is also a Member in ALCO.

Mr. Paul Daoud

Acting GM – Operations

Mr. Paul is a banker holding a Bachelor of Business Administration / Kendi Western - USA. Mr. Paul joined Commercial Bank of Kuwait in 1981 and has experience of more than 34 years in Retail Banking area where he progressively held a number of posts in Retail Banking Division and he held the position of General Manager, RBD. Effective from 9/12/2015, Mr. Paul was appointed as Acting GM – Operations.

Mr. Tat Thong Tan

GM – International Banking & Syndication Division

Mr. Tat Thong is a banker holding a bachelor degree in Mathematics & Economics with honor degree and also obtained the Financial Risk Manager (FRM) designation as accorded by the Global Association of Risk Professionals and holds a Certified Financial Planner license. Mr. Tat Thong joined Commercial Bank of Kuwait as Advisor to Chairman in December 2012 and currently oversees the international banking and syndication activities and he was previously assigned to oversee the strategic planning initiatives at the Bank.

Mr. Tat Thong has more than 23 years of banking and financial sector experience of which 19 years were in the areas of risk management and internal control development as well as banking business and product innovation. Mr. Tat Thong is also a member of the Bank's Credit & Investment Committee, Asset & Liability Management Committee (ALCO), Provision Committee and Management Committee.

Mr. Jens Tang Pederson

IT Head – Acting

Mr. Jens joined the Bank in 1981 and he has experience of more than 40 years in the area of IT and Management Information Systems in different banking environments. Mr. Jens worked in Danske Bank in Danmark, then he moved to work with Commercial Bank of Kuwait. Mr. Jens is a Member in the Users Group in Kuwait and acts as a Consultant of Banking technology in KNET and he was awarded a certificate of appreciation for his efforts in operating IT system at the Bank after the liberation of Kuwait. Mr. Jens is a Member in IT & Information Security Committee.

Mr. Ahmad Farahat

Chief Internal Auditor

Mr. Ahmad held a Bachelor degree in Accounting and Auditing 1994/ Faculty of Commerce - Cairo University and also obtained a number of specialized professional certificates in diverse areas such as Certified Internal Control Auditor, Certified Risk Analyst and Certified Fraud Examiner.

Mr. Ahmad joined the Bank in May 2015 as Deputy Chief Internal Auditor and was appointed as Chief Internal Auditor in 25/10/2015 based on his experience which extends to over 20 years in internal audit, Corporate Governance and risk management and also has experience in fraud investigation at banks and financial institutions.

Mr. Ahmad held diverse positions in both audit and risk areas at different banks and companies in Kuwait, United Arab Emirates and Egypt.

Mr. P. Syama Sundar

Acting Head of Risk Management Division

Mr. Syama obtained a Bachelor of Science and he is a Certified Associate of Indian Institute of Bankers and obtained a number of specialized professional courses in risk and credit management areas.

Mr. Syama has long experience of 32 years in banking sector, particularly in credit risk area. He started his career in Bank of India as an officer in branches and was promoted over a term of 11 years to become Deputy Manager – Credit at Hyderbad Branch and also worked at Induslnd Bank / India as Assistant Vice President & Credit Analyst. Mr. Syama joined the Bank since 2007 as Head – Credit & Investment Review and he is now Acting Head of Risk Management Division. Mr. Syama is a Member in most of the Bank's executive committees and participates, on a permanent basis, in the Board meetings and both the Board Risk Management Committee and the Board Loans Committee.

Ms. Mona Hussein AlAbdulRazzaq

GM – Human Resources Department

Ms. Mona obtained a Bachelor of Computer Science / Kuwait University. She joined the Bank in November 2015 as GM – Human Resources Division based on her professional experience which exceeds 23 years in human resources, media and business development areas.

Ms. Mona held a number of positions in public & private sectors in Kuwait such as her position as Media Advisor for H.E. the Minister of Commerce & Industry in Kuwait, HR Director - Tony Blair Project with Prime Minister's Office / Government of Kuwait and Executive Manager - Recruitment & Manpower/ Al Ahli Bank of Kuwait. Further, Ms. Mona worked at Kuwait Airways Corporation for a long time and also worked in other institutions in Kuwait.

Sixth: Shareholders Holding Percentage Exceeding %5 of the Bank's Share Capital as at 2015/12/31

Al Sharq Holding	23.136%
Securities Group Co.– Customers' Account	44.249%

Seventh: The Board & Executive Management's Remuneration During the Year 2015

The policy was prepared by the Board Nomination and Remuneration Committee and was approved by the Board of Directors on 18/6/2013 and it will be reviewed every three years or whenever required. As such, the said policy will be reviewed by both the BNRC and the Board of Directors on 18/6/2016 unless otherwise it is required to be reviewed prior to the prescribed date.

Summary on Remuneration Policy

The objectives of Remuneration Policy are as follows:

- Adopt and develop effective and positive Remuneration Policy consistent with the Bank's risk strategy.
- Attract and retain highly qualified professionals needed for performing the banking business.
- Link remuneration policy to the Bank's performance and business risk on the short, medium and long term.

Presented below are the main elements of the Remuneration Policy applicable at the Bank:

- The Bank adopts remuneration policy that covers all the employees of the Bank by applying a system that will classify, appraise and describe all jobs that should be occupied by the employees who have the expertise and skills that commensurate with the said system.
- The policy will take into account the legal and regulatory requirements in addition to the rules and laws enforceable in Kuwait as well as the level and range of salaries and remuneration in the banking and financial sector when determining the level of salaries and remuneration in the Bank.
- Remunerations are divided into fixed remunerations which include salary, fixed package & pay and variable remunerations which are based on staff performance appraisal. However, and based on the applicable Corporate Governance rules, variable remunerations encompass remunerations linked to staff performance over a term of 3 years which is also associated with the risks involved in the duties assumed by the staff member, thus such variable remunerations can be clawed back. It is to be noted that the current remunerations paid by the Bank to its staff members are confined to fixed remunerations and do not include variable remunerations.
- All staff should be subject to annual appraisal where variable remunerations will be constrained by this appraisal.
- As for promotions and apart from the annual appraisal of staff members, promotions would take into account the Bank's need to get staff member(s) promoted to higher grades in addition to the extent of staff preparedness to develop his skills to cope with the responsibilities of the new higher position.
- As per the Bank's Organizational Structure, Compliance & Corporate Governance Department presents its reports to the Board Corporate Governance Committee while Internal Audit Department and Risk Management Division present their reports to the Board Audit Committee and the Board Risk Management Committee respectively. However, and from the management perspective, the three Departments work with a direct reporting line to the Chairman of the Board who in his turn prepares the performance appraisal of heads of the said Departments. As such, the CEO will not have any role in the performance appraisal of the above mentioned heads. Thus, the promotions and remunerations that will be decided and determined by Senior Management at the Bank will count on such performance appraisal.

Board of Directors

Remunerations totaling KD 529 thousand have been paid to the Chairman and the Board Members during the year 2015 in consideration of the tasks assigned to them and which include their participation in the Board Committees.

Executive Management

The CEO's total remuneration payable and accrued during the year amounted to KD 179 thousand.

Remunerations payable and accrued to the CEO, GM – Corporate Credit, GM – Treasury & Investment, GM-International Banking & Syndication Division, GM – Compliance & Corporate Governance, GM – Risk Management Division, GM – Financial Control Department and Chief Internal Auditor amounted to KD 717 thousands.

Remunerations based on staff members' categories

Category	Number	Total Remunerations KD thousands	Remarks
Jobs subject to the Central Bank of Kuwait's approval	9	KD 766	Including the CEO and Top-Executives at the Executive Management Team.
Staff working in financial control and risk area	35	KD 782	Including the employees working with Risk Management Division and Financial Control Department.
Staff working in risk taking areas.	333	KD 6,250	Including the employees working in Bank's business areas such as Retail Banking Division, Corporate Credit, Treasury & Investment, International Banking & Syndication Division and Operations.

- Remunerations include basic salary and other allowances & incentives such as housing, transport, tuition fees, medical insurance, airline tickets, terminal gratuity and other remunerations as agreed on in the employment contract.
- The current remunerations paid by the Bank to its staff members are confined to fixed remunerations and do not include variable remunerations.
- Remunerations are paid to the employees by crediting the concerned staff account of the remuneration amount.

Eighth: Transactions with Related Parties

Total loans extended to Board Members and senior executives and their related parties amounted to KD 154 thousand while their deposits reached KD 674 thousand. The Bank's policy stipulates that these loans, deposits and applicable interest rates should be treated similar to those of the Bank's customers i.e. on arms length basis and without any preference.

Ninth: The Extent of the Bank's Compliance with Corporate Governance Rules & Principles

- The Bank has complied with the Central Bank of Kuwait's instructions on Corporate Governance rules by finalizing the preparation & approval process of all by-laws and policies pertaining to Corporate Governance regulations within the deadline specified by the Central Bank of Kuwait in its said instructions.
- The Bank has taken the required actions to ensure the proper implementation of Corporate Governance rules and has composed the Board Committees that shall follow up and monitor the implementation of Corporate Governance requirements.
- Internal Audit Department, as an independent function from the Executive Management, shall audit and review the extent to which Corporate Governance rules are properly implemented and shall report its findings to the Board Audit Committee that will rectify the violations or remarks on such rules ,if any , as early as possible.
- The inspection reports received from the Central Bank included a remark on certain key positions at the Bank which are currently run by acting executives and should be duly filled by permanent and confirmed executives. This remark was addressed and tackled taking into account the Bank's endeavors to select the qualified talents for getting such jobs filled by permanent and confirmed executives.
- The Bank places high importance and acts promptly on any remarks raised by the Central Bank of Kuwait when related to the Central Bank's instructions on Corporate Governance rules.

Tenth: Board of Directors' Confirmation on Adequacy of Internal Control Systems

As per the Central Bank of Kuwait's instructions, the Bank has engaged the audit firm (BDO) Al Nisf & Partners to review the Bank's internal control systems as at the end of 2014. Based on the audit firm's report prepared in June 2015, accounting records and other records and internal control systems of the Bank and its subsidiaries have properly been prepared and maintained in compliance with the requirements of the general guideline manual issued by the Central Bank of Kuwait on 14/11/1996 and the Central Bank of Kuwait's circular dated 9/2/2012 except for some findings which have no impact on the Bank's fair presentation of the financial statements. The report, further, emphasized that the actions taken by the Bank to address the findings are satisfactory.

In view of the above, we refer to the following:

- In 2014, (24) remarks have been raised. These are mainly related to procedural aspects (operations) and IT systems where the report included a set of recommendations for enhancing such procedures and systems. The Bank has taken the necessary actions for rectifying the raised findings. Twenty findings have been resolved and the four remaining findings are being rectified.
- The issue of Internal Control Systems is one of the important items that is always listed in the agenda of the Board of Directors' meetings where regular discussions are held on the latest developments in this regard for verifying that the remarks raised in the External Auditor's report have been properly and promptly addressed, rectified and resolved.

Eleventh: External Auditor's Confirmation on Internal Control Systems

BDO

Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

Al Johara Tower, 6th Floor
Khaled Ben Al-Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait

Opinion letter

The Board of Directors
Commercial Bank of Kuwait S.A.K.
Mubarak Al Kabeer Street
Safat,13029
State of Kuwait.

30 June, 2015

Dear Sirs,

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 16 March, 2015, we have examined the accounting and other records and internal control systems of Commercial Bank K.S.C.P ("the Bank") and the following subsidiary of the Bank for the year ended 31 December 2014:

- Union Securities Brokerage Company

We covered the following areas of the Bank:

- Corporate Governance;
- General Control Environment;
- Treasury and Investments;
- Retail Banking;
- Virtual Banking;
- Advertising and Public Relations;
- Corporate Credit;
- Operations;
- Human Resources;
- Legal Affairs;
- Compliance and Anti-Money Laundering;
- International Banking and Syndication,
- General Services;
- Risk Management;
- Clients' Complaints unit;
- Financial Control;
- Information Technology;
- Strategy and Planning;
- Construction and Property Management;
- Financial Securities Activities; and
- Confidentiality of Customers' Information.

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) letter dated 22 February, 2015 considering the requirements contained in the Manual of General Directives issued by the CBK on 14 November 1996, instructions relating to corporate governance issued by the CBK on 20 June 2012, instructions dated 23 July 2013 concerning anti money laundering and combating financing of terrorism, instructions dated 9 February 2012 regarding confidentiality of customer's information and financial securities activities of the Group.

As members of the Board of Directors of the Bank, you are responsible for establishing and maintaining adequate accounting and other records and internal control systems, taking into consideration the expected benefits and relative costs of establishing such systems. The objective of this report is to provide reasonable, but not absolute, assurance on the extent to which the adopted procedures and systems are adequate to safeguard the assets against loss from unauthorized use or disposition; that key risks are properly monitored and evaluated; that transactions are executed in accordance with established authorization procedures and are recorded properly; and to enable you to conduct the business in a prudent manner.

Because of inherent limitations in any internal control system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

With the exception of the matters set out in the accompanying report, and having regard to the nature and volumes of the Group's operations, during the year ended 31 December 2014, and the materiality and risk rating of our findings, in our opinion:

a) the accounting and other records and internal control systems of the Group were established and maintained in accordance with the requirements of the Manual of General Directives issued by the CBK on 14 November 1996 and letter issued by CBK on 22 February 2015,

b) the findings raised in the examination and assessment of the internal controls do not have an impact on the fair presentation of the financial statements of the Group for the year ended 31 December 2014, and

c) the actions taken by the Group to address the findings referred in the report, including previous years' findings, are satisfactory.

Yours faithfully,

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Twelfth: Management Discussion and Analysis

Based on the Central Bank of Kuwait's instructions dated 20/6/2012 on Corporate Governance rules and systems at Kuwaiti banks, the Bank's Management, with its contribution to all the Bank's current operations and business activities and its outlook for the Bank's prospective plans, confirms that the notes presented hereunder are complete, Board-approved, and based on the published financial statements and Senior Management's vision.

In this context, the Management believes that Commercial Bank of Kuwait remains a financially stable institution, with a sound balance sheet, strong income generating businesses, sufficient capital adequacy and high liquidity. A summary of the Bank's financial position is presented below. Full financial information is available in the Bank's financial statements.

Balance sheet

Total assets are KD 4.0 billion, which includes a loan portfolio of KD 2.3 billion. Commercial loans' ratio of (78.5%) constitute the bulk of portfolio with 22.3% to real estate, 11.7% to trade & commerce and 7.9% to construction sector. Retail loans are 21.2% of the portfolio, mainly comprised of consumer and installment loans. It is worth noting that the NPL to total loans portfolio ratio was 0.9% (one among lowest ratios in the Kuwait banking sector).
Investment securities increased by KD 130 million (62%) mainly due to build up of bond portfolio.

Total liabilities are KD 3.5 billion, which includes customer deposits of KD 2.5 billion (73.6%). Borrowing from banks and financial institutions is reduced by 209.9 million (20.9%). The shareholders' equity at KD 557.4 million witnessed an increase of KD 30 million from December 2014.

Income statement

The Bank generated operating revenues of KD 136.2 million. The main source of Bank's earnings is from Corporate and Retail banking activities. Fee income grew by 1.8 million (5.6%) while dividend income grew by 2.5 million (111.2%) Expense management continues to be one of the Bank's strengths, resulting in a cost-income ratio of 27.2%.

Regulatory ratios

The Bank's capital adequacy ratio as at the end of December 2015 was 18.39 %, the leverage ratio 11.51% and liquidity coverage ratio 138.5%, comfortably exceeding the minimum requirement of 12.5%, 3% and 100% respectively, as set by the Central Bank of Kuwait

Review of historical performance

The net interest income witnessed marginal decline over the last four years while the fee income grew by 21% during this period. Gain on sale of investment securities made significant contribution to the income. The operating expenses increased on an average rate of 7%. The resultant operating profit was fairly stable in spite of the economic crisis due to falling oil prices and geo political situation in the region. However, the proactive loan loss provisioning and writing off the loans in order to clean up the loan portfolio caused a volatile trend at net profit level in the past which has stabilised now.The bank made a concentrated effort to dilute the geographical concentration. The Kuwaiti assets were 80% in 2015 compared to 88% in 2012. Similarly diversification of the loan portfolio was achieved over the recent period. The growth in the assets is moderate, risk averse and spread over all four business divisions i.e. Corporate Credit Division (CCD), Retail Banking Division (RBD), Treasury & Investment Division (TID) and International Banking & Syndication Division (IBD).

Management Report – Review of Operating Environment

The local operating environment improved on account of the awards of large value infrastructure projects under the Kuwait Development Plan 2015-2020. Contracts for a total value of USD 32 billion (MEEDS estimate) were awarded over the course of the year, providing an impetus to construction activity and private sector credit growth. Total credit grew 6.6% as of October 2015 y-o-y, with robust growth in personal credit facilities of 10.7%. The increase in capital spending combined with robust domestic consumption is expected to have a positive impact in sustaining GDP growth in 2015, at an estimated 2.6% (BMI).

Notwithstanding this, the local banking sector continued to experience a tightening of margins for a large part of 2015 on the back of intense competition from regional banks with significant risk appetite for local credits. From the regional banks' perspective, the risk appetite was driven by the high liquidity and low interest rate environment for most of 2015. However, since 4Q2015, the fall in oil prices has also resulted in initially the perception of a tightening liquidity environment and subsequent a decline in the volume of large government deposits towards the end of the year.

The Bank is cognizant that the Kuwaiti banking sector may be impacted by lower oil revenues, which could be further exacerbated by the high degree of interconnectedness of the oil, equity and real estate markets in the country. Lower government spending on investment projects and potential dampening of public sector wage growth could result in lower debt servicing capacity. However, Kuwait remains well positioned to weather both lower oil prices and global volatility (given its lower fiscal breakeven price and large accumulated reserves) and continues to benefit from a healthy banking system, rising public spending on new infrastructure and foreign direct investment reforms aimed at improving investment inflows. Further, the need for economic diversification – which is underscored by the lower oil revenues – would provide the Bank with potential credit opportunities.

Internationally, the global economy has been fraught with volatility in financial markets, exacerbated by declining commodity prices and uneven growth across countries. IMF has estimated growth in global output in 2015 at 3.1%, compared to 3.4% in 2014. Emerging markets are faced with lower growth prospects as global demand weakens – particularly in commodity exporting economies such as Brazil and oil exporting economies of the Middle East. Divergent monetary policy across the Atlantic has dominated global economy – while the US raised interest rates for the first time in nine years in December 2015, the ECB continued to expand its stimulus program and cut interest rates further into negative territories. This could increase risks of volatile capital and foreign exchange market flows, particularly out of vulnerable emerging market economies.

From a growth perspective, the US and Euro Area has picked up over 2015, to 2.6% and 1.5% respectively (IMF estimates). Global growth continues to be driven by large emerging markets of China (6.8%) and India (7.3%), while commodity driven economies such as Brazil and Russia have shrunk over the year. The Chinese economy, despite slowdown, is expected to be supported by recent reforms in capital and currency markets. Further, the announced inclusion of the Yuan as the fifth currency in IMF's 'Special Drawing Rights' effective October 2016 is expected to increase demand for the RMB as well as RMB denominated offshore and onshore bonds. India's economy has benefitted from the fall in commodity prices, which has help boost domestic consumption.

Global and regional uncertainties

The global economic outlook continues to be unstable in general. The significant drop in oil prices is seen as a reflection of the global economic deterioration in general and Middle East economies in particular in the form of dwindling revenue surplus. With Iran poised to unleash more crude on an already oversupplied market and Saudi Arabia's refusal to cut production, there appears to be little in the way of relief in the near term for energy markets, oil dependent economies, energy companies and their bankers. This is expected to impact banks in terms of both limiting the opportunities for growth in business and adversely impacting asset valuations and collateral valuations. Moreover, fall in oil prices can impact the asset quality of some loan assets by way of reduced revenue levels and liquidity squeeze and thus the likelihood of increased asset impairments and cost of funding. Hence the need of the hour for banks in general is to possess a robust risk monitoring mechanism in order to detect early warning signals and subsequent mitigation measures to safeguard their portfolio and profitability. In view of this, the Bank, while continuing its approach of cautious growth in safer assets, would be proactive in monitoring developments in the existing loan book and initiate measures as appropriate.

Local disruptive factors

Though award of significant value of contracts by the Kuwait Government would provide impetus to local construction activity and private sector credit growth, the impact of the fall in oil prices has the potential of transition to lower oil revenues that might translate into reduction in government spending. The impact of this is clearly evident from the recent fall in stock market and also the gradual fall in the Kuwaiti Dinar value. This could weigh down the banking industry's balance sheet and earnings.

Asset and liability concentrations

The predominance of real estate and securities sectors in the local economy is naturally reflected in the banks' asset portfolios that are more concentrated towards these sectors. The Bank, while acknowledging this inherent risk, is strengthening its credit policies to permit the induction of safer assets albeit from these sectors and construction sector is one of the target sectors for the Bank apart from restructuring of balance sheet components by improving share of exposure to rated bonds etc. Concentration on the liabilities side mainly due to high proportion of deposits from government and quasi government entities is a logical evolution of high liquidity in these entities. However, the Bank monitors and limits deposits from significant depositors. The Bank has also put in place internal limits for deposits from the government sector. Apart from having sufficient high quality liquid assets over and above the regulatory levels in order to counter the short term outflows, the Bank has also strengthened its long term stable funding sources by targeting long term liabilities.

Regulatory challenges

Regulations on corporate governance, Basel III, FATCA, AML & CFT, IFRS-9 and other new accounting standards will continue to pose challenges – some in terms of the banks' ability to meet the new standards and for others in terms of the sheer effort required in implementing these standards.

Idiosyncratic risks

Asset quality

The Bank has identified and recognized impairment in its credit and investment portfolios on a proactive basis. While this has been a challenge since the financial crisis of 2007/2008, the procedures taken by the Bank in this regard yielded good results where NPL ratio increased to 0.90% (the lowest in Kuwait banking sector). The Bank also has built up a huge provision base over and above the regulatory norms to meet any unforeseen adverse conditions. The Bank is also very active in recovery of bad loans and has been pursuing various means to achieve quick recoveries.

Operational risks

The Bank has a focused Operational Risk Committee in place to oversee the resolution of operational risks identified through the reported incidents or identified during the Risk and Control Self Assessments (RCSA). The periodic RCSA process resulted in identifying operational weaknesses and strengthening the operational controls. The Bank also conducts periodic Business Continuity tests and works towards fulfilling any gaps towards preparedness in order to have a contingency measure in the event of a disaster.

FINANCIAL REVIEW

2015 Statement of Income

The net profit of KD 46.2 million attributable to shareholders of the Bank was 5.98% lower than KD 49.1 million for 2014, last year included KD 15 million one off gain on sale of equity investment . Earnings per share were 32.7 fils compared to 34.9 fils for the last year.

Net interest income of KD 83.3 million was lower by KD 1.2 million compared to KD 84.5 million for 2014. The average yield on interest earning assets declined to 2.82% from 2.92% in 2015. The average cost on interest bearing liabilities marginally increased from 0.72% to 0.73% during 2015. The Bank's net spread was 2.09% and the net interest margin was 2.17%. Decrease in net interest income is attributable to the Bank's policy to increase stable funding and diversification of loan portfolio by geography and economic sector, moreover loans written off during 2015 was another cause of decline.

Fees and commissions increased by KD 1.8 million (or 5.58%) to KD 34.2 million. Dividend income of KD 4.7 million was higher by KD 2.5 million compared to 2014.

Gain on disposal of assets pending sale contributed to income statement KD 5.7 million compared to KD 0.6 million in 2014. These assets were acquired in previous years under debt to asset swap agreements.

Staff expenses of KD 19.2 million were maintained at the level of 2014. General and administration expenses for 2015 were higher by KD 1.1 million (5.69% of 2013).

The charge for Impairment and other provisions for credit facilities and investments was KD 51.0 million for 2015, a decrease of KD 7.3 million compared to the KD 58.4 million of 2014. The impairment and provision charge was net of recoveries KD 25.7 million against previously written off loans. The provision reserve at year end 2015 was KD 125 million.

The Bank continues to enforce a strict credit policy and complies fully with the Central Bank of Kuwait provisioning requirements. The provision coverage ratio at year end 2015 including general provisions was 571.3% of non-performing loans. Non-performing loans of KD 21.9 million were 0.90% of total loans.

2015 Balance Sheet

Total assets decreased by KD 175.4 million or 4.2% of 2014. The Loans and advances net of provisions decreased by KD 22.2million, though a loan of KD 90 million was written off during the year but the decline was compensated by new loans to projects of national importance. The overall customer deposits decreased by KD 8.1 million while sight deposits increased by KD 24.8 million.

The capital adequacy ratio under Basel III regulations 18.39%, leverage ratio 11.51% and liquidity coverage ratio of 138.5 % comfortably exceeds the minimum requirement of 12.5%, 3.0% and 100.0% respectively set by the Central Bank of Kuwait.

Dividends and Proposed Appropriations

Subject to approval by the Shareholders at the Annual General Meeting, the Board of Directors has recommended that the Net profit for the year attributable to shareholders of the Bank of KD 46.2 million will be distributed as follows:

Cash dividend of 13 fils per share (2014: 18 fils) KD 18.2 million
Bonus share of 6 shares for every hundred shares (2014: nil) KD 8.4 million
KD 19.4 million transfer to retained earnings.

FINANCIAL INFORMATION

31 December 2015

INDEPENDENT AUDITORS´ REPORT TO THE SHAREHOLDERS OF COMMERCIAL BANK OF KUWAIT K.P.S.C.

Introduction

We have audited the accompanying consolidated financial statements of Commercial Bank of Kuwait K.P.S.C. ('the Bank') and its subsidiary (together 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2015 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted for use by the State of Kuwait.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/BS/IBS/336/2014 dated 24 June 2014 and 2/BS/342/2014 dated 21 October 2014 respectively, Companies Law No. 25 of 2012, as amended; and by the Bank›s Memorandum of Incorporation and Articles of Association; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violation of Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by CBK as stipulated in CBK Circular Nos. 2/BS/IBS/336/2014 dated 24 June 2014 and 2/BS/342/2014 dated 21 October 2014 respectively, Companies Law No. 25 of 2012, as amended; and by the Bank›s Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit, 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 organisation of banking business, and its related regulations, during the year ended 31 December 2015 that might have had a material effect on the business of the Group or on its financial position.

Talal Y. Al-Muzaini
License No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Dr. Shuaib A. Shuaib
License No. 33A
RSM Albazie & Co.

26 January 2016
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2015

ASSETS	Note	2015 KD 000's	2014 KD 000's
Cash and short term funds	3	**682,469**	525,302
Treasury and Central Bank bonds	4	**332,575**	363,883
Due from banks and other financial institutions	5	**265,681**	701,745
Loans and advances	6	**2,297,466**	2,319,664
Investment securities	7	**338,888**	208,934
Premises and equipment		**30,234**	30,000
Intangible assets	9	**9,809**	9,809
Other assets	10	**80,229**	53,426
TOTAL ASSETS		**4,037,351**	4,212,763
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**166,904**	324,579
Due to other financial institutions		**627,232**	679,492
Customer deposits		**2,546,163**	2,554,251
Other liabilities	11	**120,327**	100,669
TOTAL LIABILITIES		**3,460,626**	3,658,991
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		**141,194**	141,194
Proposed bonus shares		**8,472**	-
Treasury shares		**(2,822)**	-
Reserves		**258,497**	253,453
Retained earnings		**152,077**	132,646
		557,418	527,293
Proposed dividend		**18,282**	25,415
		575,700	552,708
Non-controlling interests		**1,025**	1,064
TOTAL EQUITY	12	**576,725**	553,772
TOTAL LIABILITIES AND EQUITY		**4,037,351**	4,212,763

Elham Y. Mahfouz

Ali Mousa M. Al Mousa
Chairman

Elham Yousry Mahfouz
Chief Executive Officer

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2015

	Note	**2015 KD 000's**	2014 KD 000's
Interest income	13	**108,443**	109,258
Interest expense		**(25,138)**	(24,729)
NET INTEREST INCOME		**83,305**	84,529
Fees and commissions		**34,198**	32,390
Net gain from dealing in foreign currencies		**4,599**	5,547
Net gain from investment securities	14	**2,427**	17,787
Dividend income		**4,708**	2,230
Gain on disposal of assets pending sale		**5,714**	613
Other operating income		**1,273**	1,267
OPERATING INCOME		**136,224**	144,363
Staff expenses		**(19,187)**	(19,122)
General and administration expenses		**(15,743)**	(14,639)
Depreciation and amortisation		**(2,076)**	(850)
OPERATING EXPENSES		**(37,006)**	(34,611)
OPERATING PROFIT BEFORE PROVISIONS		**99,218**	109,752
Impairment and other provisions	15	**(51,004)**	(58,377)
PROFIT BEFORE TAXATION		**48,214**	51,375
Taxation	16	**(2,064)**	(2,217)
NET PROFIT FOR THE YEAR		**46,150**	49,158
Attributable to:			
Shareholders of the Bank		**46,185**	49,122
Non-controlling interests		**(35)**	36
		46,150	49,158
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	17	**32.7**	34.9

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	KD 000's	KD 000's
Net profit for the year	**46,150**	49,158
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to consolidated statement of income:		
Changes in fair value of investment securities	**5,748**	(27,746)
Net loss on disposal / impairment of investment securities	**(1,839)**	(25,845)
Items that will not be reclassified subsequently to consolidated statement of income:		
Property revaluation gain	**1,131**	417
	5,040	(53,174)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**51,190**	(4,016)
Attributable to:		
Shareholders of the Bank	**51,229**	(4,042)
Non-controlling interests	**(39)**	26
	51,190	(4,016)

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	KD 000's														
	Attributable to shareholders of the Bank														
				Reserves											
	Share capital	Proposed bonus shares	Treasury shares	Share premium	Statutory reserve	General reserve	Treasury shares reserve	Property revaluation reserve	Investment valuation reserve	Total reserves	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total
Balance as at 1 January 2014	127,202	13,992	(4,018)	66,791	63,601	17,927	45,603	24,530	81,392	299,844	115,940	8,864	561,824	1,083	562,907
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	417	(53,581)	(53,164)	49,122	-	(4,042)	26	(4,016)
Transfer to statutory reserve	-	-	-	-	6,996	-	-	-	-	6,996	(6,996)	-	-	-	-
Issue of bonus shares	13,992	(13,992)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(1,937)	-	-	-	-	-	-	-	-	-	(1,937)	-	(1,937)
Sale of treasury shares	-	-	5,955	-	-	-	(223)	-	-	(223)	-	-	5,732	-	5,732
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(8,869)	(8,869)	(45)	(8,914)
Dividend on treasury share sold	-	-	-	-	-	-	-	-	-	-	(5)	5	-	-	-
Proposed dividend (note 12)	-	-	-	-	-	-	-	-	-	-	(25,415)	25,415	-	-	-
Balance as at 31 December 2014	141,194	-	-	66,791	70,597	17,927	45,380	24,947	27,811	253,453	132,646	25,415	552,708	1,064	553,772
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,131**	**3,913**	**5,044**	**46,185**	**-**	**51,229**	**(39)**	**51,190**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**45,380**	**-**	**(45,380)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchase of treasury shares	**-**	**-**	**(2,822)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,822)**	**-**	**(2,822)**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,415)**	**(25,415)**	**-**	**(25,415)**
Proposed dividend (note 12)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,282)**	**18,282**	**-**	**-**	**-**
Proposed bonus shares (note 12)	**-**	**8,472**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,472)**	**-**	**-**	**-**	**-**
Balance as at 31 December 2015	**141,194**	**8,472**	**(2,822)**	**66,791**	**115,977**	**17,927**	**-**	**26,078**	**31,724**	**258,497**	**152,077**	**18,282**	**575,700**	**1,025**	**576,725**

Investment valuation reserve includes a loss of KD 5,452 thousand (31 December 2014: loss of KD 5,538 thousand) arising from foreign currency translation of the Bank›s investment in its associate.

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 KD 000's	2014 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		**48,214**	51,375
Adjustments for:			
Impairment and other provisions	15	**51,004**	58,377
Income from investment securities		**(2,427)**	(17,787)
Dividend income		**(4,708)**	(2,230)
Foreign exchange gain on investment securities		**(2,875)**	(244)
Depreciation and amortisation		**2,076**	850
Profit before changes in operating assets and liabilities		**91,284**	90,341
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		**31,308**	(22,586)
Due from banks and other financial institutions		**436,064**	(307,977)
Loans and advances		**(24,991)**	(25,850)
Other assets		**(27,645)**	(5,567)
Due to banks		**(157,675)**	130,274
Due to other financial institutions		**(52,260)**	188,190
Customer deposits		**(8,088)**	(76,200)
Other liabilities		**15,593**	17,780
Net cash from (used in) operating activities		**303,590**	(11,595)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		**15,370**	130,220
Acquisition of investment securities		**(137,085)**	(24,178)
Dividend income from investment securities		**4,708**	2,230
Proceeds from disposal of premises and equipment		**13**	57
Acquisition of premises and equipment		**(1,192)**	(2,933)
Net cash (used in) from investing activities		**(118,186)**	105,396
FINANCING ACTIVITIES			
Purchase of treasury shares		**(2,822)**	(1,937)
Proceeds from sale of treasury shares		**-**	5,732
Dividend paid		**(25,415)**	(8,869)
Dividend paid to non-controlling interest		**-**	(45)
Net cash used in financing activities		**(28,237)**	(5,119)
Net increase in cash and short term funds		**157,167**	88,682
Cash and short term funds as at 1 January		**525,302**	436,620
Cash and short term funds as at 31 December	3	**682,469**	525,302

The attached notes 1 to 25 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

1- INCORPORATION AND REGISTRATION

The Commercial Bank of Kuwait K.P.S.C. ("the Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a bank with the Central Bank of Kuwait (CBK) and is listed on the Kuwait Stock Exchange (KSE). The registered address of the Bank is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Bank and its subsidiary are together referred to as "the Group" in these consolidated financial statements.

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 26 January 2016 and are issued subject to the approval of the Annual General Assembly of the Shareholders of the Bank. The Annual General Assembly of the Shareholders has the prerogative to amend these consolidated financial statements after issuance.

The principal activities of the Group are explained in note 23.

2- SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the International Accounting Standards (IAS) 39 requirement for collective provision, which has been replaced by the CBK's requirement of a minimum general provision as disclosed in accounting policy on "impairment of financial assets".

The consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation of freehold land, derivative financial instruments and financial assets classified as "at fair value through statement of income" and "available for sale".

These consolidated financial statements are presented in Kuwaiti Dinar, which is the Group's functional currency.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended Standards effective during the year:

i) IFRS 3: Business Combinations (Amendment) (effective 1 July 2014)
The amendment is applied prospectively and clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. The amendment have not resulted in any impact on the annual consolidated financial position or performance of the Group.

ii) IFRS 8: Operating Segments (Amendment) (effective 1 July 2014)
The amendments are applied retrospectively and clarify that:

a) An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g sales and gross margins) used to assess whether the segments are 'similar';

b) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12 and, thus, this amendment do not have any impact on the annual consolidated financial position or performance of the Group.

iii) IAS 24: Related Party Disclosures (Amendment) (effective 1 July 2014)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group and thus do not have any impact on the annual consolidated financial position or performance of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, consolidated financial position or performance of the Group.

The following IASB Standards have been issued / amended but are not yet mandatory, and have not been early adopted by the Group:

i) IFRS 9: Financial Instruments

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with an option to early adopt. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the annual consolidated financial position and performance of the Group, when adopted.

ii) IFRS 15: Revenue from contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

iii) Amendments to IAS 1 Disclosure Initiatives

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The standard is not expected to have any impact on the annual consolidated financial position and performance of the Group.

Annual improvements to IFRS 2012 - 2014 cycle which are effective from 1 January 2016 are not expected to have a material impact on the Group. The Group intends to adopt these standards when they become effective.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and a subsidiary (note 18) as at 31 December each year.

Subsidiaries are those entities controlled by the Bank. Control is achieved when the Bank has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of subsidiaries are included in these consolidated financial statements on a line-by-line basis, from the date on which the control is transferred to the Group until the date that such control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intra-group balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intra-group transactions are also eliminated in full.

Non-controlling interests represents the equity in the subsidiaries not attributable directly, or indirectly, to the equity holders of the Bank. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. Losses within a subsidiary are attributed to the non controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Bank's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Associates

Associates are entities over which the Group has significant influence but not control which is the power to participate in the financial and operating policy decisions of the associate.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, uniform accounting polices for similar transactions and other events in similar circumstances are used.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income; its share of post-acquisition equity movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment annually.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained portion of the investment and proceeds from disposal is recognised in consolidated statement of income.

After the application of the equity method, the Group determines whether it is necessary to recognise impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

(d) Financial instruments

(i) Classification and measurement

Financial instruments comprises of "financial assets" and "financial liabilities. The Group classifies its financial assets as "at fair value through statement of income", "held to maturity", "loans and receivables" and "available for sale". Financial liabilities are classified as "other than at fair value through statement of income".

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and short term funds, Treasury and Central Bank bonds, Due from (to) banks and other financial institutions, Loans and advances, Investment securities, customer deposits and certain balances included in other assets and other liabilities.

All financial assets are initially recognised at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, except for financial assets classified as "at fair value through statement of income". Management determines the appropriate classification of each instrument at the time of acquisition.

Cash and short term funds

Cash and short term funds comprise cash in hand and current accounts with banks, balances with the CBK and deposits with banks maturing within seven days.

At fair value through statement of income

Financial assets "at fair value through statement of income" are further divided into two sub categories: "held for trading" and "designated at fair value through statement of income at inception". A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets are designated by management upon initial recognition "as at fair value through statement of income", if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Derivative instruments are categorised as "held for trading" unless they are designated as hedging instruments. Financial assets "at fair value through statement of income" are subsequently remeasured at fair value and gains or losses arising from changes in fair value are included in the consolidated statement of income.

Held to maturity

These are non-derivative financial assets "other than loans and receivables" with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These are subsequently remeasured and carried at amortised cost, less any provision for impairment.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently remeasured and carried at amortised cost, less any provision for impairment.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and are principally acquired to be held for an indefinite period of time; which may be sold in response to needs for liquidity or changes in interest rates or equity prices. These are subsequently remeasured and carried at fair value.

Any resultant unrealised gains and losses arising from changes in fair value are taken to other comprehensive income in the consolidated statement of comprehensive income. When the "available for sale" financial asset is disposed off or impaired, any prior fair value adjustments earlier reported in the other comprehensive income are transferred to the consolidated statement of income.

Financial liabilities

Financial liabilities are classified as "other than at fair value through statement of income". These are subsequently measured at amortised cost using the effective yield.

(ii) Recognition and de-recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All 'regular way' purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in income in accordance with the policy applicable to the related instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset is derecognised

1) when the contractual rights to the cash flows from the financial asset expire or;
2) when the Group has transferred substantially all the risks and rewards of ownership or;
3) when it has neither transferred nor retained substantially all risks and rewards of ownership and it no longer has control over the asset or portion of the asset.

If the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognised when the obligation specified in the contract is discharged.

(iii) Derivative financial instruments and hedge accounting

Where derivative contracts are entered into by specifically designating such contracts as a fair value hedge or a cash flow hedge of a recognised asset or liability, the Group accounts for them using hedge accounting principles, provided certain criteria are met.

Changes in the fair value of derivatives that are fair value hedges are recorded in the consolidated statement of income, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

The effective portion of changes in the fair value of derivatives that are cash flow hedges are recognised in the hedge reserve in equity and transferred to the consolidated statement of income when the hedged transaction affects the consolidated statement of income. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated statement of income. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity. When the forecast transaction is no longer expected to occur, the cumulative gain / loss is transferred to the consolidated statement of income.

If such derivative transactions, while providing effective economic hedges under the Group's risk management policies do not qualify for hedge accounting under the specific rules of IAS 39, they are treated as derivatives held for trading. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated financial position. The resultant gains and losses are included in the consolidated statement of income.

(iv) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances on behalf of its customers. Financial guarantees are initially recognised as a liability in the consolidated statement of financial position at fair value, being the fee and commission received. The fee and commission received is amortised over the life of the guarantee and recognised in the consolidated statement of income. The guarantee liability is subsequently carried at initial measurement, less amortisation. When a payment under the guarantee liability is likely to become payable, the present value of the net expected cash flows, less the unamortised fee and commission is charged to the consolidated statement of income.

(v) Renegotiated loans

Loans may be renegotiated by the Group by agreeing to new loan conditions. Once the terms of the loan are renegotiated, the new terms will determine whether these loans remain past due. Such loans continue to be subject to an individual or collective impairment.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(vii) Asset pending sale

The Group occasionally acquires assets in settlement of certain loans and advances. Such assets are stated at the lower of the carrying value of the related loans and advances and the current fair value. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

(viii) Fair values

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.

For financial instruments traded in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value for investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price or net asset value.

The fair value of interest bearing financial instruments which are not traded in an active market is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics and dealer price quotations. The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, is the amount payable on demand.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using the prevailing market rate or internal pricing models.

The fair value of unquoted equity instruments is determined by reference to the market value of a similar investment, on the estimated discounted cash flows, adjusted net asset value, other appropriate valuation models or dealer price quotations. When the fair values of unquoted equity investments can not be measured reliably, these are stated at cost less impairment losses, if any.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(ix) Amortised cost

Amortised cost is computed by taking into account any discount or premium on acquisition of the financial instrument, and fees and costs that are an integral part of the effective interest rate.

(x) Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event has an impact on the estimated future cash flows of the specific financial asset or group of financial assets that can be reliably estimated. The Group assesses whether objective evidence of impairment exists on an individual basis for significant assets and collectively for others. The criteria that the Group uses to determine whether there is objective evidence of impairment include:

i) Financial assets carried at amortised cost

(A) overdue debit balance in the current account has been constantly showing an excess of 10% of the borrower's overdraft limit;
(B) overdue debit balance without an authorised limit, irrespective of the value of such a debit balance;
(C) credit facilities have expired and have not been renewed or extended in light of the outcome of the borrower's financial position;
(D) installments of the loan have not been repaid on their respective due dates;
(E) deterioration of the borrower's guarantor's financial position;
(F) the borrower violates any of the agreed covenants, which may adversely affect the credit;
(G) the borrower or guarantor is placed under liquidation or bankruptcy;
(H) evident facts indicate potential crystallization of the borrower's non-cash facility without timely reimbursement;
(I) the borrower is in default in payment of any obligation to other banks or financial institutions;
(J) legal action initiated by any other bank or financial institution against the borrower or guarantor for recovery of any credit facility.
(K) reduced activity in the borrower's account so that:
  1) there are no credits in the account for the last six months even if the outstanding is within the overdraft limit.
  2) credits in the account during the year are insufficient to cover the interest debited.
(L) irregularities in documentation which may affect the prospects of recovery of the loan.

The amount of impairment loss for financial assets carried at amortised cost such as loans and advances, is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of income in impairment charges for credit losses.

In addition, in accordance with the CBK's instructions, a minimum general provision of 1% for cash credit facilities and 0.5% for non cash credit facilities not subject to specific provision and net of certain categories of collateral, is made.

When a loan is not collectible, it is written off against the related allowance account for impairment.

ii) Financial assets classified as available for sale

In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the financial assets are impaired. If any such evidence exists for financial assets classified as available for sale, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of income. If in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated statement of income, the impairment loss shall be reversed, with the amount of the reversal recognised in the consolidated statement of income. Impairment losses recognised on available for sale equity investments are not reversed through the consolidated statement of income.

(e) Premises and equipment

Freehold land is stated at fair value and is not depreciated. Fair value is determined by annual appraisals of market value and is performed by independent experts. An increase in the carrying amount of an asset as a result of revaluation is taken to property revaluation reserve through consolidated statement of comprehensive income. A decrease in the carrying amount of an asset as a result of revaluation is recognized as an expense in the consolidated statement of income. However, a revaluation decrease is charged directly to the property revaluation reserve to the extent that the decrease does not exceed the amount held in reserve for that asset. The balance in this reserve is taken directly to retained earnings upon disposal of property.

Buildings and other assets are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write down the cost of such assets over their estimated useful lives as follows:

Buildings	up to 20 years
Leasehold improvements	up to 3 years
Furniture and equipment	up to 5 years
Computer hardware and software	up to 5 years

Premises and equipment are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of income.

(f) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets held for sale are measured at the lower of carrying amount and the fair value less costs to sell. Non-current assets, once classified as held for sale, are not depreciated or amortised.

(g) Intangible assets

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets with indefinite useful lives are not subject to amortization but tested for impairment annually and whenever there is an indication that the asset may be impaired. Intangible assets which have a finite life are amortized over their useful lives.

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so much that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Treasury shares

The Bank's holding in its own shares is stated at acquisition cost. Treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are reissued, gains are credited to a treasury shares reserve in equity, which is not distributable.

Any realised losses are charged to a treasury share reserve to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve. These shares are not entitled to any cash dividend that the

Bank may propose. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

(i) Revenue recognition

Interest income and expense for all interest bearing financial instruments are recognised using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses.

Once a financial asset or a group of financial assets has been impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income earned for the provision of services over a period of time are accrued over that period. Other fee and commission income are recognised as and when the services are provided. Asset management fees are recognised over the period in which the service is provided.

Dividend income is recognised when the right to receive payment is established.

(j) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinar at rates of exchange prevailing at value dates of the transactions. Monetary assets and liabilities in foreign currencies and forward foreign currency transactions outstanding at the date of the consolidated statement of financial position are translated into Kuwaiti Dinar at rates of exchange prevailing at the date of consolidated statement of financial position. Any resultant gains or losses are taken to the consolidated statement of income.

In the case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income and net investment in foreign operation, foreign currency exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised directly in the income statement, foreign currency exchange differences are recognised in the consolidated statement of income.

(k) End of service pay

The Group is liable under Kuwait Labour Law to make payments to employees for post-employment benefits in respect of defined benefit plans. This liability is finally computed and fully settled at the end of an employee’s service.

The Group recognizes this cost as an expense of the year and is calculated based on the accumulated period of service as on the date of consolidated statement of financial position. The Group considers this to be a reliable approximation of the present value of this obligation.

(l) Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments

(m) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group.

(n) Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining amounts recognised in the consolidated financial statements. The most significant are as follows:

Judgments

Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income", "held to maturity", "loans and receivables" or "available for sale". The Group follows the guidance of IAS 39 in classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of selling in the short term or if so designated by management upon initial recognition when they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Debt securities which are not quoted in an active market are classified as "loans and receivables". All other investments are classified as "available for sale".

Impairment of investments
The Group treats "available for sale" equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. The Group evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance; changes in technology; and operational and financing cash flows.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the date of consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment losses on loans and advances and investment in debt instruments
The Group reviews problem loans and advances and investments in debt instruments on a quarterly basis to assess whether a loss for impairment should be recognised in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment loss required.

Valuation of unquoted equity investments
Valuation techniques for unquoted investment securities are based on estimates such as expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; recent arm's length market transactions; current fair value of another instrument that is substantially the same; adjusted net asset value of the investee; or other relative valuation models.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions, may have an impact on the carrying value of loan losses and fair values of unquoted equity investments.

Impairment of intangible assets

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset. Estimating a "value in use" requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present value of the cash flows.

3- CASH AND SHORT TERM FUNDS

	2015	2014
	KD 000's	KD 000's
Cash and cash items	**169,757**	89,041
Balances with the CBK	**1,221**	31,063
Deposits with banks maturing within seven days	**511,491**	405,198
	682,469	525,302

Cash and short term funds are classified as «loans and receivables».

4- TREASURY AND CENTRAL BANK BONDS

	2015	2014
	KD 000's	KD 000's
Treasury bonds	**163,815**	152,687
Central Bank bonds	**168,760**	211,196
	332,575	363,883

Treasury and Central Bank bonds are classified as "loans and receivables". These are bought from and sold to the CBK as part of the Group's liquidity management.

Treasury bonds issued by the CBK carry a fixed rate of interest until maturity. Central Bank bonds are issued at a discount by the CBK and carry a fixed yield to maturity.

5- DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015	2014
	KD 000's	KD 000's
Placements with banks	**232,310**	694,445
Loans and advances to banks	**33,708**	7,374
	266,018	701,819
Less: Provision for impairment	**(337)**	(74)
	265,681	701,745

Due from banks and other financial institutions are classified as "loans and receivables".

6- LOANS AND ADVANCES

(a) Classification

Loans and advances are classified as “loans and receivables”. The Group’s assessment of the credit risk concentration, based on the primary purpose of the loans and advances given, is provided below:

As at 31 December 2015

	KD 000’s				
	Kuwait	**Asia**	**Europe**	**Others**	**Total**
Trade and commerce	**509,687**	**20,511**	**-**	**-**	**530,198**
Construction and real estate	**691,160**	**11,373**	**-**	**-**	**702,533**
Other financial institutions	**124,811**	**85,588**	**3,665**	**-**	**214,064**
Retail customers	**446,172**	**-**	**-**	**-**	**446,172**
Others	**521,830**	**29**	**-**	**7,641**	**529,500**
	2,293,660	**117,501**	**3,665**	**7,641**	**2,422,467**
Less: Provision for impairment					**(125,001)**
					2,297,466

As at 31 December 2014

	KD 000’s				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	466,621	11,586	-	-	478,207
Construction and real estate	745,744	-	-	-	745,744
Other financial institutions	136,002	82,174	-	-	218,176
Retail customers	444,322	-	-	-	444,322
Others	574,438	-	-	7,334	581,772
	2,367,127	93,760	-	7,334	2,468,221
Less: Provision for impairment					(148,557)
					2,319,664

During the year 2013, the Ministry of Finance established the Family Support Fund (the "Fund") under Law No. 104/2013 to purchase outstanding balance of installment and consumer loans from the Banks as on 12 June 2013 for loans granted before 30 March 2008. Accordingly, CBK issued a Circular no. 2/BS,IS/305/2013 to all local banks and investment companies regarding formation of the Fund. The Bank has identified such loans amounting to KD 38,818 thousand and submitted report to CBK for approval, as required by the circular. Interest income on such loans is not recognised from 12 June 2013. At the reporting date, loans amounting to KD 32,412 thousand (2014: KD 31,118 thousand) have been settled.

(b) Movement in provisions for loans and advances

	2015 KD 000's			2014 KD 000's		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	13,893	134,483	148,376	17,983	103,048	121,031
Written-off	(96,208)	-	(96,208)	(19,896)	-	(19,896)
Exchange differences	-	43	43	-	34	34
Recoveries	25,730	-	25,730	24,111	-	24,111
Ceded to Central Bank	(1)	-	(1)	(11)	-	(11)
(Released) / charged to consolidated statement of income	73,180	(26,254)	46,926	(8,294)	31,401	23,107
Provisions 31 December	16,594	108,272	124,866	13,893	134,483	148,376

The policy of the Group for calculation of the impairment provisions for loans and advances complies in all material respects with the specific provision requirements of the CBK.

The specific and general provision for cash credit facilities amounting to KD 124,866 thousand (2014: KD 148,376 thousand) also includes an additional provision amounting to KD 78,500 thousand (2014: KD 104,500 thousand) which is over and above the CBK's minimum general provision requirements. The Group has also suspended interest amounting to KD 135 thousand (2014: KD 181 thousand) on impaired loans. The available provision for non-cash credit facilities of KD 8,488 thousand (2014: KD 7,016 thousand) is included in other liabilities.

(C) Non-performing loans

	2015 KD 000's	2014 KD 000's
Loans and advances	21,877	19,765
Collaterals	6,937	7,249
Available provisions	8,749	7,307

7- INVESTMENT SECURITIES

	2015 KD 000's	2014 KD 000's
Available for sale		
Debt securities -quoted	134,334	17,445
Debt securities -unquoted	24,823	24,945
Equity securities -quoted	143,842	131,307
Equity securities -unquoted	34,084	33,276
Others	1,805	1,961
	338,888	208,934

During the year, the Group recognised an unrealised gain of KD 5,748 thousand (2014: unrealised loss of KD 27,746 thousand) in the consolidated statement of comprehensive income as arising from changes in fair value and re-cycled accumulated fair valuation changes of KD 1,839 thousand (2014: KD 25,845 thousand) to the consolidated statement of income on disposal and impairment of «available for sale» investment securities. Impairment loss of KD 970 thousand (2014: KD 5,039 thousand) was also charged to the consolidated statement of income.

The Bank acquired 221,425,059 shares at a cost of KD 94,103 thousand in the year 2009 under a transaction executed through the KSE where the counterparty subsequently failed to exercise their buy back option within the agreed time frame. During 2010, the Bank participated in the rights issue and acquired 127,058,530 shares at a cost of KD 32,401 thousand and thereafter, during the years 2013 to the reporting date, the Bank received a total of 55,303,974 bonus shares. The counterparty raised a legal case challenging the Bank's ownership that is currently pending at the court of law. On the basis of interim order of the court, there is a restriction on the sale of 221,425,059 shares. There is a legal case filed by a third party, which is pending in the court. In the opinion of the Group, there is no reason to believe that this suit have an adverse impact on the Group's business. As at reporting date, the Bank holds title for 246,425,059 shares carried at a fair value of KD 107,194 thousand (31 December 2014: 248,766,598 shares at a fair value of KD 101,994 thousand). On the basis of legal counsel, management believes that they have a meritorious defense and accordingly, the Bank has fair valued the investment and recognised the resultant fair valuation gain in the Investment Valuation Reserve.

8- INVESTMENT IN AN ASSOCIATE

The Group owns a 32.26% (2014: 32.26%) interest in Al Cham Islamic Bank S.A, a private bank incorporated in the Republic of Syria, engaged in Islamic banking activities. This has been fully impaired in the prior years.

9- INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license KD 9,809 thousand (2014: KD 9,809 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2015, the carrying value of brokerage license was tested for impairment by estimating the recoverable amount of the cash generating unit to which these items are allocated using value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management over a five-year period and a relevant terminal growth rate of 2.72% (2014: 2.90%). These cash flows were then discounted using a pre-tax discount rate of 8.73% (2014: 8.46%) to derive a net present value which is compared to the carrying value. The discount rate used is pre-tax and reflects specific risks relating to the relevant cash generating unit. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. Based on such analysis, there are no indications that brokerage license is impaired (2014: KD nil).

10- OTHER ASSETS

	2015 KD 000's	2014 KD 000's
Accrued interest receivable	**1,567**	1,142
Other receivables	**78,662**	52,284
	80,229	53,426

Other assets are classified as "loans and receivables".

Other receivables include assets pending sale amounting to KD 66,379 thousand (2014: KD 14,010 thousand) that was obtained through the settlement of loans and advances.

11- OTHER LIABILITIES

	2015 KD 000's	2014 KD 000's
Accrued interest payable	**10,192**	10,917
Deferred income	**18,985**	4,622
Provision for non-cash facilities & others	**40,462**	38,988
Staff related accruals	**3,493**	3,183
Others	**47,195**	42,959
	120,327	100,669

12- EQUITY

(a) Share capital

The share capital comprises of 1,411,944,804 (2014: 1,411,944,804) authorized, subscribed and fully paid ordinary shares of 100 fils each. For detailed qualitative disclosure on capital management, please refer to note II "Capital adequacy" of the Public Disclosures on Capital Adequacy Standard.

(b) Treasury shares

	2015	2014
Number of treasury shares	**5,637,773**	-
Percentage of total shares issued	**0.40%**	-
Cost of shares (KD 000's)	**2,822**	-
Fair value of shares (KD 000's)	**2,819**	-
Weighted average fair value per treasury share (fils)	**509**	-

Movement in treasury shares are as follows:

	No. of shares	
	2015	2014
Balance as at 1 January	**-**	5,669,133
Purchases	**5,637,773**	2,859,138
Bonus issue	**-**	546,700
Sales	**-**	(9,074,971)
Balance as at 31 December	**5,637,773**	-

The Board of Directors has been given the authority to purchase treasury shares up to a maximum of 10% of the share capital of the Bank.

An amount equal to the cost of treasury shares is not available for distribution from general reserve throughout the holding period of these treasury shares.

(c) Share premium

This represents the excess over the nominal value collected on the issue of shares and is not available for distribution.

(d) Statutory and general reserves

In accordance with the Companies Law and the Bank's Articles of Association, the Bank has resolved not to transfer any amount (2014: KD 6,996 thousand) from the current year profit to statutory reserve as the statutory reserve has exceeded 50% of the share capital. During the year, the Bank transferred KD 45,380 thousand from treasury shares reserve to statutory reserve after receiving CBK approval and as allowed by Capital Markets Authority resolution on treasury shares issued in August 2013.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of upto 5% of share capital in years when accumulated profits are not sufficient for the payment of dividend.

The general reserve was created in accordance with the Bank's Articles of Association and is available for distribution. During the years 2015 and 2014 there were no transfers to general reserve.

(e) Property revaluation reserve

This represents surplus arising from the revaluation of property.

(f) Investment valuation reserve

This represents gains or losses arising from changes in the fair value of "available for sale" investment securities. The balance in this reserve is transferred to the consolidated statement of income when the underlying assets are disposed off or impaired.

(g) Proposed dividend and bonus shares

Annual General Assembly of the shareholders' held on 04 April 2015 approved to distribute cash dividend of 18 fils per share (2013: 7 fils per share) and nil bonus shares (2013: 11%) for the year 2014.
The Board of Directors has proposed a cash dividend of 13 fils per share (2014: 18 fils per share) and 6 bonus shares for every 100 shares held (2014: nil). This proposal is subject to shareholders' approval and shall be payable to the shareholders registered in the Bank's records as of the date of the Annual General Assembly.

13- INTEREST INCOME

Interest income includes a release of KD 624 thousand (2014: KD 633 thousand) due to adjustments arising from revised estimates of future cash flows, discounted at the original contracted rates of interest from a portfolio of performing loans that have had their terms modified during the year 2007 and 2008, as per Central Bank circulars 2/202BS RSA/2007 dated February 13, 2007 and 2/105 dated April 23, 2008.

14- NET GAIN FROM INVESTMENT SECURITIES

	2015	2014
	KD 000's	KD 000's
Realised gain on sale of investments at fair value through statement of income	**-**	12
Realised gain on sale of investments classified as available for sale	**2,427**	17,775
	2,427	17,787

15- IMPAIRMENT AND OTHER PROVISIONS

The following amounts were (charged) / released to the consolidated statement of income:

	2015	2014
	KD 000's	KD 000's
Loans and advances - specific	**(98,910)**	(15,817)
Loans and advances - recoveries	**25,730**	24,111
Loans and advances - general	**25,991**	(31,475)
Investment securities	**(970)**	(5,039)
Non cash facilities	**(1,464)**	149
Other provisions	**(1,381)**	(30,306)
	(51,004)	(58,377)

16- TAXATION

	2015	2014
	KD 000's	KD 000's
National Labour Support Tax (NLST)	**(1,139)**	(1,276)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	**(485)**	(443)
Zakat	**(440)**	(498)
	(2,064)	(2,217)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year.

The Group calculates the contribution to KFAS at 1% of profit for the year, in accordance with the calculation based on the Foundation's Board of Directors resolution, which states that the Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58 of 2007.

17- EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of shares outstanding during the year.

	2015	2014
Net profit for the year attributable to shareholders of the Bank (KD 000's)	**46,185**	49,122
Weighted average of authorised and subscribed shares (numbers in 000's)	**1,411,945**	1,411,945
Less: Weighted average of treasury shares held (numbers in 000's)	**(339)**	(5,983)
	1,411,606	1,405,962
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	**32.7**	34.9

18- SUBSIDIARY

			% of Ownership	
Name of Entity	Country of Incorporation	Principal Business	**2015**	2014
Al-Tijari Financial Brokerage Company K.S.C. (Closed) (Formerly Union Securities Brokerage Company K.S.C. (Closed))	Kuwait	Brokerage services	**%80**	%80

19- RELATED PARTY TRANSACTIONS

During the year, certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions are approved by the Group's management. The balances at the date of consolidated statement of financial position are as follows:

	2015			2014		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
Board of Directors						
Loans	2	-	98	-	-	-
Credit cards	-	-	-	-	-	-
Deposits	9	-	239	9	-	211
Executive Managemen						
Loans	6	-	41	8	-	81
Credit cards	7	1	15	6	2	15
Deposits	12	-	435	13	2	360

The loans issued to directors, key management personnel and related members are repayable within 5 to 10 years and have interest rates ranging from 0% to 5% (2014: 0%).

Details of compensation for key management including remuneration of the Chief Executive Officer amounting to KD 179 thousand (31 December 2014 KD: 127 thousand) are as follows:

	2015 KD 000's	2014 KD 000's
Salaries and other short-term benefits	939	994
Post employment benefits	3	5
End of service benefits	46	122

The remuneration to the Chairman and members of the Board of Directors is KD 300 thousand (31 December 2014: KD 300 thousand) and KD 229 thousand (31 December 2014: KD 229 thousand) respectively for assignments performed by them related to the Board Committees.

The disclosures relating to the capital adequacy regulations issued by CBK as stipulated in CBK circular number 2/BS// IBS/336/2014 dated 24 June 2014 are included under note XI, "Remuneration", of the Public Disclosures on Capital Adequacy Standard.

20- FAIR VALUES 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. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having short-term maturity (less then three months) it is assumed that the carrying amount approximates to their fair value. The assumption is also applied to demand deposits, saving accounts without the specific maturity and variable rate financial instruments.

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

The techniques and assumptions used to determine fair values of financial instruments are described in the fair value section of note 2(ix): "Significant Accounting Policies".

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

	2015			
	KD 000's			
Financial Instruments	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through statement of income:				
Derivative financial instruments (note 21)	**-**	**(1,323)**	**-**	**(1,323)**
Financial assets available for sale:				
Equity securities	**143,842**	**34,084**	**-**	**177,926**
Debt securities	**134,334**	**24,823**	**-**	**159,157**
Others	**-**	**1,805**	**-**	**1,805**
	278,176	**60,712**	**-**	**338,888**

During the year ended 31 December 2015, there were no transfers between level 1, level 2 and level 3.

	2014			
	KD 000's			
Financial Instruments	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through statement of income:				
Derivative financial instruments (note 21)	-	(16,039)	-	(16,039)
Financial assets available for sale:				
Equity securities	131,307	33,276	-	164,583
Debt securities	17,445	24,945	-	42,390
Others	-	1,961	-	1,961
	148,752	60,182	-	208,934

21- FINANCIAL INSTRUMENTS

(a) Strategy in using financial instruments

As a commercial bank, the Group's activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates and for various periods and seeks to invest these funds in high quality assets at a fair interest margin while maintaining sufficient liquidity to meet the Group's needs.

The Group also seeks to raise interest margins through lending to commercial and retail borrowers with a range of credit ratings. Such exposures involve not only loans and advances but also guarantees and other commitments such as letters of credit issued by the Bank.

The use of financial instruments also brings with it the associated inherent risks. The Group recognises the relationship between returns and risks associated with the use of financial instruments and the management of risks form an integral part of the Group's strategic objectives.

(b) Overall risk management

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major risk-based lines of business. The Group continuously reviews its risk management policies and practices to ensure that the Group is not subject to large asset valuation volatility and earnings volatility. For detailed qualitative disclosure on the risk management functions please refer to note V, "Risk management", of the Public Disclosures on Capital Adequacy Standard.

The Group's risk management measures are based on the specific type of risks as mentioned below:

(i) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

For detailed qualitative disclosure on the credit risk measurement please refer to note V(a),"Risk management - Credit risk", of the Public Disclosures on Capital Adequacy Standard.

(A) Credit risk concentration

The credit risk concentration within loans and advances, which form the significant portion of assets subject to credit risk, is given in note 6.

(B) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents the maximum credit risk exposure at the date of consolidated statement of financial position without taking account of any collateral and other credit enhancements.

	2015 KD 000's	2014 KD 000's
Credit exposure relating to on-balance sheet items		
Cash and short term funds	**682,469**	525,302
Treasury and Central Bank bonds	**332,575**	363,883
Due from banks and OFIs	**265,681**	701,745
Loans and advances - Corporate	**1,862,295**	1,881,349
Loans and advances - Retail	**435,171**	438,315
Debt securities	**159,157**	42,390
Other assets	**27,828**	39,416
	3,765,176	3,992,400
Credit exposure relating to off-balance sheet items		
Acceptances	**28,249**	55,495
Letters of credit	**101,051**	158,064
Letters of guarantee	**1,069,073**	905,174
	1,198,373	1,118,733
	4,963,549	5,111,133

The primary purpose of off balance sheet financial instruments is to ensure that funds are available to customers as required. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. However, the total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(C) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

For detailed qualitative disclosure on the collateral and other credit enhancements please refer to note VII " Credit risk mitigation", of the Public Disclosures on Capital Adequacy Standard.

(D) Credit quality of credit exposure

The following table represents the gross credit risk exposure by credit quality of loans and advances by class, grade and status.

	KD 000's						
	Neither past due nor impaired			Past due but not impaired		Impaired	Fair value of collateral
	Superior grade	Good	Standard grade	0 - 60 days	61 - 90 days		
As at 31 December 2015							
Banks	**-**	**-**	**33,708**	**-**	**-**	**-**	**-**
Corporate	**175,721**	**668,054**	**775,471**	**347,488**	**52**	**9,509**	**6,925**
Retail	**-**	**-**	**391,080**	**42,724**	**-**	**12,368**	**12**
	175,721	**668,054**	**1,200,259**	**390,212**	**52**	**21,877**	**6,937**
As at 31 December 2014							
Banks	-	-	7,374	-	-	-	-
Corporate	143,235	783,664	707,198	375,043	5,758	9,001	7,143
Retail	-	-	400,955	32,593	-	10,764	106
	143,235	783,664	1,115,537	407,636	5,758	19,765	7,249

The Group's risk grading system is a systematic methodology for analysing risk factors associated with the extension of credit. The Group uses the external ratings of credit rating agencies for the assessment of banks and financial institution and an internal grading for corporate customers. The parameters that are considered while risk grading the customers include financial condition and performance, quality of financial information and management, facility structure, collateral and support arrangements and country risk, where applicable. The system follows a scale of 1 to 11, with 1 being the best risk and 11 being bad. The superior, good and standard grades are determined on the following basis:

	Internal	External
Superior grade	Grades 1 to 4	Ratings AAA, AA & A
Good grade	Grades 5 & 6	Rating BBB
Standard grade	Grades 7 & 8	Below BBB and unrated

(E) Concentration of financial assets and off-balance sheet items

	2015 KD 000's		2014 KD 000's	
	Assets	**Off Balance Sheet**	Assets	Off Balance Sheet
Geographic sector				
Kuwait	**3,162,596**	**853,376**	3,236,456	806,977
Asia	**717,368**	**272,791**	892,059	248,396
Europe	**43,893**	**50,735**	21,921	55,852
USA	**1,420**	**16,779**	1,170	6,977
Others	**19,630**	**4,692**	7,338	531
	3,944,907	**1,198,373**	4,158,944	1,118,733
Industry sector				
Government	**332,574**	**-**	363,883	-
Trade and commerce	**505,290**	**270,702**	450,674	304,499
Construction and real estate	**684,444**	**600,098**	719,442	488,247
Banks and financial institutions	**1,449,515**	**253,416**	1,628,147	220,153
Others	**973,084**	**74,157**	996,798	105,384
	3,944,907	**1,198,373**	4,158,944	1,118,733

(f) Financial instruments with contractual or notional amounts that are subject to credit risk

In the ordinary course of business the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. 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 values 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 year end and are not indicative of either market or credit risk.

The fair valuation gain or loss of the derivatives held for trading is taken to the consolidated statement of income.

	KD 000's						
			Notional amount by term maturity				
	Positive fair value	Negative fair value	Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	Total
As at 31 December 2015							
Forward Foreign exchange Contracts	**945**	**2,435**	**272,556**	**41,773**	**47,364**	**-**	**361,693**
Interest Rate Swaps	**170**	**3**	**-**	**-**	**-**	**51,674**	**51,674**
	1,115	**2,438**	**272,556**	**41,773**	**47,364**	**51,674**	**413,367**
As at 31 December 2014							
Forward Foreign exchange Contracts	1,016	17,055	430,648	159,839	285,867	-	876,354
Interest Rate Swaps	-	-	-	-	-	-	-
	1,016	17,055	430,648	159,839	285,867	-	876,354

(ii) MARKET RISK

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices. For detailed qualitative disclosure on the market risk please refer to note V(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

(A) Interest rate risk

Interest rate risk arises from the difference in repricing maturities of assets and liabilities. The majority of the Group's assets and liabilities reprice within one year. The Group manages the risk by matching the repricing of assets and liabilities by setting up a tolerance limit. The exposure is regularly measured by reviewing the risk to the set tolerance limit. For detailed qualitative disclosure on the interest rate risk please refer to note V(d), "Risk management - Interest rate risk", of the Public Disclosures on Capital Adequacy Standard.

Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact on the consolidated statement of income of the Group over a period of one year as follows:

		KD 000's	
	'Basis points	**2015**	2014
Kuwaiti dinar	+ 25	**2,265**	1,891
US dollar	+ 25	**48**	729
Other currencies	+ 25	**133**	(346)
		2,446	2,274

(B) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group views itself as a Kuwaiti entity, with Kuwaiti Dinar as its functional currency. Net exposure in currency is managed by setting overall limits by the Board of Directors and regularly monitoring through technological and managerial controls. Hedging transactions are also used to manage risks in other currencies. For detailed qualitative disclosure on the currency risk refer to note V(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

The table below shows the effect on consolidated statement of income and changes in equity, as a result of strengthening in currency rate, with all other variables held constant. A negative amount reflects a potential net reduction in consolidated statement of income or changes in equity, where as a positive amount reflects a net potential increase.

		KD 000's			
		2015		2014	
	% Change in currency rates	**Statement of income**	**Equity**	Statement of income	Equity
US Dollar	**+5**	**(14)**	**5,647**	(204)	890
Euro	**+5**	**-**	**-**	9	21
Sterling Pound	**+5**	**2**	**263**	(43)	286
Australian Dollar	**+5**	**-**	**1,100**	1	-
UAE Dirham	**+5**	**(3)**	**-**	96	-
Qatari Riyal	**+5**	**9**	**-**	15	-
Others	**+5**	**12**	**-**	83	-
		6	**7,010**	(43)	1,197

(C) Equity price risk

Equity price risk is the risk that the fair value of equities fluctuate as a result of changes in the level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio. For detailed qualitative disclosure on the equity price risk please refer to note V(b),"Risk management - Market risk", of the Public Disclosure on Capital Adequacy Standard.

The effect on the consolidated statement of income and the consolidated statement of changes in equity due to possible changes in equity indices, with all other variables held constant, is as follows:

		KD 000's			
		2015		2014	
	% Change in currency rates	**Statement of income**	**Equity**	Statement of income	Equity
Kuwait Stock Exchange	**+ 5**	**-**	**7,182**	-	6,551

(iii) LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can arise from market disruptions or credit down grading which may cause certain sources of funding to dry up immediately. For more detailed disclosure on liquidity risk control please refer to note V(c),"Risk management - Liquidity risk", of the Public Disclosures on Capital Adequacy Standard.

(A) The table below summarises the maturity profile of the Group's assets and liabilities.
The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the date of consolidated statement of financial position to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of the liquid funds. It is unusual for the Group to ever completely match the maturities of their assets and liabilities since business transacted is often of uncertain term and of different type. However, the management constantly monitors its maturity profile to ensure that adequate liquidity is maintained at all times.

	KD 000's					
As at 31 December 2015	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
ASSETS						
Cash and short term funds	682,469	-	-	-	-	682,469
Treasury and Central Bank bonds	332,234	229	112	-	-	332,575
Due from banks and OFIs	73,407	44,768	92,948	21,263	33,295	265,681
Loans and advances	205,525	403,759	204,371	498,640	985,171	2,297,466
Investment securities	277,104	446	457	1,400	59,481	338,888
Premises and equipment	-	-	-	-	30,234	30,234
Intangible assets	-	-	-	-	9,809	9,809
Other assets	11,216	263	893	59	67,798	80,229
	1,581,955	449,465	298,781	521,362	1,185,788	4,037,351
LIABILITIES						
Due to banks	142,533	16,201	8,170	-	-	166,904
Due to other financial institutions	139,092	48,106	175,936	226,524	37,574	627,232
Customer deposits	1,569,497	653,043	220,218	54,487	48,918	2,546,163
Other liabilities	40,065	4,818	4,857	4,165	66,422	120,327
	1,891,187	722,168	409,181	285,176	152,914	3,460,626
Net liquidity gap	(309,232)	(272,703)	(110,400)	236,186	1,032,874	576,725

	KD 000's					
As at 31 December 2014	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
ASSETS						
Cash and short term funds	525,302	-	-	-	-	525,302
Treasury and Central Bank bonds	363,564	191	128	-	-	363,883
Due from banks and OFIs	141,322	301,760	128,915	122,497	7,251	701,745
Loans and advances	374,238	615,265	117,284	355,159	857,718	2,319,664
Investment securities	148,271	100	111	-	60,452	208,934
Premises and equipment	-	-	-	-	30,000	30,000
Intangible assets	-	-	-	-	9,809	9,809
Other assets	37,408	553	218	218	15,029	53,426
	1,590,105	917,869	246,656	477,874	980,259	4,212,763
LIABILITIES						
Due to banks	156,672	59,886	108,021	-	-	324,579
Due to other financial institutions	169,582	126,351	238,810	23,173	121,576	679,492
Customer deposits	1,576,254	438,654	408,118	127,345	3,880	2,554,251
Other liabilities	48,227	2,558	3,545	1,375	44,964	100,669
	1,950,735	627,449	758,494	151,893	170,420	3,658,991
Net liquidity gap	(360,630)	290,420	(511,838)	325,981	809,839	553,772

(B) Contractual expiry by maturity.

	KD 000's					
As at 31 December 2015	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
Contingent Liabilities	**811**	**-**	**-**	**164,386**	**1,033,176**	**1,198,373**
As at 31 December 2014						
Contingent Liabilities	135,701	330,994	145,566	132,359	374,113	1,118,733

(C) Contractual undiscounted repayment obligations by maturity.

	KD 000's					
As at 31 December 2015	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
UNDISCOUNTED LIABILITIES						
Due to banks	**142,556**	**16,205**	**8,188**	**-**	**-**	**166,949**
Due to other financial institutions	**139,208**	**48,237**	**177,122**	**229,611**	**38,351**	**632,529**
Customer deposits	**1,569,591**	**653,890**	**220,886**	**54,771**	**50,514**	**2,549,652**
Other liabilities	**40,065**	**4,818**	**4,857**	**4,165**	**66,422**	**120,327**
	1,891,420	**723,150**	**411,053**	**288,547**	**155,287**	**3,469,457**
As at 31 December 2014						
UNDISCOUNTED LIABILITIES						
Due to banks	156,694	59,923	108,383	-	-	325,000
Due to other financial institutions	169,635	126,658	239,842	23,431	125,806	685,372
Customer deposits	1,576,373	438,923	409,032	128,594	3,882	2,556,804
Other liabilities	48,227	2,558	3,545	1,375	44,964	100,669
	1,950,929	628,062	760,802	153,400	174,652	3,667,845

22- OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The business and support units have primary responsibility for identifying, assessing and managing their operational risks. They employ internal control techniques to reduce their likelihood or impact to tolerable levels within the Group's risk appetite. Where appropriate, risk is mitigated by way of insurance.

For detailed qualitative disclosure on operational risk control please refer to note V(e),"Risk management - Operational risk", of the Public Disclosures on Capital Adequacy Standard.

23- SEGMENTAL ANALYSIS

The Group operates in banking, brokerage services and investment banking activities, which is segmented between:

a) Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers
b) Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds and brokerage services.
Management monitors the operating results of these segments separately for the purpose of making decisions based on key performance indicators.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	2015	2014	**2015**	2014	**2015**	2014
Net interest income	**76,345**	76,482	**6,960**	8,047	**83,305**	84,529
Non interest income	**40,451**	33,582	**12,468**	26,252	**52,919**	59,834
Operating income	**116,796**	110,064	**19,428**	34,299	**136,224**	144,363
Impairment and other provisions	**(49,911)**	(23,113)	**(1,093)**	(35,264)	**(51,004)**	(58,377)
Net profit / (loss) for the year	**44,365**	66,879	**1,785**	(17,721)	**46,150**	49,158
Total Assets	**2,432,358**	2,343,746	**1,604,993**	1,869,017	**4,037,351**	4,212,763
Total Liabilities and Equity	**1,588,563**	1,778,561	**2,448,788**	2,440,202	**4,037,351**	4,212,763

24- OFF BALANCE SHEET ITEMS

(a) Financial instruments with contractual amounts

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

(b) Legal claims

At the date of consolidated statement of financial position certain legal claims existed against the Group and for which KD 1,974 thousand (2014: KD 1,769 thousand) has been provided.

25- CAPITAL ADEQUACY

The disclosures relating to Capital Adequacy Regulations issued by CBK as stipulated in circular number 2BS/IBS/336/2014 dated 24 June 2014 are included under the "Public Disclosures on Capital Adequacy Standard" section of the annual report.

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

The following detailed qualitative and quantitative public disclosures are being provided in accordance with Central Bank of Kuwait (CBK) rules and regulations on Capital Adequacy Standard Basel III issued through Circular No. 2/BS/IBS/336/2014 on June 24, 2014. The purpose of these disclosures is to complement the capital adequacy requirements (Pillar 1) and the supervisory review process (Pillar 2). Moreover, these disclosure requirements shall enable and allow market participants to assess key pieces of information about a licensed bank's exposure to risks and provides a consistent and understandable disclosure framework that enhances comparability.

I- Subsidiaries and significant investments

The Commercial Bank of Kuwait K.P.S.C (the "Bank") has a subsidiary, Al-Tijari Financial Brokerage Company K.S.C (Closed) (formerly Union Securities Brokerage Company K.S.C. (Closed)) - (80% owned) engaged in brokerage services and owns a 32.26% interest in Al Cham Islamic Bank S.A (an associate), a private bank incorporated in Republic of Syria engaged in Islamic banking activities.
The Bank and its subsidiary are collectively referred to as "the Group".

II- Capital structure

Share Capital – Share capital comprises of 1,411,944,804 (31 December 2014: 1,411,944,804) authorised, subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2015, the Bank held 5,637,773 treasury shares (31 December 2014: KD nil).

The Group has the following components of Tier 1 and Tier 2 capital base:

	2015 KD 000's	2014 KD 000's
a. Tier 1 capital consist of:		
i Common equity tier 1 (CET1)		
1 - Paid-up share capital	**141,194**	141,194
2 - Proposed bonus shares	**8,472**	-
3 - Share premium	**66,791**	66,791
4 - Retained earnings	**152,077**	132,646
5 -Investment valuation reserve	**31,724**	27,811
6 -Property revaluation reserve	**26,078**	24,947
7 -Statutory reserve	**115,977**	70,597
8 -General reserve	**17,927**	17,927
9 -Treasury shares reserve	**-**	45,380
10- Other intangibles	**(9,809)**	(9,809)
11- Treasury shares	**(2,822)**	-
12- Non significant investments in banking, financial and insurance entities	**-**	-
13- Significant investments in banking, financial and insurance entities	**(22,434)**	(20,245)
Total	**525,175**	497,239

	2015 KD 000's	2014 KD 000's
(ii) Additional tier 1		
Non-controlling interests in consolidated subsidiaries	**1,025**	1,064
Total	**1,025**	1,064
Total tier 1 capital	**526,200**	498,303
Tier 2 capital.		
General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	**36,376**	35,152
Total tier 2 capital	**36,376**	35,152
Total eligible capital	**562,576**	533,455

III- Capital adequacy

The Standardised Approach has been adopted for computation of capital charge for credit risk, market risk and operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to CBK. The Group has in place a framework for planning, assessing and reporting for capital adequacy and to ensure that the present and future operations of the Group are supported by adequate capital at all times. The Group monitors its capital adequacy against higher internal floor limits. In addition, evaluation of any strategic initiative necessarily includes appraisal of capital adequacy requirements. Internal assessment of capital has been enhanced through introduction of a framework for measuring economic capital for each risk type and on an enterprise-wide basis.

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

A. Capital requirement

	2015			2014		
	Gross exposures	Net risk weighted assets	Gross exposures	Gross exposures	Net risk weighted assets	Gross exposures
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
1 - Claims on sovereigns	333,795	-	-	394,946	-	-
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	7,628	3,814	496	7,335	3,667	477
5 - Claims on banks	1,156,616	323,991	42,119	1,320,072	365,681	47,538
6 - Claims on corporates	2,853,754	1,722,129	223,877	2,783,136	1,555,098	202,163
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	169,758	-	-	123,050	-	-
9 - Regulatory retail	460,285	441,904	57,448	493,899	448,199	58,266
10- RHLs eligible for 35% RW	-	-	-	-	-	-
11- Past due exposure	13,426	6,803	884	62,529	33,497	4,355
12- Other assets	272,851	334,448	43,478	255,650	302,080	39,270
13- Claims on securitised assets	-	-	-	-	-	-
Total	5,268,113	2,833,098	368,303	5,440,617	2,708,222	352,069
b. Market risk						
1 - Interest rate position risk	-	-	-	-	-	-
2 - Equities position risk	-	-	-	-	-	-
3 - Foreign exchange risk	2,389	2,390	311	5,478	5,478	712
4 - Commodities risk	-	-	-	-	-	-
5 - Options	-	-	-	-	-	-
Total	2,389	2,390	311	5,478	5,478	712
c. Operational risk	125,570	224,026	29,123	125,113	225,242	29,281
Total	5,396,072	3,059,514	397,737	5,571,208	2,938,942	382,062

B - Capital ratios

1 - Total capital ratio	18.39%	18.15%
2 - Tier 1 capital ratio	17.20%	16.96%
3 - CET 1 capital ratio	17.17%	16.92%

C- Additional capital disclosure

1- Common disclosure template

	2015 KD 000's	
	Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Common Equity Tier 1 capital: Instruments and Reserves		
1 - Directly issued qualifying common share capital plus related share premium	207,985	h+k
2 - Retained earnings	152,077	q
3 - Accumulated other comprehensive income (and other reserves)	200,178	i+l+m+n+o+p
4 - Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5 - Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
6 - Common Equity Tier 1 capital before regulatory adjustments	560,240	
Common Equity Tier 1 Capital: Regulatory Adjustments		
7 - Prudential valuation adjustments	-	
8 - Goodwill (net of related tax liability)	-	
9 - Other intangibles other than mortgage-servicing rights (net of related tax liability)	9,809	f
10 - Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11 - Cash-flow hedge reserve	-	
12 - Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
13 - Securitization gain on sale	-	
14 - Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 - Defined-benefit pension fund net assets	-	
16 - Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	2,822	j
17 - Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	
18 - Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-	

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

	2015 KD 000's	
	Component of capital disclosure template	Cross reference from consolidated regulatory financial position
19 - Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	**22,434**	**c**
20 - Mortgage servicing rights (amount above 10% threshold of bank's C ET1 capital)	-	
21 - Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22 - Amount exceeding the 15% threshold	-	
23 - of which: significant investments in the common stock of financials	-	
24 - of which: mortgage servicing rights	-	
25 - of which: deferred tax assets arising from temporary differences	-	
26 - National specific regulatory adjustments	-	
27 - Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28 - Total regulatory adjustments to Common equity Tier 1	**35,065**	
29 - Common Equity Tier 1 capital (CET1) after regulatory adjustments	**525,175**	
Additional Tier 1 Capital: Instruments		
30 - Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31 - of which: classified as equity under applicable accounting standards	-	
32 - of which: classified as liabilities under applicable accounting standards	-	
33 - Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34 - Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**1,025**	**r**
35 - of which: instruments issued by subsidiaries subject to phase-out	-	
36 - Additional Tier 1 capital before regulatory adjustments	**1,025**	
Additional Tier 1 Capital: Regulatory Adjustments		
37 - Investments in own Additional Tier 1 instruments	-	
38 - Reciprocal cross-holdings in Additional Tier 1 instruments	-	

	2015 KD 000's Component of capital disclosure template	2015 KD 000's Cross reference from consolidated regulatory financial position
39 - Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10%of the issued common share capital of the entity (amount above 10% threshold)	-	
40 - Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41 - National specific regulatory adjustments	-	
42 - Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43 - Total regulatory adjustments to Additional Tier 1 capital	-	
44 - Additional Tier 1 capital (AT1)	**1,025**	
45 - Tier 1 capital (T1 = CET1 + AT1)	**526,200**	
Tier 2 Capital: Instruments and Provisions		
46 - Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47 - Directly issued capital instruments subject to phase-out from Tier 2	-	
48 - Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49 - of which: instruments issued by subsidiaries subject to phase-out	-	
50 - General Provisions included in Tier 2 capital	**36,376**	**b**
51 - Tier 2 capital before regulatory adjustments	**36,376**	
Tier 2 Capital: Regulatory Adjustments		
52 - Investments in own Tier 2 instruments	-	
53 - Reciprocal cross-holdings in Tier 2 instruments	-	
54 - Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55 - Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56 - National specific regulatory adjustments	-	

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

	2015 KD 000's	
	Component of capital disclosure template	Cross reference from consolidated regulatory financial position
57 - Total regulatory adjustments to Tier 2 capital	-	
58 - Tier 2 capital (T2)	36,376	
59 - Total capital (TC = T1 + T2)	**562,576**	
60 - Total risk weighted assets	**3,059,514**	
Capital Ratios and Buffers		
61 - Common Equity Tier 1 (as a percentage of risk weighted assets)	17.17 %	
62 - Tier 1 (as a percentage of risk weighted assets)	17.20 %	
63 - Total capital (as a percentage of risk weighted assets)	18.39 %	
64 - Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-	
65 - of which: capital conservation buffer requirement	-	
66 - of which: bank specific countercyclical buffer requirement	-	
67 - of which: D-SIB buffer requirement	-	
68 - Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-	
National Minima		
69 - National Common Equity Tier 1 minimum ratio	9.50 %	
70 - National Tier 1 minimum ratio	11.00 %	
71 - National total capital minimum ratio excluding CCY and DSIB buffers	13.00 %	
Amounts below the Thresholds for Deduction (before Risk Weighting)		
72 - Non-significant investments in the capital of financials institutions	51,229	e
73 - Significant investments in the common stock of financials institutions	54,761	d
74 - Mortgage servicing rights (net of related tax liability)	-	
75 - Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable Caps on the Inclusion of Provisions in Tier 2		
76 - Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	113,398	a + g
77 - Cap on inclusion of provisions in Tier 2 under standardized approach	36,376	b
78 - Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79 - Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

	2014 KD 000's	
	Component of capital disclosure template	cross reference from consolidated regulatory financial position
Common Equity Tier 1 capital: Instruments and Reserves		
1 - Directly issued qualifying common share capital plus related share premium	207,985	h+k
2 - Retained earnings	132,646	p
3 - Accumulated other comprehensive income (and other reserves)	186,662	i+l+m+n+o
4 - Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5 - Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
6 - Common Equity Tier 1 capital before regulatory adjustments	527,293	
Common Equity Tier 1 Capital: Regulatory Adjustments		
7 - Prudential valuation adjustments	-	
8 - Goodwill (net of related tax liability)	-	
9 - Other intangibles other than mortgage-servicing rights (net of related tax liability)	9,809	f
10 - Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11 - Cash-flow hedge reserve	-	
12 - Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
13 - Securitization gain on sale	-	
14 - Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 - Defined-benefit pension fund net assets	-	
16 - Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	j
17 - Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	
18 - Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-	

	2014 KD 000's	
	Component of capital disclosure template	cross reference from consolidated regulatory financial position
19 - Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	20,245	c
20 - Mortgage servicing rights (amount above 10% threshold of bank's C ET1 capital)	-	
21 - Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22 - Amount exceeding the 15% threshold	-	
23 - of which: significant investments in the common stock of financials	-	
24 - of which: mortgage servicing rights	-	
25 - of which: deferred tax assets arising from temporary differences	-	
26 - National specific regulatory adjustments	-	
27 - Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28 - Total regulatory adjustments to Common equity Tier 1	30,054	
29 - Common Equity Tier 1 capital (CET1) after regulatory adjustments	497,239	
Additional Tier 1 Capital: Instruments		
30 - Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31 - of which: classified as equity under applicable accounting standards	-	
32 - of which: classified as liabilities under applicable accounting standards	-	
33 - Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34 - Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	1,064	r
35 - of which: instruments issued by subsidiaries subject to phase - out	-	
36 - Additional Tier 1 capital before regulatory adjustments	1,064	
Additional Tier 1 Capital: Regulatory Adjustments		
37 - Investments in own Additional Tier 1 instruments	-	
38 - Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39 - Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10%of the issued common share capital of the entity (amount above 10% threshold)	-	

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

	2014 KD 000's	
	Component of capital disclosure template	cross reference from consolidated regulatory financial position
40 - Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41 - National specific regulatory adjustments	-	
42 - Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43 - Total regulatory adjustments to Additional Tier 1 capital	-	
44 - Additional Tier 1 capital (AT1)	1,064	
45 - Tier 1 capital (T1 = CET1 + AT1)	498,303	
Tier 2 Capital: Instruments and Provisions		
46 - Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47 - Directly issued capital instruments subject to phase-out from Tier 2	-	
48 - Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49 - of which: instruments issued by subsidiaries subject to phase-out	-	
50 - General Provisions included in Tier 2 capital	35,152	b
51 - Tier 2 capital before regulatory adjustments	35,152	
Tier 2 Capital: Regulatory Adjustments		
52 - Investments in own Tier 2 instruments	-	
53 - Reciprocal cross-holdings in Tier 2 instruments	-	
54 - Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55 - Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56 - National specific regulatory adjustments	-	
57 - Total regulatory adjustments to Tier 2 capital	-	
58 - Tier 2 capital (T2)	35,152	
59 - Total capital (TC = T1 + T2)	533,455	
60 - Total risk weighted assets	2,938,042	

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

	2014 KD 000's	
	Component of capital disclosure template	cross reference from consolidated regulatory financial position
Capital Ratios and Buffers		
61 - Common Equity Tier 1 (as a percentage of risk weighted assets)	16.92%	
62 - Tier 1 (as a percentage of risk weighted assets)	16.96%	
63 - Total capital (as a percentage of risk weighted assets)	18.15%	
64 - Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-	
65 - of which: capital conservation buffer requirement	-	
66 - of which: bank specific countercyclical buffer requirement	-	
67 - of which: D-SIB buffer requirement	-	
68 - Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-	
National Minima		
69 - National Common Equity Tier 1 minimum ratio	9.50%	
70 - National Tier 1 minimum ratio	11.00%	
71 - National total capital minimum ratio excluding CCY and DSIB buffers	13.00%	
Amounts below the Thresholds for Deduction (before Risk Weighting)		
72 - Non-significant investments in the capital of financials institutions	47,648	e
73 - Significant investments in the common stock of financials institutions	51,748	d
74 - Mortgage servicing rights (net of related tax liability)	-	
75 - Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable Caps on the Inclusion of Provisions in Tier 2		
76 - Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	139,112	a + g
77 - Cap on inclusion of provisions in Tier 2 under standardized approach	35,152	b
78 - Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79 - Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

2. Consolidated financial position under financial accounting and regulatory scope of consolidation

The basis of consolidation used to prepare consolidated financial position under International Financial Reporting Standards (IFRSs) is consistent with those used for regulatory purpose. The basis of consolidation is explained in note 2(b) of the consolidated financial statement. There is no difference between the consolidated financial position and the consolidated regulatory financial position

Consolidated regulatory financial position are as follows;

	2015 KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Assets			
Cash and short term funds	682,469		
Treasury and Central Bank bonds	332,575		
Due from banks and other financial institutions	265,681		
Loans and advances	2,297,466		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		108,609	a
Of which: Cap on inclusion of general provisions in Tier 2		36,376	b
Investment securities	338,888		
Of which: significant investment in the capital of financial institutions (amount above 10% threshold of bank's CET1 capital)		22,434	C
Of which: significant investment in the capital of financial institutions (amount below 10% threshold of bank's CET1 capital)		54,761	D
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		51,229	E
Premises and equipment	30,234		
Intangible assets	9,809	9,809	F
Other assets	80,229		
Total assets	4,037,351		
Liabilities and equity			
Liabilities			
Due to banks	166,904		
Due to other financial institutions	627,232		
Customer deposits	2,546,163		
Other liabilities	120,327		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		4,789	g
Total liabilities	3,460,626		

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

	2015 KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Equity			
Equity attributable to shareholders of the Bank			
Share capital	141,194	141,194	h
Proposed bonus shares	8,472	8,472	i
Treasury shares	(2,822)	2,822	j
Reserves	258,497		
of which: share premium		66,791	k
of which: statutory reserve		115,977	l
of which: general reserve		17,927	m
of which: treasury share reserve		-	n
of which: property revaluation reserve		26,078	o
of which: property investment valuation reserve		31,724	p
Retained earnings	152,077	152,077	q
	557,418		
Proposed dividend	18,282		
	575,700		
Non-controlling interests	1,025	1,025	r
Total equity	576,725		
Total liabilities and equity	4,037,351		

	2014 KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Assets			
Cash and short term funds	525,302		
Treasury and Central Bank bonds	363,883		
Due from banks and other financial institutions	701,745		
Loans and advances	2,319,664		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		134,557	a
Of which: Cap on inclusion of general provisions in Tier 2		35,152	b
Investment securities	208,934		
Of which: significant investment in the capital of financial institutions (amount above 10% threshold of bank's CET1 capital)		20,245	c
Of which: significant investment in the capital of financial institutions (amount below 10% threshold of bank's CET1 capital)		51,748	d
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		47,648	e
Premises and equipment	30,000		
Intangible assets	9,809	9,809	f
Other assets	53,426		
Total assets	4,212,763		
Liabilities and equity			
Liabilities			
Due to banks	324,579		
Due to other financial institutions	679,492		
Customer deposits	2,554,251		
Other liabilities	100,669		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		4,555	g
Total liabilities	3,658,991		

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

	2014 KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Equity			
Equity attributable to shareholders of the Bank			
Share capital	141,194	141,194	h
Proposed bonus shares	-		i
Treasury shares	-	-	j
Reserves	253,453		
of which: share premium		66,791	k
of which: statutory reserve		70,597	l
of which: general reserve		17,927	m
of which: treasury share reserve		45,380	n
of which: property revaluation reserve		24,947	o
of which: property investment valuation reserve		27,811	p
Retained earnings	132,646	132,646	q
	527,293		
Proposed dividend	25,415		
	552,708		
Non-controlling interests	1,064	1,064	r
Total equity	553,772		
Total liabilities and equity	4,212,763		

3- Main features of capital instrument issued

1 - Issuer	Commercial Bank of Kuwait
2 - Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	CBK
3 - Governing law(s) of the instrument	Kuwait Law
Regulatory treatment	
4 - Type of Capital (CET1, AT1 or T2)	Common equity tier 1
5 - Eligible at solo/group/group & solo	Group
6 - Instrument type	Ordinary shares
7 - Amount recognized in regulatory capital (KD '000')	KD 141,194
8 - Par value of instrument	100 fils
9 - Accounting classification	Shareholders' equity
10 - Original date of issuance	19 June 1960
11 - Perpetual or dated	Perpetual
12 - Original maturity date	No maturity
13 - Issuer call subject to prior supervisory approval	No
14 - Optional call date, contingent call dates and redemption amount	N/A
15 - Subsequent call dates, if applicable	N/A
Coupons / dividends	
16 - Fixed or floating dividend/coupon	Floating
17 - Coupon rate and any related index	N/A
18 - Existence of a dividend stopper	No
19 - Fully discretionary, partially discretionary or mandatory	Fully discretionary
20 - Existence of step up or other incentive to redeem	No
21 - Noncumulative or cumulative	Noncumulative
22 - Convertible or non-convertible	Nonconvertible
23 - If convertible, conversion trigger (s)	N/A
24 - If convertible, fully or partially	N/A
25 - If convertible, conversion rate	N/A
26 - If convertible, mandatory or optional conversion	N/A
27 - If convertible, specify instrument type convertible into	N/A
28 - If convertible, specify issuer of instrument it converts into	N/A
29 - Write-down feature	No
30 - If write-down, write-down trigger(s)	N/A
31 - If write-down, full or partial	N/A
32 - If write-down, permanent or temporary	N/A
33 - If temporary write-down, description of write-up mechanism	N/A
34 - Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
35 - Non-compliant transitioned features	No
36 - If yes, specify non-compliant features	N/A

IV- Financial Leverage ratio

The financial leverage ratio is being provided in accordance with CBK circular No. 2/BS/342/2014 dated October 21, 2014. The application of this disclosure is intended to restrict the build up of financial leverage in the banking sector that leads to stress on the financial system and the economy in general. The financial leverage ratio is measure of Basel III tier 1 capital divided by total on and off balance sheet exposures of the Bank.

	2015 KD 000's	2014 KD 000's
1 - On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,037,351	4,212,763
2 - (Asset amounts deducted in determining Tier 1 capital)	(32,243)	(30,054)
3 - Total on-balance sheet exposures (excluding derivatives and SFTs)	**4,005,108**	4,182,709
4 - Replacement / substitution cost associated with all derivative transactions (net of eligible cash variation margin)	1,115	1,016
5 - Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	6,887	11,865
6 - Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the bank's operative accounting framework	-	-
7 - (Deductions of receivables assets for cash variation margin provided in derivative transactions)	-	-
8 - (Exempted exposures to Central Counterparties (CCP)	-	-
9 - Adjusted effective notional amount of written credit derivatives	-	-
10 - Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-
11 - Total derivative exposures	**8,002**	12,881
12 - Gross SFT assets (with no recognition of netting)	-	-
13 - (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14 - CCR exposures for SFT assets	-	-
15 - Exposure of the bank in its capacity as gent in the securities finance transaction (SFT)	-	-
16 - Total securities financing transaction exposures	**-**	-
17 - Off-balance sheet exposure (before application of credit conversion factors)	1,198,373	1,153,352
18 - (Adjustments for conversion to credit equivalent amounts)	(637,977)	(651,200)
19 - Total Off-balance sheet exposure	**560,396**	502,152
20 - Total exposures	**4,573,506**	4,697,742
21 - Tier 1 capital	**526,200**	498,303
22 - Leverage ratio (Tier 1 capital / total exposures)	**11.51%**	10.61%

V- Risk management

Risk Governance

The Bank believes in undertaking risks associated with its business only after proper identification, assessment, management and adequate mitigation of potential risk factors. The material risks to which the Bank is exposed to include credit risk, market risk, operational risk, liquidity risk, interest rate risk, reputational risk and strategic risk.

The Risk Management Division of the Group is an independent and dedicated function reporting directly to Board Risk Management Committee and administratively to the Chairman. The division is responsible for assessing, monitoring and recommending strategies for control of credit, market, liquidity and operational risks. Specific personnel are assigned within the Risk Management division for overseeing each of these risks. The absence of any direct or indirect reporting lines or arrangements with other internal divisions, and permanent membership in all of the Group's executive committees are amongst the factors which reflect the independent nature of Risk Management's operations and the central role it maintains within the Group.

The Risk Management Division is sub divided into different units which assess, monitor and control different risks. The Credit and Investment review unit is responsible for pre-fact assessment of corporate credit, international banking including assessment of credit lines for various countries and banks and investment proposals as per the credit policy as well as post fact analysis of corporate credit exposures. In addition, Control Unit, part of Credit & Investment review, verifies and monitors the activities and functions carried out by Credit Administration department on an ongoing daily basis to ensure that credit dispensation is in compliance with the related approvals as well as within internal and regulatory guidelines. In addition the Credit & Investment review unit is responsible for review and updating the Credit policy of the Group at periodic intervals so as to ensure that the policy is attuned to the operating environment and is in line with regulatory guidelines.

The operational risk unit is responsible for monitoring, measuring and reporting operational risks of the Group. Operational risk unit collects operational risk data through Risk & Control Self Assessment (RCSA), Key Risk Indicators (KRI), procedure reviews and reported incidents. A loss database is maintained and reported during the periodic risk management reports. Operational risk unit is also responsible for the group-wide insurance management and for coordinating the group-wide Business Continuity Plan and ensure regular testing. The Risk Policies and Analytics unit is responsible for monitoring market, liquidity, interest rate, strategic, reputational and legal risks. It is also responsible for calculating the economic capital for various risks, conducting stress tests, reporting these to the Asset Liability Committee (ALCO), Board Risk Management Committee (BRMC), Board of Directors and the Central Bank, keeping the risk management policies up to date, conducting ALCO and Credit & Investment Committee (CIC) for investments items. The unit also prepares a monthly portfolio analysis report which is circulated to the ALCO members while a more detailed half-yearly portfolio analysis is put up to ALCO, BRMC and the Board of Directors.

The IT Security unit is responsible for ensuring that all Group's information and equipment are secured from internal and external threats whether deliberate or accidental. IT Security ensures the implementation of security tools and access control so that the information is protected against unauthorized access and disclosures and the IT assets are kept safe.

The risk management framework includes a hierarchy of committees involving the Board of Directors and the executive management for approval and reporting purposes. The Board of Directors through its committees has the overall authority for approval of strategies and policies. The Board Loan Committee (BLC) is the apex credit approving authority of the Group which is mainly responsible for approving all credit proposals beyond the authority level of the management and also for reviewing and approving the credit policy and amendments thereof. The Board of Directors is the apex authority of the Group for approving investments and other executive matters beyond the authority of the management. These include approval of groupwide strategies as well as specific policies pertaining to risk management. The Board Risk Management Committee (BRMC) assists the board in its oversight of the Bank's risk governance structure, risk management & risk assessment guidelines and policies, risk strategy and appetite and executive management's implementation of the risk strategies and policies.

The Credit & Investment Committee is the executive management decision making body which is empowered to consider all credit & investment related issues within certain limits. The Asset Liability Committee (ALCO) is responsible for the overall asset liability management framework which broadly covers balance sheet structure, maturity profile, interest rate risk, capital adequacy and foreign currency positions, review of related policies and approval of exceptions. The ALCO also performs the role of a risk committee whereby it has high level oversight over the risk management process. The Provisioning Committee is responsible for the overall evaluation and control of provisions taken by the Group and adherence to the related regulatory requirements.

In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Group has a formal enterprise wide risk management policy, which provides detailed guidelines for a sound framework for enterprise-wide risk management. The objectives of risk management are supported by various risk policies that are reviewed and updated regularly. The risk policies, in general, cater to detailed planning for various risks based on business strategies, past performance, future expectations, economic conditions and, internal as well as external regulations. The policies also require comprehensive analysis of a set of pre-determined parameters prior to introduction of new products or instruments. The policies have put in place internal limits (nominal as well as risk based) for continuous monitoring and ensuring that risks are maintained within the Group's risk appetite. Periodical reporting of risks to various authorities including the ALCO and the Board ensures that the executive management and the Board are continuously kept aware of positions thereby enabling informed decision-making.

The Group also conducts an enterprise wide stress test based on simulations in order to analyse the impact of extreme events on the profitability and capital adequacy.

The treatment of different types of risks by the Bank is elaborated hereunder:

a. Credit Risk

The Credit Policy and the Credit Risk Management Policy lay down the guiding principles for lending activities and the basis of measuring, monitoring and managing credit risks. The credit policy provides guidelines that establish the lending criteria and all credit decisions are made after giving due consideration to credit policy requirements. Continuous review and update of the credit policy is carried out to calibrate it with regulatory and business requirements.

The credit policy is supplemented by the credit risk management policy which establishes the infrastructure for credit risk management including tools for risk rating, portfolio analysis and independent reviews. Internal limits are also established for credit concentration and credit quality. Credit approvals are preceded by detailed due diligence on credit proposals including reviews that are independent from the risk taking units. The due diligence covers assessment of the quality of financial information, historical financial performance, future prospects, structure of facilities, their relevance to the business needs, management expertise, identifiable sources of repayment, available collateral, additional support available etc. In addition, comprehensive post approval reviews at the individual and portfolio levels are undertaken to effectively monitor / control the existing credit portfolio. The portfolio reports and post approval reviews are escalated to the management and the Board.

The Bank uses an internally developed obligor risk rating model. This utilises an advanced algorithm using both financial and non-financial parameters to generate an obligor risk rate. The model grades obligors with performing assets in a scale of 1 to 8 with 1 being the best risk. Ratings of 9 to 11 apply to non-performing assets. The internal risk rating is used to drive the credit approval process. The probability of default is calibrated to obligor rating. Non-financial considerations are industry specific and thus allow more fine-tuned risk assessment for different industries. Facility risk rating has also been introduced. Maximum counterparty/group wise lending limits are applied to exposures according to regulatory norms for credit concentration.

Appropriate risk analysis ensures that the limits approved are commensurate with the risk profile of the borrower. Apart from individual lending limits, broader portfolio level exposure limits have been stipulated for perceived higher risk sectors and exposure to these segments are continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings of external credit rating agencies like Moodys and S&P, are in place to ensure adequate portfolio diversification in terms of sovereign ratings and geographical exposures. The Division also implemented a sector risk assessment model allowing more granularity in sector classification.

The risk policies also address the need for hedging under certain circumstances. The measurement of hedge effectiveness is governed by the related policy on hedging which lays down guidelines for establishment of hedge, method of determining hedge effectiveness at inception and thereafter and other general rules for hedge transactions. The Bank also measures economic capital for credit risk including that for name, collateral, sector and geographic concentration under Pillar two of Basel III. The method of calculating capital for these concentration risks was changed during the year based on the recommendations of the external consultant who had validated the ICAAP methodologies.

Banks exposure to derivatives are by way of forex forwards with banks and bank customers. As the Credit Value Adjustment (CVA) for Counterparty Credit Risk (CCR) is insignificant separate economic capital is not considered necessary. Credit limits for counterparty credit exposures, which are banks, are set up based on the External Credit Assessment Institution (ECAI) ratings and the bank's credit policy and are reviewed periodically. The counterparties in derivative transactions are banks and limits are set up on an unadvised basis and hence the bank holds the control of preventing wrong way exposures. Obtaining and offering collateral are governed by the respective ISDA agreements entered into.

The bank does not undertake securitisation of its credit exposures.

b. Market Risk

Market risk exposure for the Bank is evident in portfolios of equities and foreign exchange that are actively traded, as well as in other positions whose fair values are directly derived from market parameters. The Bank uses the standardised method for calculating capital for market risks.

Market risk limits are in place to control the equity and foreign exchange risks. Foreign exchange risks are monitored daily and controlled through currency-wise absolute limits as well as stop loss limits. Overnight regulatory limits that include overall absolute limits are strictly enforced.

The Bank also assesses the market risk through internally developed Value at Risk (VaR) measures. VaR is based on historical simulation over the relevant observation period and is computed as the maximum possible loss over the relevant holding period at the 99th percentile. Limits are in place for the maximum permitted VaR for the foreign exchange and equity positions. The VaR models are back tested annually to confirm their robustness. In addition, economic capital for market risk using stressed VaR, including concentrations therein, is calculated regularly.

Investments are classified under pre-defined asset categories and are subject to pre-approved limits for such categories. Further the Group's overall investment capacity and individual investments are restricted to stipulated limits and guidelines laid down by the Central Bank.

c.Liquidity Risk

The Bank manages liquidity risks that are evident in maturity mismatches and liability-side concentrations. Limits are in place for the control of liquidity risk and these include the maximum allowable cumulative mismatches and a limit for maximum amount allowed for lending. Internal alert limits are also laid down to ensure continued adherence to the regulatory limits. Liquidity risk management was further enhanced through new limits introduced during 2013 for liabilities from significant depositors and from sensitive products/instruments. Limits were also introduced for mismatches in different time buckets to ensure that maturing assets and liabilities remain largely matched. A detailed liability side analysis is conducted periodically to discern rollover patterns, identify core deposits, behavioral trends in short-term funds and correlations with macro economic variables.

The Bank's liquidity risk management policy also requires that proper liquidity planning is periodically conducted and that stress tests are performed based on scenario analyses. A detailed contingency plan also forms part of the liquidity management framework. Economic capital for liquidity risk under pillar two of Basel III using internally developed methodology is also measured regularly.

The Basel Committee for Banking Supervision has introduced the Basel III regulations covering, among others, a global framework for liquidity risk management. While these regulations are currently being developed for Kuwait banks, the

Bank has in 2012 proactively introduced the new liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). LCR became a regulatory ratio during the year. These ratios are being measured and monitored regularly against regulatory limits or internal limits that are progressively phased to reach the regulatory standards.

d. Interest Rate Risk

Interest rate risk is managed as per the guidelines laid down in the interest rate risk management policy. The majority of the assets and liabilities of the Bank mature and / or re-price within one year and hence there is limited exposure to interest rate risk. Interest rate risk is monitored with the help of an interest rate sensitivity monitor (IRSM) in which assets and liabilities are distributed in pre-defined maturity / re-pricing time bands. The Earnings at Risk (EaR) is computed by applying pre-defined rate shocks to the IRSM and this is compared against internal limits that define the Bank's appetite for this risk. As assets repricing beyond 1 year have been increasing and are close to 10% of assets. The sensitivity of the economic value of equity is also calculated under certain pre-defined circumstances. Economic capital under pillar two for interest rate risk is measured regularly using an internally developed methodology.

e. Operational Risk

Operational Risk management is focused on minimising the impact of risk events that may arise through inadequate processes, human error, system failures as well as external factors by using a range of assessment methods including Risk Control Self Assessments (RCSA) and a comprehensive review of group-wide procedures. An objective scorecard is used to assess the different operational risk areas based on pre-defined parameters and to grade them under certain categories. This gradation is used in the measurement of economical capital for operational risk and legal risk. Internally maintained loss data, consolidated principally from incident reporting channels, provides information on the frequency and impact of operational risk events. A group-wide business continuity framework is in place to tackle any unforeseen contingencies that aims to ensure that business continuity is achieved with minimal disruption to critical processes and systems.

Insurance management which is integrated into this framework facilitates prudent transfer of risks. Insurance coverage provides partial mitigation for operational risk. The operational risk management policy lays down general guidelines for insurance management including factors to be considered in structuring insurance policies, credit risk of insurer, definition of policy limits and deductibles, policy reviews and handling of claims.

f. Other risks

Policies are in place for other risks including legal risk, strategic risk and reputational risk. These policies establish roles and responsibilities for various stakeholders in managing and controlling these risks. In addition, quantification methodologies have been introduced for measuring the economic capital for these risks.

VI- Credit exposures

The credit policy of the Group lays down the general lending standards as well as specific policies pertaining to different lending areas. Among others, the credit policy defines the lending criteria, approval process for various credit decisions, documentation requirements, margin requirements etc. The credit policy also includes a formal credit approval hierarchy designed on the basis of amount/tenor other features of the credit facility(ies) considered is in place for making suitable credit decisions. All credit decisions made at lower levels of the hierarchy are reviewed by the highest approval authority the BLC.

Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the original effective interest rate and current interest rate for fixed and floating rate loans respectively. The amount of loss arising from impairment is taken to the consolidated statement of income.

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

Past due and impaired exposures are defined in accordance with the relevant CBK regulations. Specific and general provisions are computed in accordance with CBK regulations on provisioning as well as the applicable accounting standards. The CBK regulations pertaining to specific provisioning differentiate between facilities for retail, corporate and sovereign and specific rules and principles are accordingly applied for performing and non-performing facilities as follows:

	Irregularity period	
Category & provision required	Consumer & installment loans	Others excluding sovereign loans
Special mention – at discretion of management	Not exceeding 3 months	Upto 90 days
Substandard – 20% provision	3 months and above but less than 6 months	91-180 days
Doubtful – 50% provision	6 months and above but less than 12 months	181-365 days
Bad – 100% provision	12 months and more or clients under legal action	More than 365 days

In addition, minimum general provision has to be carried at 1% of the cash credit facilities and 0.5% for non-cash credit facilities, where no specific provision has been taken, in accordance with these regulations. Apart from the required general provision, portfolio provision, which represent additional general provision is made on certain portfolios. Such portfolios are identified based on certain criteria such as economic sector, group of special mention accounts, country risk etc. The rationale behind portfolio provision is to make the general provision more forward looking and also to take into account any possible loan-losses in future due to business cycle effects.

ECAIs used for capital adequacy computation are in accordance with CBK rules and regulations pertaining to the capital adequacy standard. The permissible ECAIs under the regulations are Moody's, Standard & Poor and Fitch. The public issue ratings are translated into specific risk weights in line with the mapping process defined in the same regulations. The mapping process involves application of stipulated risk weights for different public issue ratings as laid down in the regulations. Separate mapping notations are applicable for different categories of claims which are further classified, in case of claims on banks, into short-term and long-term exposures.

a. Gross credit exposures

	2015			2014		
	KD 000's			KD 000's		
	Total gross exposures	Funded gross exposures	Unfunded gross exposures	Total gross exposures	Funded gross exposures	Unfunded gross exposures
1 - Claims on sovereigns	333,795	333,795	-	394,946	394,946	-
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	7,628	7,628	-	7,335	7,335	-
5 - Claims on banks	1,156,616	908,668	247,948	1,320,072	1,107,016	213,056
6 - Claims on corporates	2,853,754	1,921,525	932,229	2,783,136	1,894,776	888,360
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	169,758	169,758	-	123,050	123,050	-
9 - Regulatory retail	460,285	442,137	18,148	493,899	442,109	51,790
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	13,426	13,378	48	62,529	62,383	146
12 - Other assets	272,851	272,851	-	255,650	255,650	-
13 - Claims on securitised assets	-	-	-	-	-	-
	5,268,113	4,069,740	1,198,373	5,440,617	4,287,265	1,153,352

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

b. Average gross credit exposures

	2015		
	KD 000's		
	Total gross exposures	Funded gross exposures	Unfunded gross exposures
1 - Claims on sovereigns	364,371	364,371	-
2 - Claims on international organisations	-	-	-
3 - Claims on PSEs	-	-	-
4 - Claims on MDBs	7,482	7,482	-
5 - Claims on banks	1,238,344	1,007,842	230,502
6 - Claims on corporates	2,818,445	1,908,151	910,295
7 - Claims on central counter parties	-	-	-
8 - Cash items	146,404	146,404	-
9 - Regulatory retail	477,092	442,123	34,969
10 - RHLs eligible for 35% RW	-	-	-
11 - Past due exposure	37,978	37,881	97
12 - Other assets	264,251	264,251	-
13 - Claims on securitised assets	-	-	-
	5,354,365	4,178,503	1,175,863

c. Total credit exposures by geographic sector

	KD 000's					
As at 31 December 2015	**Kuwait**	**Asia**	**Europe**	**USA**	**Others**	**Total**
1 - Claims on sovereigns	**333,795**	-	-	-	-	**333,795**
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	**7,628**	**7,628**
5 - Claims on banks	**271,603**	**791,300**	**74,841**	**2,310**	**16,562**	**1,156,616**
6 - Claims on corporates	**2,626,445**	**198,568**	**14,272**	**14,469**	-	**2,853,754**
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	**31,764**	**50,804**	**79,954**	**6,410**	**826**	**169,758**
9 - Regulatory retail	**459,779**	**126**	**248**	-	**132**	**460,285**
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	**13,426**	-	-	-	-	**13,426**
12 - Other assets	**264,680**	**1,372**	**5,379**	**1,420**	-	**272,851**
13 - Claims on securitised assets	-	-	-	-	-	-
	4,001,492	**1,042,170**	**174,694**	**24,609**	**25,148**	**5,268,113**
Percentage of total credit exposure by geographical sector	**76.0%**	**19.8%**	**3.3%**	**0.5%**	**0.5%**	**100%**

	KD 000's					
As at 31 December 2014	Kuwait	Asia	Europe	USA	Others	Total
1 - Claims on sovereigns	394,946	-	-	-	-	394,946
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	7,335	7,335
5 - Claims on banks	332,103	925,990	59,102	2,348	529	1,320,072
6 - Claims on corporates	2,591,103	176,393	11,011	4,629	-	2,783,136
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	78,792	26,321	14,145	3,184	608	123,050
9 - Regulatory retail	493,473	69	355	-	2	493,899
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	62,529	-	-	-	-	62,529
12 - Other assets	235,136	11,936	7,408	1,170	-	255,650
13 - Claims on securitised assets	-	-	-	-	-	-
	4,188,082	1,140,709	92,021	11,331	8,474	5,440,617
Percentage of total credit exposure by geographical sector	77.0%	21.0%	1.7%	0.2%	0.1%	100%

d. Funded credit exposures by geographic sector

	KD 000's					
As at 31 December 2015	**Kuwait**	**Asia**	**Europe**	**USA**	**Others**	**Total**
1 - Claims on sovereigns	**333,795**	-	-	-	-	**333,795**
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	**7,628**	**7,628**
5 - Claims on banks	**262,017**	**599,701**	**34,961**	-	**11,989**	**908,668**
6 - Claims on corporates	**1,800,387**	**117,473**	**3,665**	-	-	**1,921,525**
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	**31,764**	**50,804**	**79,954**	**6,410**	**826**	**169,758**
9 - Regulatory retail	**442,095**	**29**	-	-	**13**	**422,137**
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	**13,378**	-	-	-	-	**13,378**
12 - Other assets	**264,680**	**1,372**	**5,379**	**1,420**	-	**272,851**
13 - Claims on securitised assets	-	-	-	-	-	-
	3,148,116	**769,379**	**123,959**	**7,830**	**20,456**	**4,069,740**
Percentage of total credit exposure by geographical sector	**77.4%**	**18.9%**	**3.0%**	**0.2%**	**0.5%**	**100.0%**

	KD 000's					
As at 31 December 2014	Kuwait	Asia	Europe	USA	Others	Total
1 - Claims on sovereigns	394,946	-	-	-	-	394,946
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	7,335	7,335
5 - Claims on banks	332,103	760,297	14,616	-	-	1,107,016
6 - Claims on corporates	1,801,017	93,759	-	-	-	1,894,776
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	78,792	26,321	14,145	3,184	608	123,050
9 - Regulatory retail	442,109	-	-	-	-	442,109
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	62,383	-	-	-	-	62,383
12 - Other assets	235,136	11,936	7,408	1,170	-	255,650
13 - Claims on securitised assets	-	-	-	-	-	-
	3,346,486	892,313	36,169	4,354	7,943	4,287,265
Percentage of total credit exposure by geographical sector	78.1%	20.8%	0.8%	0.1%	0.2%	100.0%

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD
31 December 2015

e. Unfunded credit exposures by geographic sector

	KD 000's					
As at 31 December 2015	**Kuwait**	**Asia**	**Europe**	**USA**	**Others**	**Total**
1 - Claims on sovereigns	-	-	-	-	-	-
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	-	-
5 - Claims on banks	**9,586**	**191,599**	**39,880**	**2,310**	**4,573**	**247,948**
6 - Claims on corporates	**826,058**	**81,095**	**10,607**	**14,469**	-	**932,229**
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	-	-	-	-	-	-
9 - Regulatory retail	**17,684**	**97**	**248**	-	**119**	**18,148**
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	**48**	-	-	-	-	**48**
12 - Other assets	-	-	-	-	-	-
13 - Claims on securitised assets	-	-	-	-	-	-
	853,376	**272,791**	**50,735**	**16,779**	**4,692**	**1,198,373**
Percentage of total credit exposure by geographical sector	**71.2%**	**22.8%**	**4.2%**	**1.4%**	**0.4%**	**100.0%**

	KD 000's					
As at 31 December 2014	Kuwait	Asia	Europe	USA	Others	Total
1 - Claims on sovereigns	-	-	-	-	-	-
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	-	-
5 - Claims on banks	-	165,693	44,486	2,348	529	213,056
6 - Claims on corporates	790,086	82,634	11,011	4,629	-	888,360
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	-	-	-	-	-	-
9 - Regulatory retail	51,364	69	355	-	2	51,790
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	146	-	-	-	-	146
12 - Other assets	-	-	-	-	-	-
13 - Claims on securitised assets	-	-	-	-	-	-
	841,596	248,396	55,852	6,977	531	1,153,352
Percentage of total credit exposure by geographical sector	73.0%	21.5%	4.9%	0.6%	0.0%	100.0%

f. Total credit exposures by residual maturity

	KD 000's					
As at 31 December 2015	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
1 - Claims on sovereigns	49,469	128,252	80,388	63,815	11,871	333,795
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	32	7,596	7,628
5 - Claims on banks	584,765	38,669	99,023	58,424	375,735	1,156,616
6 - Claims on corporates	20,879	-	-	972,211	1,860,664	2,853,754
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	169,065	693	-	-	-	169,758
9 - Regulatory retail	10,691	-	-	9,225	440,369	460,285
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	13,426	-	-	-	-	13,426
12 - Other assets	64,928	117	955	11,999	194,852	272,851
13 - Claims on securitised assets	-	-	-	-	-	-
	913,223	167,731	180,366	1,115,706	2,891,087	5,268,113
Percentage of total credit exposures by residual maturity	17.3%	3.2%	3.4%	21.2%	54.9%	100.0%

	KD 000's					
As at 31 December 2014	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1 - Claims on sovereigns	80,584	162,316	88,765	58,000	5,281	394,946
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	7,335	7,335
5 - Claims on banks	557,979	375,535	145,462	139,801	101,295	1,320,072
6 - Claims on corporates	518,897	785,277	235,867	438,720	804,375	2,783,136
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	123,050	-	-	-	-	123,050
9 - Regulatory retail	49,105	7,567	5,551	7,241	424,435	493,899
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	62,529	-	-	-	-	62,529
12 - Other assets	31,371	2,866	6,287	7,316	207,810	255,650
13 - Claims on securitised assets	-	-	-	-	-	-
	1,423,515	1,333,561	481,932	651,078	1,550,531	5,440,617
Percentage of total credit exposures by residual maturity	26.2%	24.5%	8.9%	11.9%	28.5%	100.0%

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

g. Funded credit exposures by residual maturity

As at 31 December 2015	KD 000's Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1 - Claims on sovereigns	**49,469**	**128,252**	**80,388**	**63,815**	**11,871**	**333,795**
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	**32**	**7,596**	**7,628**
5 - Claims on banks	**584,765**	**38,669**	**99,023**	**45,435**	**140,776**	**908,668**
6 - Claims on corporates	**20,119**	-	-	**824,224**	**1,077,182**	**1,921,525**
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	**169,065**	**693**	-	-	-	**169,758**
9 - Regulatory retail	**10,688**	-	-	**5,815**	**425,634**	**442,137**
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	**13,378**	-	-	-	-	**13,378**
12 - Other assets	**64,928**	**117**	**955**	**11,999**	**194,852**	**272,851**
13 - Claims on securitised assets	-	-	-	-	-	-
	912,412	**167,731**	**180,366**	**951,320**	**1,857,911**	**4,069,740**
Percentage of total credit exposures by residual maturity	**22.4%**	**4.1%**	**4.4%**	**23.4%**	**45.7%**	**100.0%**

As at 31 December 2014	KD 000's Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1 - Claims on sovereigns	80,584	162,316	88,765	58,000	5,281	394,946
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	7,335	7,335
5 - Claims on banks	546,470	301,760	128,915	122,497	7,374	1,107,016
6 - Claims on corporates	397,028	532,338	109,917	327,462	528,031	1,894,776
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	123,050	-	-	-	-	123,050
9 - Regulatory retail	12,309	3,287	2,482	3,444	420,587	442,109
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	62,383	-	-	-	-	62,383
12 - Other assets	31,371	2,866	6,287	7,316	207,810	255,650
13 - Claims on securitised assets	-	-	-	-	-	-
	1,253,195	1,002,567	336,366	518,719	1,176,418	4,287,265
Percentage of total credit exposures by residual maturity	29.2%	23.4%	7.8%	12.1%	27.5%	100.0%

h. Unfunded credit exposures by residual maturity

As at 31 December 2015	KD 000's Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1 - Claims on sovereigns	-	-	-	-	-	-
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	-	-
5 - Claims on banks	-	-	-	12,989	234,959	247,948
6 - Claims on corporates	760	-	-	147,987	783,482	932,229
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	-	-	-	-	-	-
9 - Regulatory retail	3	-	-	3,410	14,735	18,148
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	48	-	-	-	-	48
12 - Other assets	-	-	-	-	-	-
13 - Claims on securitised assets	-	-	-	-	-	-
	811	-	-	164,386	1,033,176	1,198,373
Percentage of total credit exposures by residual maturity	0.1%	0.0%	0.0%	13.7%	86.2%	100.0%

As at 31 December 2014	KD 000's Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1 - Claims on sovereigns	-	-	-	-	-	-
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	-	-
5 - Claims on banks	11,509	73,775	16,547	17,304	93,921	213,056
6 - Claims on corporates	121,869	252,939	125,950	111,258	276,344	888,360
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	-	-	-	-	-	-
9 - Regulatory retail	36,796	4,280	3,069	3,797	3,848	51,790
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	146	-	-	-	-	146
12 - Other assets	-	-	-	-	-	-
13 - Claims on securitised assets	-	-	-	-	-	-
	170,320	330,994	145,566	132,359	374,113	1,153,352
Percentage of total credit exposures by residual maturity	14.8%	28.7%	12.6%	11.5%	32.4%	100.0%

i. Impaired loans and provisions by standard portfolio

	2015			2014		
	KD 000's			KD 000's		
	Gross Debt	Specific Provision	Net Debt	Gross Debt	Specific Provision	Net Debt
1 - Claims on sovereigns	-	-	-	-	-	-
2 - Claims on international organisations	-	-	-	-	-	-
3 - Claims on PSEs	-	-	-	-	-	-
4 - Claims on MDBs	-	-	-	-	-	-
5 - Claims on banks	-	-	-	-	-	-
6 - Claims on corporates	9,509	(2,065)	7,444	9,001	(1,781)	7,220
7 - Claims on central counter parties	-	-	-	-	-	-
8 - Cash items	-	-	-	-	-	-
9 - Regulatory retail	12,368	(6,684)	5,684	10,764	(5,526)	5,238
10 - RHLs eligible for 35% RW	-	-	-	-	-	-
11 - Past due exposure	-	-	-	-	-	-
12 - Other assets	-	-	-	-	-	-
13 - Claims on securitised assets	-	-	-	-	-	-
	21,877	(8,749)	13,128	19,765	(7,307)	12,458

j. Analysis of loans past due but not impaired by standard portfolio

	2015		2014	
	KD 000's		KD 000's	
	Past due but not impaired		Past due but not impaired	
	0 - 60 days	61 - 90 days	0 - 60 days	61 - 90 days
1 - Claims on sovereigns	-	-	-	-
2 - Claims on international organisations	-	-	-	-
3 - Claims on PSEs	-	-	-	-
4 - Claims on MDBs	-	-	-	-
5 - Claims on banks	-	-	-	-
6 - Claims on corporates	347,488	52	375,043	5,758
7 - Claims on central counter parties	-	-	-	-
8 - Cash items	-	-	-	-
9 - Regulatory retail	42,724	-	32,593	-
10 - RHLs eligible for 35% RW	-	-	-	-
11 - Past due exposure	-	-	-	-
12 - Other assets	-	-	-	-
13 - Claims on securitised assets	-	-	-	-
	390,212	52	407,636	5,758

k. General provision and provisions charged to statement of income by standard portfolio

	2015		2014	
	KD 000's		KD 000's	
	General Provision	Statement of Income	General Provision	Statement of Income
1 - Claims on sovereigns	-	-	-	-
2 - Claims on international organisations	-	-	-	-
3 - Claims on PSEs	-	-	-	-
4 - Claims on MDBs	-	-	-	-
5 - Claims on banks	337	303	74	71
6 - Claims on corporates	100,009	44,240	127,993	22,605
7 - Claims on central counter parties	-	-	-	-
8 - Cash items	-	-	-	-
9 - Regulatory retail	5,109	4,110	4,112	356
10 - RHLs eligible for 35% RW	-	-	-	-
11 - Past due exposure	-	-	-	-
12 - Other assets	3,153	2,351	2,378	35,345
13 - Claims on securitised assets	-	-	-	-
	108,608	51,004	134,557	58,377

l. Impaired loans and provisions by geographic sector

	KD 000's			
			Past due but not impaired	
As at 31 December 2015	Gross Debt	Specific Provision	0 - 60 days	61 - 90 days
Kuwait	21,877	(8,749)	390,212	52
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	21,877	(8,749)	390,212	52

	KD 000's			
			Past due but not impaired	
As at 31 December 2014	Gross Debt	Specific Provision	0 - 60 days	61 - 90 days
Kuwait	19,765	(7,307)	407,636	5,758
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	19,765	(7,307)	407,636	5,758

m. Movement in provisions

	2015			2014		
	KD 000's			KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**14,074**	**134,557**	**148,631**	18,187	103,048	121,235
Write - offs	**(96,958)**	**-**	**(96,958)**	(20,805)	-	(20,805)
Exchange differences	**-**	**43**	**43**	-	34	34
Recoveries	**25,953**	**-**	**25,953**	25,030	-	25,030
Ceded to Central Bank	**(1)**	**-**	**(1)**	(11)	-	(11)
Statement of income	**73,661**	**(25,991)**	**47,670**	(8,327)	31,475	23,148
	16,729	**108,609**	**125,338**	14,074	134,557	148,631

n. Credit exposures after CRM and CCF

	2015		2014	
	KD 000's		KD 000's	
	Credit Exposures after CRM		Credit Exposures after CRM	
	Rated Exposures	Unrated Exposures	Rated Exposures	Unrated Exposures
1 - Claims on sovereigns	-	333,903	-	395,298
2 - Claims on international organisations	-	-	-	-
3 - Claims on PSEs	-	-	-	-
4 - Claims on MDBs	7,628	-	7,335	-
5 - Claims on banks	771,134	270,229	857,713	367,739
6 - Claims on corporates	39,672	1,772,487	36,176	1,648,686
7 - Claims on central counter parties	-	-	-	-
8 - Cash items	-	169,758	-	123,050
9 - Regulatory retail	-	445,542	-	451,708
10 - RHLs eligible for 35% RW	-	-	-	-
11 - Past due exposure	-	9,483	-	37,400
12 - Other assets	-	247,822	-	219,007
13 - Claims on securitised assets	-	-	-	-
	818,434	3,249,224	901,224	3,242,888

VII- Credit risk mitigation

No netting, whether on-balance sheet or off-balance sheet, has been used for the capital adequacy computation process.

The credit policy of the Group lays down guidelines for collateral valuation and management which includes, minimum coverage requirement for different categories of collateral, remargining, frequency and basis of revaluation, documentation, insurance, custodial requirements etc. According to the credit policy, the frequency of revaluing the collateral depends on the type of collateral. Specifically, daily revaluation is required for share collateral and also in cases where the collateral is in a different currency to the exposure. This process is handled by a department independent of the business divisions to ensure objectivity. An independent annual analysis is conducted by Risk Management Division to categorize the shares acceptable as collateral into different grades for the purpose of stipulating differential margin requirements.

Acceptable collateral includes cash, bank guarantees, shares, real estate etc. subject to specific conditions on eligibility, margin requirements etc. laid down in the credit policy. The credit risk mitigation used for capital adequacy computation include collateral in the form of cash and shares as well as guarantees in accordance with the CBK's rules and regulations concerning capital adequacy standard. For the purpose of capital adequacy computation, the main type for guarantor counterparty is banks with acceptable ratings and local quoted shares form the major type of collateral forming the bulk of the credit risk mitigation used for capital adequacy.

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

The collateralised credit exposure with eligible collateral by standard portfolio are as follows:

	KD 000's			
As at 31 December 2015	**Total gross exposures**	**Collateralised Exposures**	**Financial Collaterals**	**Bank Guarantees**
1 - Claims on sovereigns	**333,795**	**-**	**-**	**-**
2 - Claims on international organisations	**-**	**-**	**-**	**-**
3 - Claims on PSEs	**-**	**-**	**-**	**-**
4 - Claims on MDBs	**7,628**	**-**	**-**	**-**
5 - Claims on banks	**1,156,616**	**-**	**-**	**-**
6 - Claims on corporates	**2,853,754**	**819,497**	**537,511**	**-**
7 - Claims on central counter parties	**-**	**-**	**-**	**-**
8 - Cash items	**169,758**	**-**	**-**	**-**
9 - Regulatory retail	**460,285**	**4,067**	**5,299**	**-**
10 - RHLs eligible for 35% RW	**-**	**-**	**-**	**-**
11 - Past due exposure	**13,426**	**7,037**	**3,918**	**-**
12 - Other assets	**272,851**	**33,117**	**25,029**	**-**
13 - Claims on securitised assets	**-**	**-**	**-**	**-**
	5,268,113	**863,718**	**571,757**	**-**

	KD 000's			
As at 31 December 2014	Total gross exposures	Collateralised Exposures	Financial Collaterals	Bank Guarantees
1 - Claims on sovereigns	394,946	-	-	-
2 - Claims on international organisations	-	-	-	-
3 - Claims on PSEs	-	-	-	-
4 - Claims on MDBs	7,335	-	-	-
5 - Claims on banks	1,320,072	-	-	-
6 - Claims on corporates	2,783,136	845,551	591,760	-
7 - Claims on central counter parties	-	-	-	-
8 - Cash items	123,050	-	-	-
9 - Regulatory retail	493,899	4,003	5,465	-
10 - RHLs eligible for 35% RW	-	-	-	-
11 - Past due exposure	62,529	40,230	25,056	-
12 - Other assets	255,650	42,336	36,643	-
13 - Claims on securitised assets	-	-	-	-
	5,440,617	932,120	658,924	-

VIII- Capital requirement for market risk

The present market risk exposure comprises of foreign exchange and equity trading portfolio. The capital charge for the entire market risk exposure is computed under the standardized approach.

The capital requirement for market risk exposure is as follows:

	2015	2014
	KD 000's	KD 000's
1 - Interest rate position risk	**-**	-
2 - Equity position risk	**-**	-
3 - Foreign exchange risk	**191**	438
4 - Commodities risk	**-**	-
5 - Options	**-**	-
	191	438

IX- Operational risk

The Group uses the standardised approach for computation of operational risk capital charge that amounted to KD 29,123 thousand (2014: KD 29,281 thousand) which primarily involves segregating the Group's activities into eight business lines and applying the relevant beta factors to the average gross income for each business line as defined in the CBK's rules and regulations pertaining to capital adequacy standard. However, capital for operational risk is separately calculated for pillar two purposes using a variation of the standardised approach based on the results of the operational risk scorecard.

X- Equity position in the banking book

The majority of equity holdings are taken with the expectation of capital gains and dividend income. Strategic equity holdings are taken in financial institutions where the Group expects to develop a business relationship or ultimately gain control of that entity.

Equity investment securities in the Group are classified as "available for sale". These are carried at fair value with any resultant gain or loss arising from changes in fair value taken to the investment valuation reserve through the consolidated statement of comprehensive income in equity. When the "available for sale" investment is disposed off or impaired, any prior fair value adjustments earlier reported in equity are transferred to the consolidated statement of income.

Fair values are determined by reference to quoted market prices. The fair value for investments in mutual funds, unit trusts or similar investment vehicles are based on last published bid price. The fair value for unquoted investments are determined by reference to the market value of a similar investment, on the expected discounted cash flows, other appropriate valuation models or brokers' quotes. The Group treats "available for sale" equity holdings as impaired when there has been "significant" or "prolonged" decline in the fair value below its cost.

The quantitative information related to equity investment securities in the Group are as follows:

	2015	2014
	KD 000's	KD 000's
1- Value of investment disclosed in the balance sheet	**177,926**	164,583
2- Type and nature of investment securities Available for sale		
Equity securities -quoted	**143,842**	131,307
Equity securities -unquoted	**34,084**	33,276
	177,926	164,583
3- Cumulative realised gain (loss) (net) arising from sales of investment securities	**2,180**	15,730
4- Total unrealised (loss) gain (net) recognised in the balance sheet but not through profit and loss account	**6,212**	(27,815)
5- Capital requirements		
Available for sale	**33,754**	31,598

XI- Interest rate risk in the banking book

Interest rate risk management is governed by the interest rate risk management policy of the Group. The policy lays down guidelines for interest rate risk planning, reporting and hedging. Various interest rate risk limits are also put in place. The policy also clearly defines the responsibilities of various committees and divisions in the context of interest rate risk management. Ongoing monitoring of interest rate risk within the Group involves monthly generation of the interest rate sensitivity monitor (IRSM) which classifies all assets and liabilities into pre-defined time-bands. The classification of the assets and liabilities is based on guidelines laid down in the policy which reflect the maturity / repricing characteristics of the underlying exposure.

Over a period of one year, the impact on net interest income based on repricing gaps is:

	2015		2014	
	KD 000's		KD 000's	
	Impact on earnings		Impact on earnings	
	±@%1	**±@%2**	±@%1	±@%2
Kuwaiti dinars	**9,060**	**18,120**	7,564	15,128
US dollars	**192**	**384**	2,916	5,832
Other currencies	**532**	**1,064**	(1,384)	(2,768)
	± 9,784	**± 19,568**	± 9,096	± 18,192

XII- Remuneration

Board nomination and remuneration committee (BNRC) comprise of the following members

Mr. Abdulrazzak A. Alkandari
Mr. Bader Sulaiman Al Ahmad
Dr. Arshid Al Houri

The BNRC is comprised of at least three non-executive Board members including the head of the committee as the committee Chairman. The Secretary to the Board will act as its secretary at the BNRC meetings.

BNRC to ensure the Bank is in compliance with the Central Bank Kuwait's instructions and the applicable laws and regulations, as well as to reflect the Bank's objectives while maintaining the integrity of the Bank's operations and financial position

Below are the main functions and duties assumed by the BNRC in relation to remuneration:

1- Review the Bank's remunerations policy before presenting the same to the Board of Directors, oversee application thereof and propose amendments thereto if necessary, taking into account the Bank's financial subsidiaries when preparing this policy.
2- Conduct independent review of the remuneration policy or upon the Board of Directors' request .This review can be conducted by Internal Audit Department (IAD) or an external consultant.
3- Regularly evaluate the sufficiency and effectiveness of the remuneration policy in serving the objectives for which it was set.
4- Ensure that the Bank's Executive Management has set accurate systems and procedures and effective supervision mechanism in order to ensure compliance with the Central Bank of Kuwait's instructions and the Board of Directors' decisions on remunerations.
5- Recommend to the Board of Directors the level and components of remuneration of the Managing Director (MD), the Chief Executive Officer (CEO) and his deputies & assistants and the remuneration of any other job as may be determined by the Board of Directors.
6- Verify that the remuneration policy and the procedures adopted by the Bank and its financial subsidiaries with respect to remunerations are in line with Corporate Governance rules and systems as outlined in the Central Bank of Kuwait's instructions.

During 2015, no external consultant has been sought.

The remuneration policy was approved by the Board of Directors on 18th June 2013. The policy should be reviewed and updated every 3 years or as required by the regulators or Board of Directors whichever is earlier, hence the remuneration policy shall be reviewed by the BNRC / Board of Directors on or before 18 June 2016.

Below are the main elements of the remuneration policy of the Bank

1- The Bank adopts remuneration policy that will cover all the employees of the Bank by applying a system that will classify, appraise and describe all the jobs that should be executed by the employees who have the expertise and skills that commensurate with the said system.
2- The policy will take into account the legal and regulatory requirements in addition to the rules and laws enforceable in Kuwait as well as the level and range of salaries and remuneration in the banking and financial sector when determining the level of salaries and remuneration in the Bank.
3- Remunerations are divided into fixed remunerations which include salary, fixed package & pay and variable remunerations which are based on staff performance appraisal. However, and based on the applicable Corporate Governance rules, variable remunerations encompass remunerations linked to staff performance over a term of 3 years which is also associated with the risks involved in the duties assumed by the staff member, thus such variable remuneration can be clawed back.
4- All staff is subject to annual appraisal where variable remunerations, if any will be determined by this appraisal.
5- As for promotions and apart from the annual appraisal of staff members, promotions would take into account the Bank's need to get staff members promoted to higher grades in addition to the extent of staff preparedness to develop his skills to cope with the responsibilities of the new higher position.
6- Heads of compliance, internal audit and risk management departments will be appraised by the Chairman where the CEO will not have any role in such appraisal. Thus, the promotions and remunerations that will be decided and determined by the senior management at the Bank will count on this appraisal.

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2015

According to the approved organizational chart of the Bank's compliance department is reporting directly to the Board Corporate Governance Committee and administratively to the Chairman. On the other side risk management department is reporting directly to Board Risk Committee and administratively to the Chairman. Based on the above the executive management has nothing to do with the evaluation and thus the promotion associated with compliance or risk management departments.

The remuneration practices are managed within the Bank's risk appetite. The Bank takes into account all aspects and components of financial remuneration so as to reinforce the Bank's effective risk management.

The Bank's remuneration policy is linked to the Bank's performance on the long term as well as short term taking into account amending the financial remunerations granted to staff to match risks on the long term and short term.

It is the policy of the Bank that all staff is appraised at least once a year for their individual performance and is reviewed for salary increases based on their assessment. The appraisal process is used to evaluate staff contribution to the Bank and to give them an insight into their performance related strengths and weaknesses and areas to improve.

The performance rating metrics are linked to the staff performance and the level of the salary scale of his individual grade. These guidelines are applied equally through all the levels of staff.

The consideration to grant merit increases occurs in conjunction with the performance appraisal which is linked to pre-defined rating metrics and salary increase guidelines which are applied uniformly bank-wide.

The Bank have not had to implement measures such as to adjust remuneration due to weak performance metrics to date, but should there be such an event when the bank performance metrics are weak, the BNRC will adopt appropriate measures to adjust remuneration policies at that point of time in the best interests of the Bank and its employees.

A claw back policy has been put in place which authorizes the Board of Director to claw back remunerations in partial recoveries during the vesting period of three financial years.

The structure of remuneration for all Bank's employees consists of the following:
- Fixed Remuneration
- Variable Remuneration

Fixed remuneration is made up of basic salary and allowances and related benefits (housing, transportation, education, health insurance, airfare, gratuity, contractual bonus etc).

Variable remuneration – At present, there is no defined variable remuneration.

BNRC met 2 times during 2015. As to remuneration paid to its members please be advised that remuneration paid to those members for 2015 cover their memberships in other Board Committees and any other tasks assigned to them by the board. Total remuneration paid to members of Board of Directors is disclosed in Bank's annual report on aggregate level according to Central Bank Kuwiat's instructions related to Corporate Governance KD 529 thousand (2014: KD 529 thousand).

The annual bonus paid to employees at the end of 2015 is as follows:

	2015	2014
	KD 000's	KD 000's
Amount paid	**1,565**	1,306
No. of employees	**1,085**	1,092

There is no sign on awards made during the year.

During the year, Bank has paid in respect of end of service benefit are as follows:

	No. of Employees	**2015**	No. of Employees	2014
		KD 000's		KD 000's
Amount paid to:				
Kuwaiti employees	**7**	**73**	7	131
Non Kuwaiti employees	**33**	**388**	27	140

The table below shows the value of remuneration paid to senior management and other material risk taker:

	2015		2015	
	KD 000's		KD 000's	
	Unrestricted	**Deferred**	Unrestricted	Deferred
Fixed				
Cash-based	**8,021**	**-**	7,782	-
Shares and share-linked instruments	**-**	**-**	-	-
Other	**-**	**-**	-	-
Total fixed	**8,021**	**-**	7,782	-

There is no variable remuneration was paid during the year.

The table below shows the summary of remuneration paid to senior management and other material risk taker:

	2015		2014	
	No. of Employees	**KD 000's**	No. of Employees	KD 000's
Senior Management	**12**	**989**	13	1,121
Material Risk Takers	**333**	**6,250**	317	5,906
Financial & Control Functions	**35**	**782**	39	755
		8,021		7,782

Branch Network	Tel	Fax	شبكة الفروع
Mubarak Al-Kabir	22990001	22464870	مبارك الكبير
Abdulla Mubarak Street	22990005	22404826	شارع عبدالله المبارك
Airport (Arrival)	22990004	24741951	المطار (الوصول)
Airport (Cargo)	22990235	24712088	المطار (الجمارك)
Al Rai	22990045	22990825	الري
Ali Sabah Al Salem	22990042	23280662	علي صباح السالم
Al Naeem	22990056	24571797	النعيم
Al Rabia	22990057	22990547	الرابية
Al Messila	22990065	22990815	المسيلة
Andalus	22990036	24889129	الأندلس
Ardhiya	22990019	24887316	العارضية
Dahiyat Abdulla Mubarak	22990059	22990193	ضاحية عبدالله المبارك
Dhaher	22990041	23830726	الظهر
East Ahmadi	22990014	23980434	شرق الأحمدي
Fahaheel	22990066	23929683	الفحيحيل
Fahaheel - Ajyal Complex	22990011	23913905	الفحيحيل - مجمع أجيال
Faiha	22990067	22531740	الفيحاء
Farwaniya Co-op	22990027	24744810	الفروانية (الجمعية)
Hadiya	22990064	22990232	هدية
Hawalli	22990016	22616451	حولي
Hawalli (Beirut Str)	22990020	22621904	حولي - شارع بيروت
Jabriya	22990035	25334632	الجابرية
Jahra	22990007	24551580	الجهراء
Jleeb Al Shyoukh	22990063	22990153	جليب الشيوخ
Khaitan	22990008	24745584	خيطان
Khaldiya	22990015	24810549	الخالدية
Labour Unit	22990324	24335895	وحدة حساب العامل
Mansouriya	22990044	22573880	المنصورية
Ministries Complex	22990031	22474151	مجمع الوزارات
Omariya	22990010	24711148	العمرية
Qurain	22990024	25440035	القرين
Ras Salmiya	22990033	25719570	رأس السالمية
Regaee	22990050	24893885	الرقعي
Rumaithiya	22990018	22990964	الرميثية
Sabah Al Salem	22990054	22990354	صباح السالم
Sabahiya	22990012	23617302	الصباحية
Salhiya	22990030	22463492	الصالحية
Salmiya	22990023	25727053	السالمية
Salwa	22990051	25610780	سلوى
Sharq	22990026	22454869	شرق
Shuwaikh	22990021	24837952	الشويخ
Six Ring Road	22990034	24345382	الدائري السادس
South Surra	22990055	22990355	جنوب السرة
Sulaibikhat	22990013	24877318	الصليبيخات
Vegetable Market	22990028	24817859	سوق الخضار
Yarmouk	22990032	25352182	اليرموك

Website: www.cbk.com :صفحة الإنترنت
Call Center: 1-888-225 :مركز الإتصال

Facebook: Commercial Bank of Kuwait :فيس بوك
Twitter: AltijariCBK :تويتر
Instagram: AltijariCBK :انستغرام
Snapchat : AltijariCBK : سناب شات

Al-Tijari

1-888-225 cbk.com

Al-Tijari... My Choice

Commercial Bank of Kuwait   AltijariCBK   AltijariCBK   AltijariCBK