Al-Tijari

Annual Report 2014

Commercial Bank Of Kuwait

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

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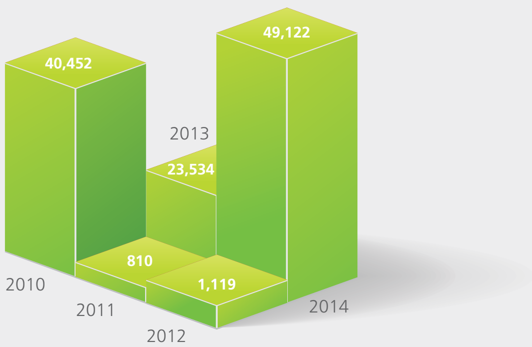
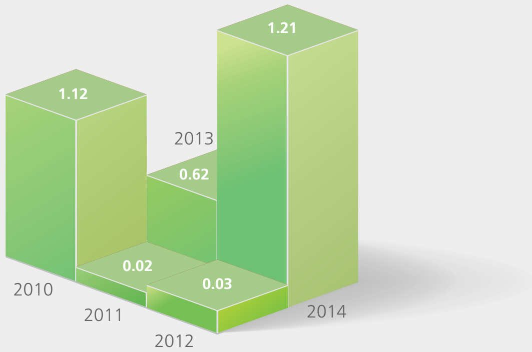
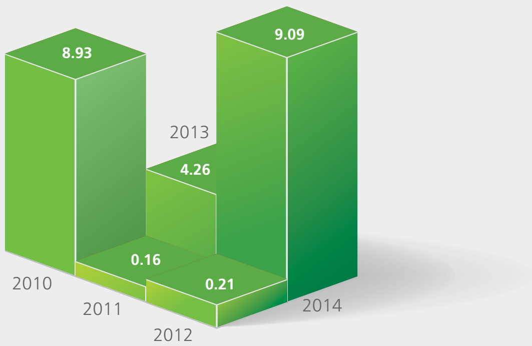
FINANCIAL TRENDS



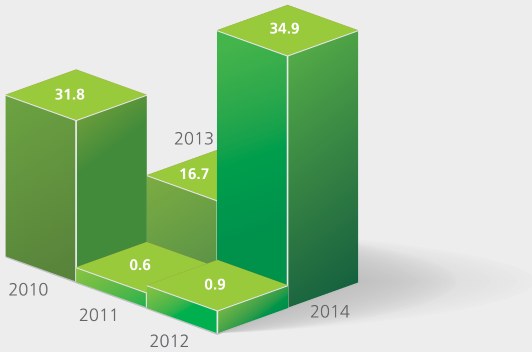
Net profit Attributable to Shareholders of the Bank
KD 000's



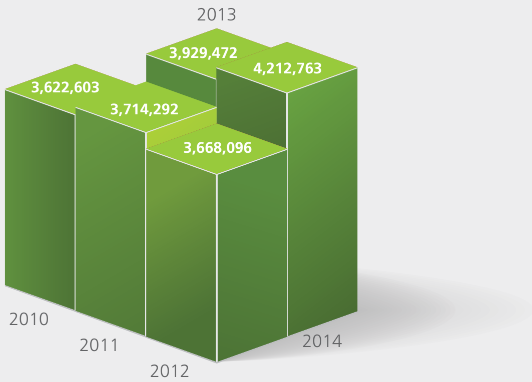
Return on Average Assets %



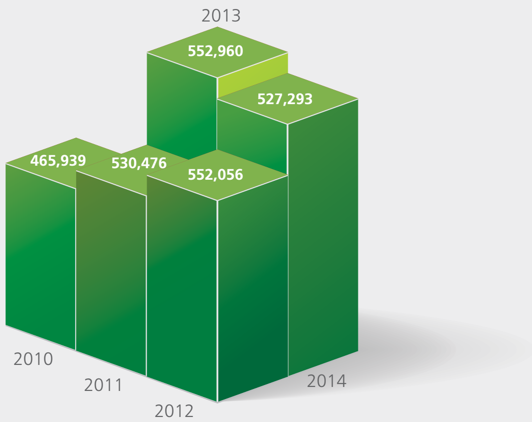
Return on Shareholders' Equity
(Average)%



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



Total Assets
KD 000's



Equity Attributable to Shareholdrs of the Bank
KD 000's

BOARD OF DIRECTORS

Mr. Ali Mousa M. Al Mousa
Chairman

Mr. Abdulrazzak A. Al Kandari
Deputy Chairman

Sheikh. Ahmed Duaij Al Sabah
Member

Dr. Mahmoud A. A. Behbehani
Member

Mr. Majed Ali Owaid Awad
Member

Mr. Musaed Nuri Al Saleh
Member

Mr. Abdulrahman Abdullah Al Ali
Member

Mr. Bader Suliman Al Ahmad
Member

Dr. Arshaid Abdulhadi Al Houry
Member

Shukri M. Abdulrahim AlEnezi
Member

Yaqoub Habib Al Ebrahim
Secretary to the Board
GM-Compliance & Corporate Governance

INTRODUCTION

INTRODUCTION

Commercial Bank of Kuwait set focused objectives that help it to occupy a prominent position among local Banks in Kuwait through its well-established franchise in Kuwaiti banking industry as the second oldest bank incorporated in Kuwait.

Despite the challenges facing Kuwait's economy and the banking sector in particular, Commercial Bank of Kuwait managed, owing to both its strategy aiming to cope with all variables and challenges posed by economic environment and the prudent vision of its Management, to attain the aspired objectives amidst vulnerable and difficult economic conditions.

While Commercial Bank of Kuwait will celebrate its 55th incorporation anniversary in June 2015, it will endeavor to enhance and capitalize on the confidence it has built with its customers over the past 5 decades by providing superior banking services and product offerings to them that cater for their aspirations and exceed their expectations to remain the Bank of first choice for customers. The Bank will strive to achieve higher returns for its shareholders along with maintaining its significant role in corporate social responsibility as a prestigious financial institution seeking to underpin principles of social responsibility culture in Kuwait.

Ali Mousa M. Al Mousa
Chairman

CHAIRMAN'S MESSAGE

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

Our valued shareholders,
our respectable attendees

The term of the present Board of Directors will expire with the end of the Ordinary General Assembly Meeting held for discussing the Bank's business results for the year ending 31/12/2014. On this occasion, the Board of Directors has the pleasure to highlight, through this message, the major issues related to the Bank's business results throughout the term of the Board of Directors (2012 – 2014) and also present an overview of the Board's approach and strategy in dealing with the developments, the banking industry has seen on the local and international fronts. The Bank's financial statements disclose all the mandatory information and details as required by the regulatory and statutory bodies through related resolutions. This message will shed light on the issues of concern of our valued shareholders and will also elaborate the details of these issues in a coherent manner.

Assets

The total assets grew by 7.2% to reach KD 4,213 million at the end of December 2014 compared with KD 3,929 million at the end of December 2013 and KD 3,668 million at the end of December 2012. The loans grew at a very limited pace during 2012-2014. The Bank offered KD 2,320 million loans to customers as at the end of 2014 compared to KD 2,317 million in 2013 vs. KD 2,127 million in 2012. The limited growth was a natural outcome of the Bank's policy aiming at improvement of assets quality, strengthening of profitability level, over the growth in volume of loan portfolio. To achieve this objective, the Bank adopted stringent procedures in establishing provisions and applied risk-focused selective criteria in extending the credit facilities to the customers. These issues will be illustrated in the following narratives.

Assets Quality

A positive and steady development in the Bank's credit portfolio quality is clearly evident and is reflected by the NPL ratio (ratio of the non-performing loans to total loans portfolio). This ratio was 2.76% at the end of December 2012 and reached 1.35% at the end of December 2013 and stood at only 0.80% at the end of December 2014, the best NPL ratio among all the banks in Kuwait.

Provisions

Over the past years, the Bank adopted a conservative approach for building up the required provision base (general or specific). As a result, the provision coverage ratio for NPL was 168.90% at the end of December 2012 that increased to 367.16% at the end of December 2013 and jumped to 751.62% at the end of December 2014, i.e. more than twice the ratio achieved in 2013. Provision coverage is one of the methods adopted for solidifying the balance sheet to avert any risks. It is important to refer to the "Off-loading of doubtful debts" an item which is not included in financial statements, but it is rather related to the provisions charged to income statement in the respective financial year. As a consequence, debts amounting to approximately KD 112.2 million were off-loaded in 2012, and debts of KD 58 million & KD 20.1 million were off-loaded in 2013 and 2014 respectively. It is to be noted that the accumulated balance of off-loaded debts during the last five years amounted to KD 505 million.

Profitability

The Bank's profitability has steadily increased over the past three years. The operating income grew by 7.6% to KD 144 million in 2014 compared with KD 134 million in 2013 achieving thereby a growth of 8.8% over the operating income amounting to KD 123 million achieved for 2012. Similarly, the operating profit has progressively increased and grew by 7.9% to KD 109.7 million in 2014 compared with KD 101.7 million or 7.8% for 2013 over the operating profit amounting to KD 93.8 million for 2012.

The net profit, after provisions & tax, grew by 108.7% to KD 49.1 million for 2014 compared with KD 23.5 million for 2013 while the net profit for 2012 was marginal. As such, Earning per Share (EPS) increased from 17 fils in 2013 up to 35 fils in 2014 and cash dividends grew from 7% in 2013 up to 18% in 2014.

Return on Assets (ROA) increased from 0.03% at the end of 2012 to 0.62% at the end of 2013 and stood at 1.21% at the end of 2014, whereas an increase in Return on Equity (ROE) from 0.21% in 2012 up to 4.26% at the end of 2013 and stood at 9.09% in 2014.

Other Important Indicators

The capital adequacy ratio was 19.95% in 2012 under Basel 2 requirements and stood at 18.15% in 2014 under the more strict Basel 3 requirements prescribed by the Central Bank of Kuwait and this ratio comfortably exceeds the ratio mandated by the regulatory authority in Kuwait under Basel 3 which is 12%.

The results of the regular stress test as required by the regulators proved that the Bank is well positioned to withstand any sever or stress situations under the applicable scenarios and assumptions.

As for the Bank's credit ratings, Moody's has rated the Bank Deposit (A3/P-2) and Fitch Ratings has rated the Bank Long Term IDR (A+) while Capital Intelligence has rated the Bank's Financial Strength (A-), with a stable future outlook from the above three rating agencies.

The aforementioned financial results and indicators were the culmination of the conservative policy adopted by the Bank over the past years to improve its assets quality and create a reasonable margin of safety against any risks the Bank may be exposed to.

Future Outlook for 2015

At the economic level, oil prices remain the dominant issue of concern at domestic, regional and international levels. The oil prices started tumbling at the end of 2014. The importance of oil in Kuwait economy and growth is a profound and eminent fact. The oil price trends, as seen in the market, portray negative indications for 2015; however, the international ratings of Kuwait's financial potentials, strength and its economic and financial resilience to confront this crisis is positive. Several economic analysts believe that this crisis will not continue beyond 2016 as the price per oil barrel is estimated at approximately USD 50 in 2015 and will progressively increase to USD 70 by the end of 2016. Although, it is not expected that oil prices will bounce back to USD 90 or KD 100 in the foreseeable future and we do agree with it and reject any pessimistic view.

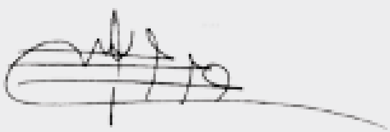
Some economists believe that prices are not only determined by supply and demand of oil but they are also affected by the volume of reserves held with the oil consuming countries, either strategic reserves under governments dominance or commercial reserves held with major oil companies. For instance, the volume of USA commercial oil reserve posted the highest level over the past 80 years. Other economists believe that the oil prices are mainly affected as a result of using oil as a tool for financial speculations and derivatives in commodities forward markets. While the volume of the world oil production does not exceed 90 million barrels per day, the volume of trading and speculations in oil forward markets reach more than 10 times this figure i.e. approximately 1 billion barrel per day.

Future Challenges

The anticipated impact of the lower oil prices on the government spending is the main challenge for the banking sector in 2015 as the government spending plays a significant role to drive the local economy. The banking sector places high importance on development spending and the development projects for which amounts have been already allocated in the State's public finance. As such, we expect that there will be intense competition among banks particularly at such time when there will be mismatch between the overbanking against limited available development projects. However, the bright spot is in the development spending in oil sector where implementation of development projects continued in all diverse oil activities related to production capacity, upgrading and development of refinery industry & infrastructure for oil transport and related products in addition to the continued explorations and oil well renovations. Commercial Bank of Kuwait is well positioned to cope with the challenges posed by economic variables and to avail the available opportunities.

Conclusion

In conclusion and on behalf of the Board of Directors, I would like to extend my thanks and appreciation to the Bank's shareholders, customers, employees and all stakeholders for their support and cooperation wishing them all success and progress.



Ali Mousa Al Mousa

Chairman

EXECUTIVE MANAGEMENT

Ms. Elham Yousry Mahfouz
Chief Executive Officer

Ms. Sahar Abdulaziz Al Rumaih
GM- Corporate Credit Division

Mr. Paul Daoud
GM- Retail Banking Division

Mr. Somu Marthandam Perumal
Acting Head - Risk Management Division

Mr. Tan Tat Thong
GM-Strategy & Planning Department GM-International & Syndication Division

Mr. Masud Ul Hassan
GM- Financial Control Department

Mr. Adli Abdalla Ghazal
GM Treasury & Investment Division

Mr. Yaqoub Habib Al Ebrahim
Secretary To The Board
GM - Compliance & Corporate Governance

Dr. Mohammad Ameen Ahmad
GM-Human Resources Department

Mr. G.V. Mohanan
GM- Operations Division

Sheikha. Nouf Salim Al Ali Al Sabah
Head of Advertising & Pub. Relations Department

Mr. Jens Tang Pedersen
Acting Head of ITD

Mr. Tamer Abdelhamid Abdou
Deputy Chief Internal Auditor & Head of IT Audit

Dr. Hussein Madkour
Advisor to Chairman and GM- Legal & LTU

Sheikh. Nawaf Ali Sabah Al Sabah
Senior Manager - General Services Department

ECONOMIC BACKGROUN

GLOBAL ECONOMY

Global economy witnessed rather moderate and uneven growth in 2014 supported by a pick-up in the US and UK along with a steady to slower pace of expansion in major emerging economics. IMF forecast global growth in 2015 to rise to 3.8% with the expectation of further growth in the US and UK and weakest expansion in Euro Zone. Emerging economies would continue to remain as a main source of global growth but at a slower pace.

Euro Zone area is on the edge of down turn and possibly might fall again in the hands of recession as Germany hits skids. Though China is still growing at a rather faster pace of 7.5%, but haunting worries of property bust, credit bubble and a fall in productivity.

Middle East tension, Russia-Ukraine problems and democratic protests in Hong Kong are factors that may affect the economic environment in 2015.

KUWAIT ECONOMY

Faster than expected growth in the non-opec oil supply and weaker than expected global oil demand resulted collapse of oil price in the last quarter of 2014 and that in turn put pressure on Kuwait's economic growth too. Despite that, Kuwait's economy has been expected to grow @ 2.6% in 2014 and 3% in 2015, as per IMF forecast. Though it is too early to say that economic upturn is in the offing but there are indications that the optimism level in the economy is beginning to move up.

Kuwait's accommodative monetary policy has resulted bank credit growing supported by strong deposit growth. Abundant liquidity in the banking system kept interest rate lower throughout 2014.

However, domestic/regional political developments continued to adversely impact Kuwait's development program to some extent.

Nevertheless, general belief now is that Kuwait economy has already bottomed out and growth momentum is to accelerate in 2015 on the back of Govt.'s expected spending on already announced development plan.

KUWAIT STOCK MARKET

In the year 2014, stock market witnessed rather low profile as compared to the previous year. Stock index fluctuated in a narrow band between 7,871 and 6,096 in 2014 as against 8,451 and 5,932 in the year 2013. The year 2014 closed at 6535.Initially market expected a recovery boom on the back of local positive sentiments of acceleration of Govt. spending on Kuwait development plan and improved business climate prevailed in the country. Low interest rate, availability of ample liquidity in the banking system, credit growth and comparatively better corporate earnings report were attributed as positive factors for the market recovery. But, increase of geo-political tension in the region particularly in Iraq & Syria, sharp fall in oil price and lower than expected Govt. spending on infrastructure development plan pushed the market again back to the slow track.

However, with recent stability in the political environment in Kuwait, acceleration of Govt.'s spending on development support plan, expected over-all recovery in the GCC/Global economy, lower interest rate, expected recovery in oil price, all pointing towards the KSE index to climb to higher level in 2015.

REVIEW OF OPERATIONS

Retail Banking Division

The Bank's success lies in understanding its customers banking needs and requirements particularly those services and products offered to retail banking customers. From this standing point, Retail Banking Division in Commercial Bank of Kuwait constantly endeavors to develop products and services that satisfy customers' needs and suit their expectation. Retail Banking Division's efforts are meant to have the Bank's services and products easily accessible by customers through expanding branch network and this was materialized by the opening of two new branches in the Faiha residential district and Mesila area within Mesila Al Jumairah Hotel. Faiha Branch is located in a large area with customer friendly features that would help improving the services offered to customers in such residential area whereby all banking services can be offered under one ceiling. The branch is also equipped with a hall designated for premier banking customer service. Mesila Branch, which provides all banking services all the year around, is based in such a vital area that attract huge number of visitors all the year round.

As regarding the new product offerings and services provided by the Bank to its customers, the Bank has launched the new "Base" account designated for the employees who transfer their salaries to the Bank. The account was specially designated to suit this important segment in order to achieve their ambitions and provide them with banking solutions that suit their banking needs and make them start their carrier life the right way. This tailored made package gives customers many benefits that include but not limited to the option to choose between two unique ATM cards designated especially for this segment, and customers get an interest free loan equal to three times the salary for a maximum amount of KD 3000 which is repaid in monthly installments for a period of 18 months. Coinciding with the launch of the Base package, the Bank has issued, in cooperation with MasterCard a new titanium card which was embodied within the Base package. The new titanium card is classified under premium cards category and which offers customers many benefits such as free access to selected Airport business class lounges across the Middle East, free local concierge service provided by "Yemnak" public service company and free travel insurance.

Additionally, the Bank upgraded its online banking services to enable customers to take advantage of its more value added services through the website www.cbk-online.com which allows customers to benefit from online payment of their mobile telephone bills and recharge their prepaid cards for all telecom companies operating in Kuwait (Zain, Orido and Viva). Meanwhile, Commercial Bank of Kuwait continued its efforts to diversify the methods and means which allow customers to take advantage of its products & services where the Bank upgraded the self-service terminal network and replaced all ATMs by more sophisticated ATMs to be aligned to the advanced ATMs systems. To this end, the Bank equipped all its branches network with cash-depositing service in addition to cheque-depositing service provided at certain selected branches.

Year 2014 saw the launch of Bank's state-of-the art- credit card campaign which targeted the Bank's credit and prepaid card holders where three Mercedes Benz luxurious cars were allocated for this summer campaign, namely Mercedes Benz C200, ML350 and S400 to be awarded as prizes to customers to encourage them for their loyalty and usage of Al-Tijari credit and prepaid cards. The campaign proved to be extremely successful in terms of the increased cards issued and usage. Additionally, and on the occasion of 2014 World Cup Football games in Brazil, the Bank launched a campaign for CBK prepaid card holders with a new prepaid card of unique design featuring colors of this championship and logo of FIFA World Cup. The Bank, further, held draw on all-expenses paid trips for attending the quarter final World Cup football games. On the other hand and out of its endeavors to enhance communication with youth segment customers and raise their loyalty, the Bank organized an exclusive cinema event for @Tijari customers by extending free invitation to them to attend and watch the premiere of suspense and action movies at Cinescape cinemas in 360 Mall and Hamra Mall. Furthermore, the Bank organized a number of lectures for schools' students under the caption "Saving & its Benefits" where the young generations were familiarized with the importance of saving and the ways available for saving money in addition to getting them acquainted with types of banking services and accounts and escorting them in orientation tours within the Bank with a view to increase their awareness of saving and other financial related issues. The Bank also organized a free entertainment day for the customers at Flex Health Club to enhance communication with customers and help them enjoy a better healthy life.

As regarding the services provided to the Premier Banking customers, the Bank coordinated with Radisson Blu Hotel, Flex Health Club and Sahara Kuwait Golf Resort for providing special discounts to customers when using CBK Premier credit and ATM cards. These offers are meant to deliver excellent services to the Premier Banking customers and demonstrate the Bank's endeavors to provide this segment with superior services and offerings that suit their life styles. Furthermore, and in coordination with Visa and MasterCard, the Bank launched marketing campaigns that offer special discounts to its customers when travelling aboard.

Within the context of the administrative procedures adopted by Retail Banking Division to improve and upgrade the level of services provided to customers and out the Bank's plans targeting technical integration with government agencies, the Bank implemented the automated linkage project with the Ministry of Social Affairs & Labor, where salary payment files related to laborers of private sector institutions & companies will be deposited without any need to get letters issued from the Bank and directed to MOSAL. Furthermore, and through the Bank's website, the employer can take advantage of the available services that help him manage employees' salaries e.g. applying for opening and closing labor account, applying for ATM card, retrieving previous salaries files, manual posting of salaries records or uploading salaries records through the files generated from the automated systems of companies and institutions along with handling MOSAL file numbers in addition to other services. The Bank has prepared a detailed booklet on this service including the frequently asked questions and responses thereto.

Moreover, the Bank has activated "Cheque Authentication Service" for the cheques issued by retail and corporate customers where this service allows retail & corporate customers, via online banking, to keep records of all cheques they issue. This mechanism was adopted to ensure that manipulation or forgery of cheques related to customers shall cease to exist and provides full security in case of larceny where cheques can not be cashed without matching the cheque with the details posted by the customer in the system designated for this service.

The Bank, further, upgraded the e-payment portal service for merchants to include credit cards issued by Visa and MasterCard where merchants who sell their products and services online can give their customers the option to pay by domestic K-net cards or through the credit cards issued locally or internationally.

Corporate Credit Division

Since its incorporation, Commercial Bank of Kuwait contributed significantly to the economic development of Kuwait through the wide range of corporate banking services the Bank provides through its Corporate Credit Division. The Division offers the required financing packages to all small and large companies as well as investment services in addition to financing private & government projects, add to this is its major participation in syndication loans.

Corporate Credit Division is one of the main business lines that meritoriously contributes to the Bank's profitability. CCD consistently endeavors to achieve its prime objectives of maximizing the Bank's returns and brining high quality assets to the credit portfolio by attaining the highest customer service levels, increasing quality assets and their returns and enhancing & boosting the professional competence of the Division's staff members.

In this context, CCD works closely to deliver superior financing services that cater for the requirements of all diverse segments of customers through the optimum use of skills and capabilities of its staff members who always receive and attend highly technical training courses in pursuit of the aspired target of providing all financial & investment consultations to customers along with entertaining their needs and requirements expeditiously and in a highly professional manner.

Furthermore, CCD prepares credit studies and restructuring process of the credit facilities related to irregular customers with a view to extend the appropriate credit facilities after conducting the required technical and credit studies for customers willing to settle their obligatons.

The Bank's Management succeeded in having in place a strong and highly skilled corporate credit team members with adequate expertise and know-how that enable them to provide customers with the best credit services. This has positively resulted in having a full-fledged team with high experience that would always ensure the steady volume of business by taking the required business procedures that include identifying and analyzing credit requirements of corporate customers and the methods of expanding credit activities.

Corporate Credit Division provides its services through three specialized Units, namely Contracting & Services, General trade and Investment & Real Estate.

The Bank has recently established special center to provide corporate credit customers with a complete package of banking services and which was highly commended by all the Bank's customers where transactions were processed with high speed and accuracy and with minimum time & effort for the customer's convenience. Additionally, the Bank established Financial Analysis Unit for performing 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. Thus, the Bank has become the reliable partner in business growth for some local corporate clients .

Moreover, the Bank's CCD provides tailored made products to satisfy requirements of diverse companies and support their credit & financing needs. These products include short-term facilities related to working capital, medium and long-term facilities pertaining to capital expenditures and investment requirements, financing large-scale government projects, syndication loans and financing acquisitions.

Within the policy applicable with the Bank, CCD account managers regularly visit the customers for discussing financing and economic variables related issues, advising customers of the best financing mechanisms, keeping them abreast with the Bank's products & currency exchange rates and helping them in selecting the banking products & services that suit their business. In this process, Corporate Credit Division presents regular reports to the Senior Management on the outcome of such visits and customers' needs. Additionally, the Senior Management continuously visits the Bank's customers to identify the level of their satisfaction towards the services offered to them along with developing these services to cater for their requirements so that the Bank would become not just a bank but a true business partner in diverse credit areas.

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 shareholders in their cross border international banking activities.

As part of these correspondent banking relationships, the Bank's International Banking and Syndication Division maintains a broad base of reciprocal business activities as well as assumes proprietary positions by investing in trade related transactions and other syndicated lending activities. Additionally, the Division supports the various banking needs of multinational companies (MNCs) by providing credit facilities specifically tailored to meet particular requirements for their business in Kuwait.

In 2014, the Division grew its portfolio of proprietary unfunded assets by participating with a consortium of local banks to provide project related bonding requirements for MNCs engaged in the execution of various developmental projects awarded by state owned Oil companies and other government regulated entities. On the funded portfolio, declining yields - driven by an abundant liquidity environment - coupled with global geopolitical uncertainties resulted in the Division experiencing a moderate growth in its funded assets during the year.

Treasury & Investment Division

The bank operates with a full-fledged Treasury Department which delivered a strong performance in 2014.

Treasury's focusing was mainly on developing customer business particularly in the areas of Deposits and Foreign Exchange (Spot & Forward) which saw a remarkable rise in turn-over. Proprietary trading in foreign exchange continued to supplement boosting Treasury's overall profitability.

The major functions performed by Treasury are as follows:

Foreign Exchange Desk: Trading in FX Spot/Forward & Swap
Money Market Desk: Taking care of Cash Flow Management, Activities in the Interbank Money Market/ Fixed Income Securities (Treasury Bond/Corporate Bond etc.), Liquidity & other related statutory Ratios Management.
Corporate Desk: Taking care of Corporate client's requirements, offering various types of Treasury products in deposits/ foreign exchange including hedging of interest rate/ FX risk through forward covers.
Investment Desk: Manage bank's investment portfolio under various asset classes particularly domestic/foreign equity investments.

Treasury's strength is built on high-tech communication systems and electronic dealing platforms that are being facilitated to execute financial transactions for customers with minimum cost and that kept Treasury as a preferred choice among the corporate community.

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.

Strict compliance of sound ethical practice combined with financial prudence with efficiency and effectiveness has been kept Treasury to be a key differentiator.

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.

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 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 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 granularity 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, sectoral and geographic concentration risks.

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. The erstwhile limit for the loan to deposit ratio was replaced last year with the limit for maximum amount allowed for lending, in line with the Central Bank's instructions. 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 Basle 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). These ratios are being measured and monitored regularly against internal limits that are progressively phased to meet 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. Varied rate shocks for different time buckets/currencies are used for calculating the EaR. In addition, the economic value of equity is required to be 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 identifying, assessing and 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, 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

Home Banking As a part of the Banks continued efforts to improve customer service, the Home Banking System was introduced this year. This lets the customer securely access his/her account information by using the ATM debit card and PIN code thru his/her PC or Laptop equipped with a smart card reader.

FATCA The Foreign Account Tax Compliance Act (FATCA) is a United States federal law that mandates financial institutions (outside the United States), to report their US citizen customers to the Internal Revenue Service (IRS). The required changes have been implemented into the ICBS core banking system.

New KNET Connectivity A new KNET switch for incoming transactions originating from POS terminals and non-CBK ATM's has been implemented in order to improve transaction processing capacity and reduce third party vendor dependency.

CMC (Cash Management Center) In order to support the Banks decision on in-house Cash Management, ITD has developed a new system providing for the high security restrictions mandated by the Business, Risk and Compliance areas.

AML and KYC (Anti Money Laundering and Know Your Customer) The Banks IT systems were updated and modified in order to meet the changes to AML and KYC policies as per Central Bank and our Board directives issued in 2014.

MOSAL automation A full and comprehensive automation of salary payments with interfacing to the Ministry of Social Affairs computer system has been completed.

New HRD System The first phase of Banks new HR System (MYSTRO) went successfully live in July 2014, second phase which offers self service to staff and management is planned for first quarter 2015.

CDM (New Functionality) A new set of functionalities has been added to the CDM during 2014 including teller-to-teller transfers, teller-to-vault and non-CBK cheque processing. In addition, the withdrawal services are being piloted before roll-out to all branches within this year.

Treasury System upgrade The Banks Treasury System (Spectrum) has been updated to the latest version and is going live by December 2014.

Updated IVR / Call Center System The Banks IVR and Call Center System has been upgraded to the latest version, which among other functionalities also offers social media like Chat and Facebook.

ATM's The Banks 110 ATM machines are being replaced with the latest models from NCR, these models features large high resolution screens, voice as well as more cash deposit machines.

ATM's has also been installed in 6 off-site locations: Jumairah hotel,Radisson SAS, Souk London, Sahara club, North and South Nigra complexes.

Mobile Banking The Mobile Banking service channel was launched in 2014 for the Banks Retail customers to access their portfolio via their Android or iPhones.

A variety of functions are available now, similar to what is offered on the Banks Online-Banking for PC's/Laptops, and more functions are planned to be offered through this service.

Customer e-Advice services A new E-Advice service subscription which allows customers to receive transaction advices as an E-mail attachment for the transactions done at CBK branches to their emails has been implemented in order to improve customer service.

Automated Cheque Clearing ITD is heavily involved in the Automated Cheque Clearing project which is being implemented in Central Bank of Kuwait. All local banks must acquire and/or upgrade their IT systems in order to be live in May 2015 as mandated by Central Bank.

Operations Division

In continuation of its focus on 'Customer Convenience & Delivery', Operations Division in 2014 has continued in providing best-in-class service to the customers of the Bank. The Division has played a significant role in automating most of its processes with the implementation of a new core banking software – ICBS with adequate controls 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 a Pilot Bank by MOSAL to implement 'Private Sector Salary Update Project'. The project was successfully implemented and has become a role model to other local banks. Further, phase 2 of the Central Bank mandated IBAN Project was successfully implemented. Similarly all old accounts of Ministry staff have been updated to comply with IBAN requirements.

With a view to providing enhanced customer service in an efficient manner in a paperless environment, all remittances from branches are centralized in 'Central Remittance Unit' (CRU) under CPD.

Treasury Operations – With a desire to moving towards a 'paperless' office, system has been used to avoid printing in their day-to-day activities. The unit is actively participating in upgrading of Treasury System.

Trade Finance – As a specialized unit within Operations, staff are provided 'on-the-job' training to equip them with technical expertise on the subject.

Credit Administration – Being a critical unit for the Bank emphasis has been placed in accurate updating credit facilities and documentation for the Asset customers of the Bank. Efforts are on to automate processes and reduce manual efforts for month-end related exercises.

Account Processing & Record Management – This unit performs a vital role in processing, maintaining and preserving Accounts opened / held in the Bank. Several projects for work improvement was initiated and successfully implemented.

iSPEED - The unit worked on multiple areas of the Bank and highest focus was given to address Central Bank requirements. As part of new corporate governance framework, Conflict of Interest and Related Party Policies were successfully embedded and implemented in the Bank's core banking system.

With a view to provide improved customer convenience, the Bank has embarked on a bank-wide process mapping engagement with an external vendor. The assignment will assist in identifying re-engineering opportunities and introduce effective and efficient service to the customers of the Bank.

Operations Division motto – "Provide most convenient Banking Service to Community through Innovation and Empowerment of Employees".

Human Resources Department

Human Resource Department contributes to the success of the Bank through specialized functions that work together as team to accomplish CBK's mission, vision, values, strategic goals & objectives.

HRD Vision: Business-focused, people-oriented & value-driven partners establishing innovative HR systems to achieve success.

HRD Mission: Attract, develop, motivate & retain a competent work-force to achieve excellence.
The role Human Resource Department plays is to help create the right culture & assist in building up of right organization. To accomplish this, HRD provides variety of services through three major functions: strategic, operational & administrative roles played.

HRD Functional Areas:

RECRUITMENT

Recruitment endeavors to promote CBK as an 'employer of choice' for the job seekers in private sector in general and particularly banking sector. In this context, 'Recruitment' plays a major role to ensure workforce's ability to achieve Bank's goals & objectives. This role includes identifying workforce requirements, developing & implementing selection procedures, attracting qualified candidates in order to fulfill business needs.

Furthermore, and through Recruitment, HRD exerts its utmost efforts to localize jobs to create a promising generation of the new Kuwaiti bankers. These efforts were fruitful during 2014 where the percentage of the Bank's Kuwaiti employees reached 71.4% of gross workforce at the Bank compared to 62.3% for the year ending 31/12/2013. This percentage conveniently exceeds the statutory percentages and reflects CBK's consistent effort to uphold Kuwaitization program at its best.

COMPENSATION & BENEFITS

CBK offers a competitive benefits package designed to attract and retain the most qualified employees. CBK pays the employees based on performance through different programs designated for all groups. In this context, HRD, through, Compensation & Recruitment, developed a new Performance Appraisal System (PAS) which was approved in November 2014. 'PAS is a point rating performance assessment system based on SMART objectives, competencies, key performance indicators and development.

TRAINING & DEVELOPMENT

Effective employee development is the key to optimizing both personal & Bank's Growth enabling employees to expand their contribution and expand their personal career too. Training Unit's main activities are related to employee development, learning solutions for soft & hard skills and learning management. Training unit continues to maintain standards of well trained & highly motivated employees who are well equipped to serve in bank's best interest. In this context, 740 employees were enrolled in 141 different training courses totaling 5200 training hours, in 2014.

On the other hand, the 'Kuwaiti Graduate Development Program' (KGDP) is one year extensive training program specialized for fresh University Graduates, in preparing them to succeed in their future career. CBK's milestone under this 'KGDP' was that the Bank stood at number 'One' amongst other banks.

The New Recruit Development Program (NRDP) is also an intensive program, preparing new recruits (Kuwait Nationals) under bank's induction & orientation classes on its products/services, to achieve the highest level of expertise.

Additionally and within the Bank's strategy, a new Career Development & Succession Planning program developed as a link to individual employee development, department objectives & Bank's business objectives.

Moreover, HRD endeavors to be present at several job fairs and forums organized by a number of colleges and institutes and which are considered a good chance to present the available jobs by the Bank for the graduates in addition to the development chances for their skills and career.

HRD - MANAGEMENT INFORMATION SYSTEM: 'MYSTRO'

HRD developed, customized & implemented a new HR-MIS called 'MYSTRO' to automate HRD functions. Phase-I was live in August 2014.

HRD will continue, in the year 2015, with its approach based on investment in human resources being the main driver for the Bank's business activities.

Compliance & Corporate Governance Department

Compliance & Corporate Governance Department places high importance to help the Bank in averting any risk that may arise from non-compliance with the instructions issued by regulators, basically the Central Bank of Kuwait along with those issued by Capital Market Authority. Furthermore, Compliance Department endeavors to take the necessary arrangements to enhance the actions and procedures adopted by the Bank with regard to AML & CFT. Apart from this, the Department would monitor & follow 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 undertakes the responsibility of 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 same.

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 is responsible for implementing regulators' instructions to ensure that sound Corporate Governance rules are applicable at the Bank. 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. On another front, the Unit monitors all remarks and observations raised by regulatory authorities, internal audit and external auditors to ensure that the Bank has taken the required rectifying procedures for resolving such remarks and observations.

The Bank has exerted every possible effort to equip the Department with highly experienced and well qualified employees and proper support to avert financial and other risks that may arise from non-compliance with legal & regulatory requirements in order to safeguard the Bank and the interests of its shareholders and stakeholders.

Compliance & Corporate Governance Department coordinates and cooperates with all departments at the Bank 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 in place and are implemented by the Bank's diverse departments as and when required. 2014 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. These challenges included and were not limited to the following:

- 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 to upgrade its systems, policies and procedures to address and cope with such requirements. To this end, the Bank was required to upgrade and enhance 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 terrorist financing transactions are not processed through the bank.

- Adopting the required procedures for compliance with "Foreign Account Tax Compliance Act" salient of which were the amendments introduced to accounts opening form and "Know Your Customer" form and other procedures the Bank has applied . To complement these efforts, 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 an automated system has also been devised to facilitate the process of monitoring compliance with the said Act.

- Enhancing all aspects associated with the implementation of Corporate Governance rules in terms of disclosure and transparency. This can be manifested in the disclosure the Bank makes in its annual report to regulatory and competent authorities which far exceed the regulatory requirements.
- Handling and acting upon all instructions issued by the regulators particularly those issued during 2014 along with upgrading the in-house monitoring system to expeditiously resolve any remarks or observations raised by those regulators or competent authorities and take the necessary actions to avert recurrence of such remarks.

- Enhancing Corporate Governance & Compliance awareness and cultural 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.

Compliance & Corporate Governance Department is poised for any amendments that may arise on domestic regulatory instructions and international standards by developing its procedures for maintaining the Bank's image on the one hand and avoiding any potential risks that may result from non-compliance with such requirements on the other hand.

Legal Department

The Bank's in-house Legal Department endeavors to safeguard the Bank's rights and interests and employ all its legal and administrative capabilities to defend the Bank's rights before courts.

Furthermore, Legal Department perpetually endeavors to render the best legal services and legal assistance required by the Bank's diverse departments and branches to enable them perform their usual day-to-day business without any violations to legally acceptable norms with a view to maintain the Bank's rights and corporate image. In addition, Legal Department monitors and follows the collection process from the Bank's defaulting customers and scrutinizes the extent of their regularity in repaying the past due installments to be prepared for proceeding with the necessary legal action against defaulting customers so that the Bank can reach a compromise with those customers either for repayment or rescheduling of their obligations after obtaining the approval from the concerned department in the Bank.

Legal Department aims to maintain the Bank's interests according to a defined strategy whose principles were set by the Bank's Board of Directors and through which Legal Department cooperates with all other departments to get such principles materialized so that the Bank can attain a leading position among local banks.

In this context, Legal Department renders its legal services for the interest of the Bank and its customers in terms of advising them of the legally required documents to process their business relationship with the Bank, apart from drafting the required contracts & agreements related to the Bank's business. Further, Legal Department endeavors, through its full-fledged staff, to get the court ruling enacted 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 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 has continuously contributed in solidifying the Bank's corporate image and position in Kuwait business community and among its customers through participation in diverse societal related activities and sponsorship of different philanthropic events, thus underlying and illustrating the Bank's social responsibility towards the community in which it operates.

At social activities front, 2014 was a remarkable year for the Bank and was marked by Advertising & Public Relations Department exerting tremendous efforts for participating and patronizing a considerable number of societal activities and events. The Bank has also provided financial contributions and significant support to diverse social, non-for profit, cultural & educational and sporting entities. All such contributions and social initiatives by the Bank were meant to strengthen its presence in the community in which it operates as a socially responsible financial institution that consistently endeavors to provide all forms of support and patronage to social activities under its corporate social responsibility mission. Furthermore, the Bank had an impressive presence on several social occasions and feasts by contributing in bringing happiness and drawing smile on faces of the patients and the physically challenged segment.

As for the revival of Kuwaiti heritage, Commercial Bank of Kuwait's name became closely correlated with the revival of the old Kuwaiti heritage and the various activities related to it. Drawing on this, the Bank launched its exceptional heritage campaign "Ya Zeen Turathna" for the third year in row following the outstanding success the campaign has achieved over the past two years. Furthermore, the Bank has - as an ongoing practice- issued its annual calendar for 2015 which consistently highlights the old Kuwaiti heritage by depicting some scenes relevant to the old Kuwaiti heritage. The main theme of Al-Tijari Calendar 2015 shed light on the ancient places, Kuwaiti gates and popular traditional markets in Kuwait.

At another front, and within its endeavors to communicate and interact with all society segments, the Bank continued its innovative campaign "Hawwen Alaihom", a typically designated campaign to help the road cleaners & construction workers. As such and within the ongoing activities of the campaign, a number of the Bank's voluntary employees distributed water, gifts and winter clothes to the road cleaners and construction workers for brining happiness to hearts of this segment that deserves all care and attention.

To solidify the care and attention the Bank give to its employee, the Bank organized "Al-Tijari Hobbyist Exhibition" for the eleventh year in row. The Bank organizes this Exhibition annually to strengthen relationships among the employees as one family.

As the Bank believes that donations, assistance and good deeds are not confined to the financial support it offers, the Bank organized a blood donation campaign for its staff members to donate their blood and rewarded and encouraged the employees who donated their blood in favor of Kuwait Central Blood Bank. As the Bank's social responsibility covered diversified and extensive activities, Advertising & Public Relations Department issued its annual handbook highlighting all societal activities and events supported and patronized by the Bank during the year 2014.

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 previously laid down prudent Corporate Governance framework and systems that took into account all the instructions issued by the Central Bank of Kuwait over the past years. These rules and systems are regarded as a significant 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 and safeguard the Bank, its rights and rights of its shareholders, creditors, staff members and stakeholders. Additionally, the Bank adopts the utmost degrees of transparency and disclosure of 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 during the period from 1977 to 1983.
- Assistant Executive of Managing Director, Internal Audit Affairs in Kuwait Petroleum Corporation.
- 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. Besides, he had significant contributions in several economic and social development action-oriented committees, councils and forums.

Moreover, 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).

Mr. Ali Mousa holds the position of the Bank's Chairman since 29/4/2012 and he is the Chairman of both the Board Loans Committee and the Board Corporate Governance Committee, in addition to his membership in Commercial Real Estate Company's board of directors.

Mr. Abdulrazzak A. Alkandari – Deputy Chairman

Mr. Abdulrazzak is a Kuwaiti national born on 1/4/1943 holding bachelor of political sciences 1966 / Cairo University. Mr. Abdulrazzak possesses long experience in political and diplomatic areas where he was appointed as 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. Abdulrazzak was a Board Member in Beirut Tower Company (Lebanese Co.) during the period from 2004 to 2007.

Mr. Abdulrazzak is the Bank's Deputy Chairman since 29/4/2012 and he is the Chairman of the Board Nomination & Remuneration Committee. In addition to this, Mr. Abdulrazzak is a Member in the Board Loans Committee.

Sheikh Ahmed Duaij Al Sabah

Sheikh Ahmed 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 Ahmed 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 a Member in both the Board Risk Management Committee and the Board Loans Committee. Sheikh Ahmed Al Sabah is also the Chairman of Union Securities Brokerage Company.

Mr. Majed Ali Owaid Awad

Mr. Majed is a Kuwaiti national born on 30/10/1979 holding bachelor of Commerce / Accounting 2004 from the Modern Academy for Computer Sciences and Management/ Egypt and master of Business Administration / Accounting 2010 – Bahrain University. Mr. Majed held a number of positions salient of which are the following:

- Chairman – Al Khalijia United Holding Company during the period from 2011 to 2013.
- Chairman – International United Brokerage Company during the period from 2005 to 2010.
- Deputy Chairman – Al Ana'am Holding Company during the period from 2007 to 2009.
- Board Member – Al Afrah Oriental General Trading & Contracting Company during the period from 2010 to 2012.

Besides being a Member in the Bank's Board of Directors in 23/3/2011, he is a Member in the Board Audit Committee and the Board Nomination and Remuneration Committee.

Dr. Mahmoud A. A. Behbehani

Dr. Mahmoud is of Kuwaiti nationality born on 17/12/1965 holding a PHD in Economy & Insurance 1998 / Sterling University /Scotland – United Kingdom and Master in actuarial Business (Actuary) 1994 / Boul Stest Indiana / USA and Bachelor of Insurance 1990 / Kuwait University. Dr. Mahmoud occupied a number of positions salient of which are the following:

- Head– Finance & Financial Institutions / Kuwait University during the period from 2007 to 2009.
- Actuary Consultant – National Assembly during the period from 2006 to 2008.
- Head of Advisory Team in Manpower Structuring Program during the period from 2005 to 2007.
- Advisor, Insurance – Ministry of Commerce during the period from 2003 to 2004.
- Expert, Insurance in Supreme Court – Experts Department during the period from 1999 to 2000.

Dr. Mahmoud is a professor in insurance and actuary sciences, attended MBA program and obtained higher diploma in Islamic Finance / Kuwait University – College of Business Administration – Finance & Financial Institutions.

In addition to his responsibilities as a Member in the Bank's Board of Directors since 29/4/2012, he is the Chairman of the Board Audit Committee and is also a Member in the Board Corporate Governance 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 Wisconsin, USA and Master in Business Administration/ Financing & Investment 1979/ Weskans University, USA and he also held doctorate in business administration / financing 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 Loans 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 Legal Accounts Society in Saudi Arabia (Riyadh) No. 2012 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, Safeway General Trading & Contracting Company since 1989 to date.
- Deputy Chairman of Commercial Bank of Kuwait during the period from 7/4/2010 till 11/5/2010.
- Chairman of Commercial Bank of Kuwait during the period from 11/5/2010 till 23/3/2011.
- Board Member during the period from 23/3/2011 till 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 a Member in both the Board Audit Committee and the Board Nominations & Remunerations Committee in addition to his membership in Securities Group Company's Board of Directors since 2000 to date.

Retired Major General Dr. Arshaid Abdulhadi Zaid Mubarak Al Houry

Dr. Arshaid 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. Arshaid 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. Arshaid 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 Risk Management Committee and the Board Corporate Governance Committee and is also the Deputy Chairman of YACO Medical Company.

Mr. Shukri Mahmoud Abdulrahim Al Enezi

Mr. Shukri is a Kuwaiti national born on 26/3/1958 and obtained a bachelor degree in Economics from Kuwait University in 1981 and a Master in Business Administration / Kuwait University. Mr. Al Enezi has occupied many positions in the Central Bank of Kuwait as follows:

- Manager, Banking Operations Department during the period from July 1999 to July 2007.
- Head, Policies & Technical Studies Section, Supervision Department from July 1994 to July 1999.
- Head, Data & Analysis Section, Difficult Debts Department, from November 1992 to July 1994.
- Head, Studies Section, Banking Supervision Department, from May 1991 to November 1992.
- Inspector, Banking supervision Department, from November 1982 to May 1991.
- Financial Controller, banking supervision Department from September 1981 to November 1982.

In addition to being a Board Member in Commercial Bank of Kuwait, Mr. Shukri Al Enezi is a member in both the Board Loans Committee and the Board Risk Management Committee.

Mr. Musaed Nuri Al Saleh

Mr. Musaed is of Kuwaiti nationality born on 30/1/1977 holding a bachelor of business administration 1998 / Suffolk University, USA. Mr. Musaed worked in a number of companies and institutions where he acquired experience in diverse areas such as investment, real estates and advisory services and other areas. Presented below is a synopsis on his professional experience as follows:

- Managing partner in MNS International Company for Real Estates Management & Development, Kuwait since September 2010 to date.
- Fellowship, Harvard University, Weatherhead Center for International Affairs, Cambridge Ma, USA - from 2009 to 2010.
- He held a number of positions in National Projects Holding Company, Kuwait since April 2005 and latest of which was the Chairman of this Company during the period from January 2013 to September 2013.
- Gulf Development Real Estate Co., Kuwait from July 2004 to May 2005 and the latest position was the Deputy General Manager of the Company.
- General Manager of Massaleh Investment Co., Dubai, UAE during the period from December 2000 to May 2003.
- He worked in a number of European banks at the beginning of his career in March 1999.

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 Board Corporate Governance Committee and Board Audit Committee.

Third: The Board Committees

Within the process of enhancing the Bank's Corporate Governance, CBK formed 5 Board Committees with 4 non-executive Committees. Here below are the duties, responsibilities and authorities of each of the said Committees in brief:

Board Corporate Governance Committee
Mr. Ali Mousa Al Mousa – Chairman, BCGC
Dr. Mahmoud A. A. Behbehani
Dr. Arshaid Abdulhadi Al Houry
Mr. Musaed Nuri Al Saleh
Presented below are the main functions and responsibilities of the Board Corporate Governance Committee:

- 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
Sheikh. Ahmed Duaij Al Sabah
Dr. Arshaid Abdulhadi Al Houry
Mr. Shukri Mahmoud Al Enezi
Presented below are the main functions and responsibilities of the Board Risk Management Committee:

- Review the Bank's present and future risk appetite 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 & associated companies and take the necessary action in relation to these companies 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 & 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

Dr. Mahmoud A. A. Behbehani – Chairman, BAC
Mr. Bader Sulaiman Al Ahmad
Mr. Majed Ali Owaid Awad
Mr. Musaed Nuri Al Saleh

Presented below are the main functions and responsibilities of the Board Audit Committee:

- Review the scope, outcomes and the sufficiency of internal & external audit functions in the Bank.
- Review accounting issues that may have a substantial impact on the bank's financials.
- Review the bank's internal control systems and ensure that staff members assigned to handle jobs related to regulatory issues are adequate and sufficient.
- Oversee and support independence of Internal Audit.
- Review the bank's financials before presentation to the Board of Directors and ensure adequacy of provisions.

Review the bank's compliance with the State competent authorities' laws and regulatory resolutions & instructions relevant to the Bank's business activities including but not 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 Market Authority Law and CMA's resolutions and Kuwait Stock Exchange's resolutions.

Board Nomination & Remuneration Committee

Mr. Abdulrazzak A. Alkandari – Chairman, BNRC
Mr. Bader Sulaiman Al Ahmad
Mr. Majed Ali Owaid Awad

Presented below are the main functions and responsibilities of the Board Nomination & Remuneration Committee:

- 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 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.
- To regularly evaluate 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.
- Present recommendations to the Board of Directors regarding 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
Mr. Abdulrazzak A. Alkandari
Mr. Abdulrahman Abdullah Al Ali
Sheikh. Ahmed Duaij Al Sabah
Mr. Shukri Mahmoud Al Enezi

As per the authorities approved by the Board of Directors & existing legislations and the Central Bank of Kuwait's instructions issued in this regard, the Board Loan Committee assumes the following duties and functions:

- Review and amend the credit policy.
- Review, amend and approve sovereign 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.

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 2014 along with an outline of the frequency of participation by the Board Members in such meetings.

Meetings	Frequency	Ali Al Mousa	Abdulrazzak Alkandari	Salem Al Ali	Abdulrahman Al Ali	Ahmed Al Sabah	Mahmoud Behbehani	Bader Al Ahmad	Ahmad Al Mishari	Majed Awad	Ershaid Al Houry	Shukri Al Enezi	Musaed Nuri
Board of Directors	28	28	24	14	24	26	19	20	2	18	21	20	8
BLC	55	54	40		47	48	27					9	
BAC	10			6			3	8		6			3
BNRC	7		7				3	5		5			
BRMC	7				7	4			1		7	4	
BCGC	9	8		4		2	1				6	5	2
Total	116	90	71	24	78	80	53	33	3	29	34	38	13

- The Board of Directors called the first Reserve Member Mr. Shukri Al Enezi to become a Board Member commencing from the Board Meeting held on 8/4/2014 due to disengagement of Mr. Ahmad Al Mishari from the Board membership.
- The Board of Directors called the second Reserve Member Mr. Musaed Al Saleh to become a Board Member commencing from the Board Meeting held on 30/9/2014 due to Mr. Salem Al Ali's resignation from the Board membership.
- 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 possessing 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 and she holds a Bachelor degree in Economy / Kuwait University. 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.

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

Secretary to the Board

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 as General Manager, Compliance & AML 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. In addition to his responsibilities as Secretary to the Board and all Board Committees and his position as GM – Compliance & Corporate Governance and AML, Mr. Yaqoub is the Chairperson of Purchasing & Tender Committee and is also the Bank's official spokesman.

Dr. Hussein Madkour

Advisor to Chairman & General Manager of Legal & LTU

Dr. Hussein Madkour joined the Bank in 2013. Dr. Madkour got a PhD in Law 1984 – Cairo University. Dr Madkour has got a number of certificates in international arbitration from the Cairo Regional Center for International Commercial Arbitration (CRCICA), Germany Chamber of Commerce and FIDIC – London. Dr. Madkour progressively held many judicial posts until he became Deputy Head of the State Litigation Authority of Egypt. Dr. Madkour was seconded as a professor in Faculty of Law/ Zagazig University. Dr. Madkour was also seconded to work with the Ministry of Health at Environment Protection Department in Kuwait, and was also seconded to work at Fatwa & Legislation Department at Council of Ministries in Kuwait. Dr. Madkour participates in all the Board meetings and both the BCGC & BLC meetings.

Mr. Masud Ul Hassan

GM - Financial Control Department

Mr. Masud is an accountant possessing an experience of more than 22 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. Mr. Masud held a Bachelor of Commerce from the University of Punjab, Lahore, Pakistan and obtained diploma in International Financial Reporting Standards and he is a Fellow Member in the Institute of Costs & Management Accountants in Pakistan and is also a Member in ALCO.

Mr. Paul Daoud

GM – Retail Banking Division

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 holds now the position of General Manager, RBD.

Mr. Tat Thong Tan

GM- Strategy & Planning Department

GM – International Banking & Syndication Division

Mr. Tat Thong is a banker of Malaysian nationality 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 as well as 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. G. V. Mohan

GM- Operations

Mr. G. V. Mohan is the in-charge in the bank's Operations Division and he joined Commercial Bank of Kuwait in 1977 and has experience of more than 37 years in Operations. Mr. G.V. Mohan assumed many duties and responsibilities during his service period with the Operations at the Bank and he holds now the position of Head, Operations. Mr. Mohan assumes the supervisory responsibility for a number of sections such as Trade Finance and Credit Administration and other sections.

Dr. Mohammad Ameen Ahmad

GM – Human Resources Department

Dr. Mohammad is a Kuwaiti national holding PhD in Management Strategic Planning 2006, UK and Master degree in Public Administration and Government Policies 1990, USA. Dr. Mohammad has more than 32 years of human resources management experience in public and private sectors where he was a fundamental Member in the Public Authority for Assessment of Compensation for Damages Resulting from Iraqi Aggression when established in 1992 and was also a fundamental Member in some companies such as EQUATE Petrochemical Company when established in 1996 and Viva Telecom Company when incorporated in 2008. Dr. Mohammad also participated in restructuring of Wataniya Airways in 2010 and United Company for Medical Services in 2012. In addition, Dr. Mohammad worked with the CEO's office in Kuwait Petroleum Corporation where he led the Decision Making Team at KPC during the period from 2004 till 2008. Dr. Mohammad joined Commercial Bank of Kuwait in February 2014 as General Manager, Human Resources Department.

Mr. Tamer Abdelhamid

Deputy Chief Internal Auditor & Head of IT Audit

Mr. Tamer joined the Bank in June 2013 as Deputy Chief Internal Auditor and Head of IT Audit with experience for approximately 21 years of which about 10 years at local banks. Mr. Tamer held Bachelor of Accounting from Cairo University and obtained a number of professional certificates in his field of specialty such as Certified Information Systems Auditor and accredited certificate in Risk monitoring & Information Security. Mr. Tamer participates in the Board Audit Committee meetings.

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 liberation of Kuwait. Mr. Jens is a Member in IT & Information Security Committee.

Sixth: Shareholders with Holding in Excess of 5% of the Bank's Share Capital as at 31/12/2014

• Al Sharq Holding Company	23.11%
• Securities Group Co.– Customers' Account	41.3%

Seventh: The Board & Executive Management's Remuneration During the Year 2014

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 will cover 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 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 remuneration can be clawed back, however, at present bank isn't paying any variable remuneration to its staff.
- 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 2014 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 127,000.
Remunerations payable and accrued to the CEO, GM – Corporate Credit, GM – Treasury & Investment, GM – Risk Management Division, GM – Financial Control Division and Deputy Chief Internal Auditor amounted to KD 444,000.

Remunerations based on staff members' categories

Category	Number	Total Numerations	Remarks
Jobs subject to the Central Bank of Kuwait's approval	8	KD 618,000	CEO and Executive management.
Staff working in financial control and risk area	39	KD 755,000	Including the employees working with Risk Management Division and Financial Control Division.
Staff working in risk taking areas.	317	KD 5,906,000	Most of the employees working in Bank's business areas such as Retail Banking Division, Corporate Credit, Treasury & Investment, International Banking & Syndication Division and Operations.

- 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.
- 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 96 thousand while their deposits reached KD 571 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 process of all byelaws 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 Central Bank of Kuwait conducted an inspection on our Bank to identify the extent to which the Bank is in compliance with the Central Bank's instructions on Corporate Governance rules. The inspection report issued by the Central Bank on 4/5/2014 has not included any violations on the Bank's part and included some remarks for enhancing Corporate Governance at the Bank where such remarks were addressed and tackled on timely basis.
- 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 & Co to review the Bank's internal control systems as at the end of 2013. Based on the audit firm's report prepared in June 2014, 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 11/11/1996 and the Central Bank of Kuwait's circular dated 11/2/2014 except for some remarks which have no impact on the Bank's credibility in presenting its financial statements for the year ending 31/12/2013. The report, further, emphasized that the actions taken by the Bank to resolve the said remarks are satisfactory.
In view of the above, we refer to the following:

- In 2013, (30) remarks have been raised and most of which were of low and moderate risk and 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 subject of Internal Control Systems is a permanent item in the agenda of both the Board of Directors and the Board Audit Committee where regular discussions are made on the latest developments in this regard for verifying that the remarks raised in the External Auditor's report have been properly & promptly addressed, rectified and resolved.
- The Bank has taken the required procedures to rectify and resolve the raised remarks where 10 remarks have been resolved and the remaining are being rectified.

Eleventh: Financial and Non-Financial Penalties Imposed by the Central Bank of Kuwait on the Bank during the Financial Year Ending on 31/12/2014.

As per the provisions of Article 242 of Companies Law 25/2012 and based on the Central Bank of Kuwait's instructions contained in its circular dated 7/2/2011 and out of the Board of Directors' endeavors to apply Corporate Governance principles and its compliance with disclosure and transparency requirements, the Central Bank of Kuwait imposed the following financial penalties on the Bank during 2014.

First: Warning penalties

Three warning penalties have been imposed on our Bank as follows:

- Warning penalty has been imposed on 24/6/2014 regarding the complaint submitted by one of the Bank's customers for a cheque withdrawn on his account.
- Warning penalty has been imposed on 31/8/2014 regarding the Bank's violation of the Central Bank of Kuwait's instructions dated 25/6/2009 on implementing automated systems for tracking and detecting the frauds committed on bank cards, where the Central Bank of Kuwait's remark came to indicate failure in certain systems applicable with the Bank.

- Warning penalty has been imposed on 7/9/2014 regarding the inaccurate statements submitted to the Central Bank of Kuwait concerning the statements of debts written off on the left provisions.

Second: Financial Penalties

Financial penalty of KD 105,000 has been imposed on 23/12/2014 in respect of the following issues:

- KD 50,000 against the Bank's repeated violation of the Central Bank of Kuwait's instructions dated 28/12/1993 regarding rationalization and organization of credit policy with banks.
- KD 20,000 against the Bank's repeated violation of the Central Bank of Kuwait's instructions dated 19/4/1995 concerning maximum credit concentration limits.
- KD 35,000 against the Bank's repeated violation of the Central Bank of Kuwait's instructions dated 22/6/2003 and related amendments concerning banking risk system and the rules issued in implementation thereof.

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 4.2 billion and include loans of KD 2.3 billion. Commercial loans represent the bulk of the loan portfolio, with 30.2% concentrated in the real estate and construction sector and 19.4% concentrated in trade and commerce sector. Retail loans are approximately 18.0% of the portfolio comprised largely of personal loans. It is worthy noting that the NPL to total loans portfolio ratio was 0.80% (the lowest ratio in the banking sector) lower from 1.4% at 31 December 2013. Available lending limit as at 31st December 2014 was KD 520.2 million.

The total liabilities of KD 3.7 billion include customer deposits of KD 2.6 billion. Concentration in Government deposits decreased from 44.5% to 40.9%.. Total shareholders' equity stands at KD 552.7 million.

Income

The operating income grew by 7.7% to KD 144.4 million compared with KD 134.1 million for 2013. Components of operating income are comprised of interest income KD 84.5 million, fees and commission KD 32.4 million , investment & foreign exchange and other income KD 27.5 million. Recovery against written off loans amounted to KD 24.6 million. The net profits increased from KD 23.5 million (EPS 16.7 fils) to KD 49.1 million (EPS 34.9 fils) with a growth of 109%.The majority of the bank's earnings come from Corporate and Retail banking activities. Expense management continues to be one of the bank's strengths, resulting in a cost-income ratio of 23.97%.

Capital adequacy

Central bank of Kuwait implemented Basel III standard effective 31st December 2014. The capital adequacy at 18.15% remains well above both Central Bank of Kuwait and Basel Committee on Banking Supervision requirements.

Review of historical performance

The Bank's operating profit before provisions has been fairly stable over the last five years despite the prevailing economic crisis in the region. However, proactive loan loss provisioning and building of voluntary loan loss reserve has seen the fluctuations in banks' net profit. Net profitability started improving during 2013 and the trend continuing during 2014 by declaring over 100% increase in the bottom line. It is to be noted that most of the Bank's operations are locally concentrated to make up 78% of total operations of the Bank. The growth in assets has been moderate during this period with business divisions i.e. Corporate Credit Division (CCD), Retail Banking Division (RBD) and Treasury & Investment Division (TID) reported moderate growth while International Banking & Syndication Division (IBD) in diversification effort by geography resumed lending during 2013 and continued significant growth during 2014.

Review of the operating environment

The local commercial banking industry in 2014 saw improvements in its operating environment as the government moved forward on long stalled infrastructure development projects and implemented increases in public capital expenditure – hence providing a boost to construction activities and private sector lending activities. Most notably, the Government approved - in February 2014 - bids worth a total of USD 12 billion for major upgrades at the country's two largest refineries. Consequently, credit growth - particularly personal loans and private sector loans - remained robust at 5.9% y-o-y as at Nov 2014, driven by sustained domestic consumption, capital expenditure and favourable liquidity conditions during the year.

Nonetheless, the local banking industry experienced a tightening of margins - both interest and fees - given the increased competition from regional and foreign banks on the back of the move at liberalizing the local banking sector; the high value of the development projects – where various Engineering, Purchases and Constructions consortiums have a bigger bargain leverage and financial backing from their respective national banks; as well as the excess liquidity in the domestic market.

The year 2014 also saw global oil prices on a declining trend since its peak in June 2014 on the back of a supply glut in the Atlantic basin from sustained increases in US shale oil production; steady supply from oil fields such as Libya and Iraq - surprising markets which had factored in a reduction in supply on account of geopolitical risks; as well as on the anticipated fall in global oil demand in 2015 on account of weakening economic activity. However, it is expected that Kuwait is fiscally robust to support its economy through a period of low oil prices given its low fiscal breakeven price i.e. the second lowest in the world after that of Norway and lowest in the region; as well as its ample foreign exchange and robust sovereign wealth reserves (one of the largest in the world) which will provide support to tide the country over in the face of sustained decline in oil revenue.

On the international front, the year 2014 has been marked by divergent policies in the US and Euro zone. While the US growth is on a recovery path and is phasing out its Quantitative Easing (QE) programme, hence increasing its interest rates in mid 2015, the European Union implemented negative interest rates in a bid to stimulate the economy out of deflation and further intends to launch a bond buying programme in 1Q15, similar to the American's QE.

From a growth perspective, China and India remained the drivers of global growth although the Chinese economy is showing signs of weakness, but at present stabilized by actions taken by the government to avoid excessive credit growth. These policies include speeding up investment in public housing and infrastructure, tax cuts, faster fiscal spending by local authorities and reduction in reserve requirement for some banks. The international use of the Renminbi has picked up significantly in 2014 for cross border trade and financial transactions. In India, the new government which is widely perceived as investor friendly has renewed business confidence in the local markets with privatization projects and infrastructure projects as priority mandate for new government.

Future outlook – risks and challenges

Systemic risks

Global and regional uncertainties

The political and economic outlook continues to be unstable in general and more specifically in Europe and the MENA region. The drop in oil prices in particular is a concern for the global economy in general and Middle East countries in particular. As seen in recent years, this will continue to impact banks in terms of both – limiting the opportunities for growth in business and adversely impacting asset valuations (including increased volatilities). Considering that business levels of local banks are substantially aligned, both directly and indirectly, to the oil sector , declining oil prices can impact the asset quality of some of the loan assets by way of reduced revenue levels and liquidity squeeze and thus strains could be felt and defaults are likely . This necessitates that banks implement robust risk monitoring and mitigation measures to safeguard their portfolio and profitability. In view of this, the Bank, while continuing its approach of cautious growth in relatively safer assets, would be proactive in monitoring developments in the existing loan book and initiate measures as appropriate.

Local disruptive factors

The risk of translation of lower oil revenues into reduction in government spending will be a major domestic concern. The impact of this is clearly evident from the recent fall in the stock market which could weigh down on 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. 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.

Regulatory challenges

Regulations on corporate governance, Basel III, FATCA, AML & CFT, new accounting standards etc. 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 recognised impairment in its credit and investment portfolios on a proactive basis. While this has been a challenge since the financial crises of 2007/2008 the Bank expects NPL formation to be at a slower pace going forward.

Operational risks

The Bank recognises the importance of operational risk. Over the past two years, the Bank has taken several measures including the formation of a focused Operational Risk Committee to oversee the resolution of operational risks identified through the reported incidents or identified during the Risk and Control Self Assessments.

Significant progress has been achieved since and as a preventive measure, Risk Control Self Assessments were conducted for all high and medium risk areas during 2014 which has resulted in identifying operational weaknesses and strengthening the operational controls.

FINANCIAL REVIEW

2014 Statement of Income

The net profit of KD 49.1 million attributable to shareholders of the Bank was 109% higher than KD 23.5 million for 2013. Earnings per share were 34.9 fils compared to 16.7 fils for the last year.

Net interest income of KD 84.5 million was lower by KD 2.4 million compared to KD 86.9 million for 2013. The average yield on interest earning assets declined to 3.10% from 3.15% in 2013. The average cost on interest bearing liabilities increased from 0.62% to 0.76% during 2014. The Bank's net spread was 2.34% and the net interest margin was 2.39%. 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.

Fees and commissions increased by KD 2.1 million (or 6.91%) to KD 32.4 million. Dividend income of KD 2.3 million was maintained at the level of 2013.

Staff expenses increased KD 1.0 million (5.2% of 2013). General and administration expenses for 2014 were higher by KD 1.5 million (11.5% of 2013).

Gain on sale of investment securities contributed KD 17.8 million compared to KD 3.4 million in 2013. The gain was mainly contributed by sale of investment in Boubyan Bank shares not under legal restraint.

The charge for Impairment and other provisions for credit facilities and investments was KD 58.4 million for 2014, a decrease compared to the KD 92.6 million of 2013. The impairment and provision charge was net of recoveries KD 24.6 million against previously written off loans. The bank continued its prudent policy of building its provision reserve and KD 31 million was further allocated during 2014.

The Bank continues to enforce a strict credit policy and complies fully with the Central Bank of Kuwait provisioning requirements. Total provision cover for 2014, including general provisions, was 751.6% of non-performing loans. Non-performing loans decreased to KD 19.8 million (0.80%) compared to KD 33.0 million (1.35%) of 2013.

2014 Balance Sheet

Total assets increased by KD 283.2 million or 7.2% of 2013. The Loans and advances net of provisions increased by KD 2.8 million. The overall customer deposits decreased by KD 76.1 million but core deposits (saving & current) increased by KD 100 million.

The capital adequacy ratio under Basel III regulations is 18.15% and comfortably exceeds the minimum 12% requirement of the Central Bank of Kuwait.

Dividends and Proposed Appropriations

The Net profit for the year attributable to shareholders of the Bank of KD 49.1 million will be distributed as follow:

1. KD 25.4 million to the dividend account for the distribution of an 18 fils cash dividend (2013: 7 fils) as recommended by the Board of Directors. This is subject to approval by the Shareholders at the Annual General Meeting.
2. KD 7.0 million to the Statutory Reserve, which now will be equal to 50% of share capital and in accordance with the Law of Commercial Companies any future transfers are on a voluntary basis.
3. KD 16.7 million to retained earnings.

FINANCIAL INFORMATION

31 December 2014

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 2014 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 2014 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 2014 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 2014 that might have had a material effect on the business of the Group or on its financial position.

Bader A. Al-Wazzan
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Deloitte & Touche
Al-Wazzan & Co.

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

22 January 2015
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2014

ASSETS	Note	2014 KD 000's	2013 KD 000's
Cash and short term funds	3	**525,302**	436,620
Treasury and Central Bank bonds	4	**363,883**	341,297
Due from banks and other financial institutions	5	**701,745**	393,765
Loans and advances	6	**2,319,664**	2,316,998
Investment securities	7	**208,934**	355,541
Premises and equipment		**30,000**	26,672
Intangible assets	9	**9,809**	9,809
Other assets	10	**53,426**	48,770
TOTAL ASSETS		**4,212,763**	3,929,472
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**324,579**	194,305
Due to other financial institutions		**679,492**	491,302
Customer deposits		**2,554,251**	2,630,451
Other liabilities	11	**100,669**	50,507
TOTAL LIABILITIES		**3,658,991**	3,366,565
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		**141,194**	127,202
Proposed bonus shares		**-**	13,992
Treasury shares		**-**	(4,018)
Reserves		**253,453**	299,844
Retained earnings		**132,646**	115,940
		527,293	552,960
Proposed dividend		**25,415**	8,864
		552,708	561,824
Non-controlling interests		**1,064**	1,083
TOTAL EQUITY	12	**553,772**	562,907
TOTAL LIABILITIES AND EQUITY		**4,212,763**	3,929,472

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 2014

	Note	2014 KD 000's	2013 KD 000's
Interest income	13	**109,258**	106,718
Interest expense		**(24,729)**	(19,818)
NET INTEREST INCOME		**84,529**	86,900
Fees and commissions		**32,390**	30,296
Net gain from dealing in foreign currencies		**5,547**	4,002
Net gain from investment securities	14	**17,787**	3,427
Gain on disposal of assets pending sale		**613**	5,605
Dividend income		**2,230**	2,255
Share of result from an associate		**-**	512
Other operating income		**1,267**	1,118
OPERATING INCOME		**144,363**	134,115
Staff expenses		**(19,122)**	(18,161)
General and administration expenses		**(14,639)**	(13,122)
Depreciation and amortisation		**(850)**	(1,091)
OPERATING EXPENSES		**(34,611)**	(32,374)
OPERATING PROFIT BEFORE PROVISIONS		**109,752**	101,741
Impairment and other provisions	15	**(58,377)**	(76,985)
PROFIT BEFORE TAXATION		**51,375**	24,756
Taxation	16	**(2,217)**	(1,068)
NET PROFIT FOR THE YEAR		**49,158**	23,688
Attributable to:			
Shareholders of the Bank		**49,122**	23,534
Non-controlling interests		**36**	154
		49,158	23,688
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	17	**34.9**	16.7

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 KD 000's	2013 KD 000's
Net profit for the year	**49,158**	23,688
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to consolidated statement of income:		
Changes in fair value of investment securities	**(27,746)**	(7,001)
Net loss on disposal / impairment of investment securities	**(25,845)**	(2,530)
Share of other comprehensive loss from an associate	**-**	(1,824)
Items that will not be reclassified subsequently to consolidated statement of income:		
Property revaluation gain	**417**	1,531
	(53,174)	(9,824)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(4,016)**	13,864
Attributable to:		
Shareholders of the Bank	**(4,042)**	13,711
Non-controlling interests	**26**	153
	(4,016)	13,864

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

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 2013	127,202	-	(75)	66,791	63,601	17,927	45,603	22,999	92,746	309,667	115,262	-	552,056	966	553,022
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	1,531	(11,354)	(9,823)	23,534	-	13,711	153	13,864
Purchase of treasury shares	-	-	(3,943)	-	-	-	-	-	-	-	-	-	(3,943)	-	(3,943)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(36)	(36)
Proposed dividend (note 12)	-	-	-	-	-	-	-	-	-	-	(8,864)	8,864	-	-	-
Proposed bonus shares (note 12)	-	13,992	-	-	-	-	-	-	-	-	(13,992)	-	-	-	-
Balance as at 31 December 2013	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	-	-	-
	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

Investment valuation reserve includes a loss of KD 5,538 thousand (31 December 2013: loss of KD 5,334 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 2014

	Note	2014 KD 000's	2013 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		**51,375**	24,756
Adjustments for:			
Impairment and other provisions	15	**58,377**	76,985
Income from investment securities		**(20,017)**	(5,682)
Foreign exchange gain on investment securities		**(244)**	(148)
Depreciation and amortisation		**850**	1,091
Share of results from an associate		**-**	(512)
Profit before changes in operating assets and liabilities		**90,341**	96,490
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		**(22,586)**	102,898
Due from banks and other financial institutions		**(307,977)**	(20,732)
Loans and advances		**(25,850)**	(254,000)
Other assets		**(5,567)**	(16,155)
Due to banks		**130,274**	(155,802)
Due to other financial institutions		**188,190**	24,115
Customer deposits		**(76,200)**	373,163
Other liabilities		**17,780**	7,826
Net cash (used) from operating activities		**(11,595)**	157,803
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		**130,220**	58,038
Acquisition of investment securities		**(24,178)**	(30,928)
Dividend income from investment securities		**2,230**	2,255
Proceeds from disposal of premises and equipment		**57**	75
Acquisition of premises and equipment		**(2,933)**	(409)
Net cash from investing activities		**105,396**	29,031
FINANCING ACTIVITIES			
Purchase of treasury shares		**(1,937)**	(3,943)
Proceeds from sale of treasury shares		**5,732**	-
Dividend paid		**(8,869)**	-
Dividend paid to non-controlling interest		**(45)**	(36)
Net cash used in financing activities		**(5,119)**	(3,979)
Net increase in cash and short term funds		**88,682**	182,855
Cash and short term funds as at 1 January		**436,620**	253,765
Cash and short term funds as at 31 December	3	**525,302**	436,620

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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 listed on the Kuwait Stock Exchange (KSE). The registered office 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 22 January 2015 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 issued and effective during the year:

i) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective 1 January 2014)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements.

ii) IAS 32: Financial Instruments Presentation: Offsetting Financial Assets and Liabilities (Amendment) (effective 1 January 2014)

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have not resulted in any impact on the annual consolidated financial position or performance of the Group.

iii) IAS 36: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (Amendment) (effective 1 January 2014)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the year. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. These amendments have not resulted in any additional disclosures for current period, the same would continue to be considered for future disclosures.

iv) IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (Amendment) (effective 1 January 2014)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have not resulted in any impact on annual consolidated financial position or performance of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 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: Classification and Measurement

The standard was issued in November 2009 with subsequent amendments in October 2010, November 2013 and July 2014. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The management of the Group anticipates that the application of IFRS9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review. The standard is effective for annual period beginning on or after 1 January 2018

ii) IFRS 15: Revenue from contracts with customers

The standard was issued in May 2014 and specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2017. The standard is not expected to have any impact on the consolidated financial position or performance of the Group.

iii) Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28: Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

(b) Basis of consolidation

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

(i) Subsidiaries

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:

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

(ii) 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.

(c) 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.

(d) Financial instruments

(i) Classification and measurement

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

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 consolidated statement of comprehensive income are transferred to the consolidated statement of income.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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

(ix) 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:

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

(x) 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.

(xi) 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 recovered 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. These shares are not entitled to any cash dividend that the Bank may propose.

Gains or losses arising on sale are separately disclosed under treasury shares reserve in equity in accordance with the instructions of the CBK. These amounts are not available for distribution, during such period the shares are held by the Bank.

(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) Termination 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

	2014	2013
	KD 000's	KD 000's
Cash and cash items	**89,041**	65,789
Balances with the CBK	**31,063**	36,469
Deposits with banks maturing within seven days	**405,198**	334,362
	525,302	436,620

Cash and short term funds are classified as "loans and receivables".

4- TREASURY AND CENTRAL BANK BONDS

	2014 KD 000's	2013 KD 000's
Treasury bonds	**152,687**	135,587
Central Bank bonds	**211,196**	205,710
	363,883	341,297

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

	2014 KD 000's	2013 KD 000's
Placements with banks	**694,445**	393,765
Loans and advances to banks	**7,374**	-
	701,819	393,765
Less: Provision for impairment	**(74)**	-
	701,745	393,765

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 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

As at 31 December 2013

	KD 000's				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	358,705	5,176	-	-	363,881
Construction and real estate	766,202	-	1	-	766,203
Other financial institutions	168,168	70,666	-	-	238,834
Retail customers	462,816	-	-	-	462,816
Others	605,654	717	13	115	606,499
	2,361,545	76,559	14	115	2,438,233
Less: Provision for impairment					(121,235)
					2,316,998

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 31,118 thousand have been settled.

(b) Movement in provisions for loans and advances

	2014 KD 000's			2013 KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**17,983**	**103,048**	**121,031**	15,349	88,563	103,912
Written-off	**(19,896)**	**-**	**(19,896)**	(57,854)	-	(57,854)
Exchange differences	**-**	**34**	**34**	-	(2)	(2)
Recoveries	**24,111**	**-**	**24,111**	10,254	-	10,254
Ceded to Central Bank	**(11)**	**-**	**(11)**	(14)	-	(14)
(Released) / charged to consolidated statement of income	**(8,294)**	**31,401**	**23,107**	50,248	14,487	64,735
Provisions 31 December	**13,893**	**134,483**	**148,376**	17,983	103,048	121,031

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 148,376 thousand (2013: KD 121,031 thousand) also includes an additional provision amounting to KD 104,500 thousand (2013: KD 73,500 thousand) which is over and above the CBK's minimum general provision requirements. The Group has also suspended interest amounting to KD 181 thousand (2013: KD 204 thousand) on impaired loans. The available provision for non-cash credit facilities of KD 7,016 thousand (2013: KD 7,163 thousand) is included in other liabilities.

(c) Non-performing loans

	2014 KD 000's	2013 KD 000's
Loans and advances	**19,765**	33,020
Collaterals	**7,249**	12,591
Available provisions	**7,307**	12,725

7- INVESTMENT SECURITIES

	2014 KD 000's	2013 KD 000's
Available for sale		
Debt securities -quoted	**17,445**	23,764
Debt securities -unquoted	**24,945**	24,859
Equity securities -quoted	**131,307**	268,793
Equity securities -unquoted	**33,276**	35,985
Others	**1,961**	2,140
	208,934	355,541

During the year, the Group recognised an unrealised loss of KD 27,746 thousand (2013: unrealised loss of KD 7,001 thousand) in the consolidated statement of comprehensive income as arising from changes in fair value and re-cycled accumulated fair valuation changes of KD 25,845 thousand (2013: KD 2,530 thousand) to the consolidated statement of income on disposal and impairment of "available for sale" investment securities. Impairment loss of KD 5,039 thousand (2013: KD 7,826 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. During 2013 and 2014, the Bank received 17,424,179 and 25,613,543 bonus shares respectively. 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 248,766,598 shares. As at reporting date, the Bank holds title for 248,766,598 shares carried at a fair value of KD 101,994 thousand (31 December 2013: 365,907,768 shares at a fair value of KD 204,908 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% (2013: 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.

9- INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license KD 9,809 thousand (2013: KD 9,809 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2014, 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 2.90% (2013: 5%). These cash flows were then discounted using a pre-tax discount rate of 8.46% (2013: 8.51%) 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 (2013: KD nil).

10- OTHER ASSETS

	2014 KD 000's	2013 KD 000's
Accrued interest receivable	**1,142**	1,162
Other receivables	**52,284**	47,608
	53,426	48,770

Other assets are classified as "loans and receivables".
Other receivables include assets pending sale amounting to KD 14,010 thousand (2013: KD 1,451 thousand) that was obtained through the settlement of loans and advances.

11- OTHER LIABILITIES

	2014 KD 000's	2013 KD 000's
Accrued interest payable	**10,917**	7,556
Deferred income	**4,622**	7,851
Provision for non-cash facilities & others	**38,988**	10,640
Staff related accruals	**3,183**	2,576
Others	**42,959**	21,884
	100,669	50,507

12- EQUITY

(a) Share capital

During the year, the annual general assembly held for the year 2013 approved distributing of 139,922,458 bonus shares with value of KD 13,992 thousand (2012: KD nil). The change in share capital was effected in commercial register as on 14 April 2014. Accordingly, the share capital comprises of 1,411,944,804 (2013: 1,272,022,346) 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

	2014	2013
Number of treasury shares	-	5,669,133
Percentage of total shares issued	-	0.45
Cost of shares (KD 000's)	-	4,018
Fair value of shares (KD 000's)	-	4,195
Weigthed average of market value of shares	**3,122**	2,568

Movement in treasury shares are as follows:

	No. of shares	
	2014	2013
Balance as at 1 January	**5,669,133**	70,000
Purchases	**2,859,138**	5,599,133
Bonus issue	**546,700**	-
Sales	**(9,074,971)**	-
Balance as at 31 December	**-**	5,669,133

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.

(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 to transfer KD 6,996 thousand (2013: KD nil thousand) to statutory reserve, to reach 50% of the share capital.

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 2014 and 2013 there were no transfers to general reserve.

(e) Treasury shares reserve

This represents gains or losses arising on the sale of treasury shares held by the Bank.

(f) Property revaluation reserve

This represents surplus arising from the revaluation of property.

(g) 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.

(h) Proposed dividend and bonus shares

The Board of Directors has proposed a cash dividend of 18 fils per share (2013: 7 fils per share) and bonus shares nil (2013: 11%). 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 633 thousand (2013: KD 246 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

	2014 KD 000's	2013 KD 000's
Realised gain on sale of investments at fair value through statement of income	**12**	24
Realised gain on sale of investments classified as available for sale	**17,775**	3,403
	17,787	3,427

15- IMPAIRMENT AND OTHER PROVISIONS

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

	2014 KD 000's	2013 KD 000's
Loans and advances - specific	**(15,817)**	(60,502)
Loans and advances - recoveries	**24,111**	10,254
Loans and advances - general	**(31,475)**	(14,487)
Investment securities	**(5,039)**	(7,826)
Non cash facilities	**149**	(1,412)
Other provisions	**(30,306)**	(3,012)
	(58,377)	(76,985)

16 - TAXATION

	2014 KD 000's	2013 KD 000's
National Labour Support Tax (NLST)	**(1,276)**	(592)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	**(443)**	(248)
Zakat	**(498)**	(228)
	(2,217)	(1,068)

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.

	2014	2013
Net profit for the year attributable to shareholders of the Bank (KD 000's)	**49,122**	23,534
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)	**(5,983)**	(3,376)
	1,405,962	1,408,569
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	**34.9**	16.7

Basic and diluted earnings per share for the current and comparative year presented have been adjusted to reflect the effect of bonus shares issued in 2014.

18 - SUBSIDIARY

			% of Ownership	
Name of Entity	Country of Incorporation	Principal Business	**2014**	2013
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:

	2014			2013		
	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	**-**	**-**	**-**	-	-	-
Credit cards	**-**	**-**	**-**	3	-	1
Deposits	**9**	**-**	**211**	10	-	139
Executive Management						
Loans	**8**	**-**	**81**	7	-	104
Credit cards	**6**	**2**	**15**	8	3	13
Deposits	**13**	**2**	**360**	13	9	548

The loans issued to directors, key management personnel and related members are repayable within 5 years and have interest rates of 0% (2013: 0%).

Details of compensation for key management including remuneration of the Chief Executive Officer amounting to KD 127 thousand (31 December 2013 KD: 737 thousand) are as follows:

	2014 KD 000's	2013 KD 000's
Salaries and other short-term benefits	**(994)**	(1,641)
Post employment benefits	**(5)**	(9)
End of service benefits	**(122)**	(170)

The remuneration to the Chairman and members of the Board of Directors is KD 300 thousand (31 December 2013: KD 280 thousand) and KD 229 thousand (31 December 2013: KD 193 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 with out the specific maturity and variable rate financial instruments.

Financial assets and liabilities that are carried at amortized cost their carrying values 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:

	2014			
	KD 000's			
Financial Instruments	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through statement of income:				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	**876,354**	**-**	**-**	**876,354**
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**

During the year ended 31 December 2014, there were no transfers between level 1, level 2 and level 3.

	2013			
	KD 000's			
Financial Instruments	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of income:				
Derivative Financial Instruments:				
Forward Foreign Exchange Contracts	614,652	-	-	614,652
Financial assets available for sale:				
Equity securities	268,793	35,985	-	304,778
Debt securities	23,764	24,859	-	48,623
Others	-	2,140	-	2,140
	292,557	62,984	-	355,541

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.

	2014 KD 000's	2013 KD 000's
Credit exposure relating to on-balance sheet items		
Cash and short term funds	525,302	436,620
Treasury and Central Bank bonds	363,883	341,297
Due from banks and OFIs	701,745	393,765
Loans and advances - Corporate	1,881,349	1,865,132
Loans and advances - Retail	438,315	451,866
Debt securities	42,390	48,623
Other assets	39,416	48,770
	3,992,400	3,586,073
Credit exposure relating to off-balance sheet items		
Acceptances	55,495	56,243
Letters of credit	158,064	139,609
Letters of guarantee	905,174	866,353
Others	34,619	34,753
	1,153,352	1,096,958
	5,145,752	4,683,031

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 grade	Standard grade	0 - 60 days	61 - 90 days		
As at 31 December 2014							
Banks	**-**	**-**	**7,374**	**-**	**-**	**-**	**-**
Corporate	**143,235**	**783,664**	**707,208**	**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**
As at 31 December 2014							
Banks	-	-	-	-	-	-	-
Corporate	114,056	1,149,656	397,794	288,958	6,730	18,223	12,542
Retail	-	-	413,746	34,273	-	14,797	49
	114,056	1,149,656	811,540	323,231	6,730	33,020	12,591

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

	2014 KD 000's		2013 KD 000's	
	Assets	**Off Balance Sheet**	Assets	Off Balance Sheet
Geographic sector				
Kuwait	**3,236,456**	**841,596**	3,235,079	816,282
Asia	**892,059**	**248,396**	585,849	207,997
Europe	**21,921**	**55,852**	70,809	66,508
USA	**1,170**	**6,977**	1,139	4,576
Others	**7,338**	**531**	115	1,595
	4,158,944	**1,153,352**	3,892,991	1,096,958
Industry sector				
Government	**363,883**	**-**	341,296	-
Trade and commerce	**450,674**	**304,499**	347,387	214,109
Construction and real estate	**719,442**	**488,247**	750,316	476,201
Banks and financial institutions	**1,628,147**	**220,153**	1,388,763	251,000
Others	**996,798**	**140,453**	1,065,229	155,648
	4,158,944	**1,153,352**	3,892,991	1,096,958

(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 2014							
Forward Foreign exchange - Contracts	**1,016**	**17,055**	**430,648**	**159,839**	**285,867**	**-**	**876,354**
	1,016	**17,055**	**430,648**	**159,839**	**285,867**	**-**	**876,354**
As at 31 December 2013							
Forward Foreign exchange - Contracts	8,346	1,617	418,605	183,205	12,842	-	614,652
	8,346	1,617	418,605	183,205	12,842	-	614,652

(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	**2014**	2013
Kuwaiti dinar	25 +	**1,891**	2,043
US dollar	25 +	**729**	919
Other currencies	25 +	**(346)**	(947)
		2,274	2,015

(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 effect on consolidated statement of income and consolidated statement of changes in equity, as a result of strengthening in currency rate, with all other variables held constant is shown below:

		KD 000's			
		2014		2013	
	% Change in currency rates	Statement of income	Equity	Statement of income	Equity
US Dollar	5+	(204)	(890)	(50)	1,220
Euro	5+	9	(21)	10	25
UAE Dirham	5+	96	-	20	-
Qatari Riyal	5+	15	-	15	-
Others	5+	41	(286)	15	345
		(43)	(1,197)	10	1,590

(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			
		2014		2013	
	% Change in equity price rates	Statement of income	Equity	Statement of income	Equity
Kuwait Stock Exchange	5 +	-	6,551	-	13,415

(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

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
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

As at 31 December 2013	KD 000's 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	436,620	-	-	-	-	436,620
Treasury and Central Bank bonds	341,038	139	120	-	-	341,297
Due from banks and OFIs	146,396	159,997	87,372	-	-	393,765
Loans and advances	336,646	464,778	236,317	377,151	902,106	2,316,998
Investment securities	291,849	63	133	-	63,496	355,541
Premises and equipment	-	-	-	-	26,672	26,672
Intangible assets	-	-	-	-	9,809	9,809
Other assets	45,553	366	420	-	2,431	48,770
	1,598,102	625,343	324,362	377,151	1,004,514	3,929,472
LIABILITIES						
Due to banks	104,611	79,343	10,351	-	-	194,305
Due to other financial institutions	30,271	146,561	95,795	129,996	88,679	491,302
Customer deposits	1,621,821	516,238	298,142	185,792	8,458	2,630,451
Other liabilities	26,358	2,819	1,883	1,580	17,867	50,507
	1,783,061	744,961	406,171	317,368	115,004	3,366,565
Net liquidity gap	(184,959)	(119,618)	(81,809)	59,783	889,510	562,907

(B) Contractual expiry by maturity.

	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**
Contingent Liabilities	**170,320**	**330,994**	**145,566**	**132,359**	**374,113**	**1,153,352**
As at 31 December 2013						
Contingent Liabilities	160,271	279,326	155,366	183,293	318,702	1,096,958

(C) Contractual undiscounted repayment obligations by maturity.

	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**
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**
As at 31 December 2013						
UNDISCOUNTED LIABILITIES						
Due to banks	104,618	79,403	10,463	-	-	194,484
Due to other financial institutions	30,275	146,767	96,140	130,997	90,224	494,403
Customer deposits	1,621,906	516,661	298,591	186,979	8,571	2,632,708
Other liabilities	26,358	2,819	1,883	1580	17,867	50,507
	1,783,157	745,650	407,077	319,556	116,662	3,372,102

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 insuranced.

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	
	2014	2013	**2014**	2013	**2014**	2013
Net interest income	**76,482**	79,031	**8,047**	7,869	**84,529**	86,900
Non interest income	**33,582**	35,539	**26,252**	11,676	**59,834**	47,215
Operating income	**110,064**	114,570	**34,299**	19,545	**144,363**	134,115
Impairment and other provisions	**(23,113)**	(67,121)	**(35,264)**	(9,864)	**(58,377)**	(76,985)
Net profit / (loss) for the year	**66,879**	28,706	**(17,721)**	(5,018)	**49,158**	23,688
Total Assets	**2,343,746**	2,314,706	**1,869,017**	1,614,766	**4,212,763**	3,929,472
Total Liabilities and Equity	**1,772,561**	1,566,184	**2,440,202**	2,363,288	**4,212,763**	3,929,472

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 1,769 thousand (2013: KD 2,037 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 2014

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, 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 2013: 1,272,022,346) authorised, subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2014, the Bank did not hold any treasury shares (31 December 2013: 5,669,133 (0.45%)).

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

	2014 KD 000's
(a) Tier 1 capital consist of:	
(i) Common equity tier 1 (CET1)	
1 - Paid-up share capital	**141,194**
2 - Proposed bonus shares	**-**
3 - Share premium	**66,791**
4 - Retained earnings	**132,646**
5 -Investment valuation reserve	**27,811**
6 -Property revaluation reserve	**24,947**
7 -Statutory reserve	**70,597**
8 -General reserve	**17,927**
9 -Treasury shares reserve	**45,380**
10- Other intangibles	**(9,809)**
11- Treasury shares	**-**
12- Non significant investments in banking, financial and insurance entities	**-**
13- Significant investments in banking, financial and insurance entities	**(20,246)**
Total	**497,239**

(ii) Additional tier 1	2014 KD 000's
Non-controlling interests in consolidated subsidiaries	1,064
Total	**1,064**
Total tier 1 capital	**498,303**

Tier 2 capital.	
General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	35,152
Total tier 2 capital	**35,152**
Total eligible capital	**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.

A. Capital requirement

	2014		
	KD 000's		
	Gross exposures	Net risk weighted assets	Capital requirement
(a) Credit risk			
1 - Claims on sovereigns	394,946	-	-
2 - Claims on international organisations	-	-	-
3 - Claims on PSEs	-	-	-
4 - Claims on MDBs	7,335	3,668	477
5 - Claims on banks	1,320,072	365,681	47,538
6 - Claims on corporates	2,783,136	1,555,098	202,163
7 - Claims on central counter parties	-	-	-
8 - Cash items	123,050	-	-
9 - Regulatory retail	493,899	448,199	58,266
10- RHLs eligible for 35% RW	-	-	-
11- Past due exposure	62,529	33,497	4,355
12- Other assets	255,650	302,080	39,270
13- Claims on securitised assets	-	-	-
Total	**5,440,617**	**2,708,222**	**352,069**

b. Market risk			
1 - Interest rate position risk	-	-	-
2 - Equities position risk	-	-	-
3 - Foreign exchange risk	5,478	5,478	712
4 - Commodities risk	-	-	-
5 - Options	-	-	-
Total	**5,478**	**5,478**	**712**
c. Operational risk	**125,113**	**225,242**	**29,281**
Total	**5,571,208**	**2,938,942**	**382,062**

B - Capital ratios

1 - Total capital ratio	**18.15%**
2 - Tier 1 capital ratio	**16.96%**
3 - CET 1 capital ratio	**16.92%**

C - Additional capital disclosure

1- Common disclosure template

	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+j
2 - Retained earnings	132,646	p
3 - Accumulated other comprehensive income (and other reserves)	186,662	k+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

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2014

	2014	
	KD 000's	
	Component of capital disclosure template	cross reference from consolidated regulatory financial position
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)	-	i
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)	-	
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)	20,246	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	30,055	
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	-	

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2014

	2014 KD 000's Component of capital disclosure template	2014 KD 000's cross reference from consolidated regulatory financial position
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	q
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)	-	
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	

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD

31 December 2014

	2014	
	KD 000's	
	Component of capital disclosure template	cross reference from consolidated regulatory financial position
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**	
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

	2014 KD 000's	
	Component of capital disclosure template	cross reference from consolidated regulatory financial position
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;

	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)"		20,246	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		

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

	2014 KD 000's
1 - On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,212,763
2 - (Asset amounts deducted in determining Tier 1 capital)	(30,055)
3 - Total on-balance sheet exposures (excluding derivatives and SFTs)	**4,182,708**
4 - Replacement / substitution cost associated with all derivative transactions (net of eligible cash variation margin)	1,016
5 - Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	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	**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)	**1,153,352**
18 - (Adjustments for conversion to credit equivalent amounts)	(651,200)
19 - Total Off-balance sheet exposure	**502,152**
20 - Total exposures	**4,697,741**
21 - Tier 1 capital	**498,303**
22 - Leverage ratio (Tier 1 capital / total exposures)	**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 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 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. During the year 2013, 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 last two were added during 2013.

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). These ratios are being measured and monitored regularly against internal limits that are progressively phased to meet 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 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.

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

	2014		
	KD 000's		
	Total gross exposures	**Funded gross exposures**	**Unfunded gross exposures**
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	1,320,072	1,107,016	213,056
6 - Claims on corporates	2,783,136	1,894,776	888,360
7 - Claims on central counter parties	-	-	-
8 - Cash items	123,050	123,050	-
9 - Regulatory retail	493,899	442,109	51,790
10 - RHLs eligible for 35% RW	-	-	-
11 - Past due exposure	62,529	62,383	146
12 - Other assets	255,650	255,650	-
13 - Claims on securitised assets	-	-	-
	5,440,617	**4,287,265**	**1,153,352**

b. Total credit exposures by geographic sector

As at 31 December 2014	Kuwait	Asia	Europe	USA	Others	Total
	KD 000's					
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%	0.2%	100%

c. Funded credit exposures by geographic sector

As at 31 December 2014	Kuwait	Asia	Europe	USA	Others	Total
	KD 000's					
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%

d.Unfunded credit exposures by geographic sector

As at 31 December 2014	KD 000's					
	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%	4.8%	0.6%	0.0%	100.0%

e. Total credit exposures by residual maturity

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	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 exposure by geographical sector	26.2%	24.5%	8.9%	12.0%	28.5%	100.0%

f. Funded credit exposures by residual maturity

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
	KD 000's					
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 exposure by geographical sector	29.2%	23.4%	7.8%	12.1%	27.4%	100.0%

g. Unfunded credit exposures by residual maturity

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
	KD 000's					
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 exposure by geographical sector	14.8%	28.7%	12.6%	11.5%	32.4%	100.0%

h. Impaired loans and provisions by standard portfolio

	2014		
	KD 000's		
	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	9,001	(1,781)	7,220
7- Claims on central counter parties	-	-	-
8- Cash items	-	-	-
9- Regulatory retail	10,764	(5,526)	5,238
10- RHLs eligible for 35% RW	-	-	-
11- Past due exposure	-	-	-
12- Other assets	-	-	-
13- Claims on securitised assets	-	-	-
	19,765	**(7,307)**	**12,458**

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

	2014	
	KD 000's	
	Past due but not impaired	
	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	375,043	5,758
7 - Claims on central counter parties	-	-
8 - Cash items	-	-
9 - Regulatory retail	32,593	-
10 - RHLs eligible for 35% RW	-	-
11 - Past due exposure	-	-
12 - Other assets	-	-
13 - Claims on securitised assets	-	-
	407,636	**5,758**

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

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

k. Impaired loans and provisions by geographic sector

	2014 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**

l. Movement in provisions

	2014 KD 000's		
	Specific	General	Total
Provisions 1 January	18,187	103,048	121,235
Write - offs	(20,805)	-	(20,805)
Exchange differences	-	34	34
Recoveries	25,030	-	25,030
Ceded to Central Bank	(11)	-	(11)
Statement of income	(8,327)	31,475	23,148
Provisions 31 December	14,074	134,557	148,631

m. Credit exposures after CRM and CCF

	2014 KD 000's Credit Exposures after CRM	
	Rated Exposures	Unrated Exposures
1 - Claims on sovereigns	-	395,298
2 - Claims on international organisations	-	-
3 - Claims on PSEs	-	-
4 - Claims on MDBs	7,335	-
5 - Claims on banks	857,713	367,739
6 - Claims on corporates	36,176	1,648,686
7 - Claims on central counter parties	-	-
8 - Cash items	-	123,050
9 - Regulatory retail	-	451,708
10 - RHLs eligible for 35% RW	-	-
11 - Past due exposure	-	37,400
12 - Other assets	-	219,007
13 - Claims on securitised assets	-	-
	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.

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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.

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

	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:

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

IX - Operational risk

The Group uses the standardised approach for computation of operational risk capital charge that amounted to 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:

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

	2014	
	KD 000's	
	Impact on earnings	
	±@1%	±@1%
Kuwaiti dinars	7,564	15,128
US dollars	2,916	5,832
Other currencies	(1,384)	(2,768)
	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
Mr. Majed Ali Owaid Awad

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 2014, 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.

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.

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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 7 times during 2014. As to remuneration paid to its members please be advised that remuneration paid to those members for 2014 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 (2013: KD 473 thousand).

The annual bonus paid to employees at the end of 2014 is as follows:

	2014 KD 000's
Amount paid	1,306
No. of employees	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	2014 KD 000's
Amount paid to:		
Kuwaiti employees	**7**	**131**
Non Kuwaiti employees	**27**	**140**

The table below shows the value of remuneration paid to senior management and other material risk taker during the year 2014:

	2014 KD 000's	
	Unrestricted	Deferred
Fixed		
Cash-based	**7,782**	-
Shares and share-linked instruments	**-**	-
Other	**-**	-
Total fixed	**7,782**	-

There is no variable remuneration was paid during the year.

The table below shows the value summary of remuneration paid to senior management and other material risk taker during the year 2014.

	No. of Employees	2014 KD 000's
Senior Management	13	1,121
Material Risk Takers	317	5,906
Financial & Control Functions	39	755
		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
Al Dhow	22990058	22411961	برج الداو
Ali Sabah Al Salem	22990042	23280662	علي صباح السالم
Al Naeem	22990056	24571797	النعيم
Al Rabia	22990057	22990547	الرابية
Al Soor Street	22990060	22418997	شارع السور
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
Dasma	22990062	22990102	الدسمة
East Ahmadi	22990014	23980434	شرق الأحمدي
Fahaheel	22990066	23929683	الفحيحيل
Fahaheel - Ajyal Complex	22990011	23913905	الفحيحيل – مجمع أجيال
Fahaheel - Al Manshar	22990006	23923779	الفحيحيل – المنشر
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
Kuwait Free Trade Zone	22990038	24610062	المنطقة الحرة
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
West Mishref	22990046	25379277	غرب مشرف
Yarmouk	22990032	25352182	اليرموك

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