BOARD OF DIRECTORS |

Ali Mousa M. Al Mousa
Chairman

Abdulrazzak A. Al Kandari
Deputy Chairman

Sh. Ahmed Duaij Al Sabah
Member

Dr. Mahmoud A. A. Behbehani
Member

Majed Ali Owaid Awad
Member

Salem Ali Hussain Al Ali
Member

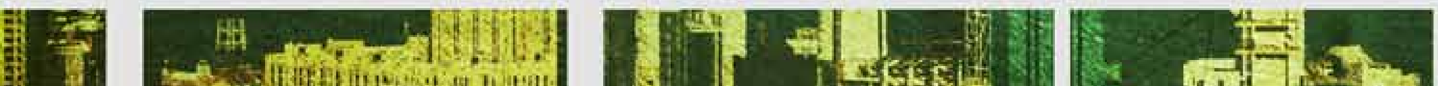
Abdulrahman Abdullah Al Ali
Member

Bader Suliman Al Ahmad
Member

Retired major General Dr.
Dr. Ershaid Abdulhadi Al Houry
Member

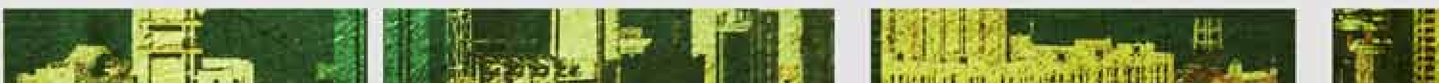
Ahmad Mohammed Al Mishari
Member

Fowzi Abdul Mohsen Al Ateeqi
Secretary to the Board



Ali Mousa Al Mousa

Chairman



CHAIRMAN'S MESSAGE |

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

Our valued shareholders, our respectable customers, staff members and all stakeholders, I have the pleasure to present to you a brief statement on the Bank's performance, financial highlights, trends, future outlook and issues of concern .

First: Corporate Governance

Corporate Governance principles as adopted by the Kuwaiti banking sector continue to govern the Bank's business activities. Furthermore, the Bank has been translating such principles into policies and procedures while also subjecting them to ongoing reviews and updates. The Bank's Management endeavours to adopt Corporate Governance principles and urges all staff members at all levels to fully implement these principles such that, over time, they not only become an indispensable element of our business culture but also a major driver of our conduct for the individual and the organisation.

Second: The Bank's Financial Performance

The Bank's total shareholder's equity amounted to KD 562 million with a growth of 1.8% compared to KD 552 million in the year 2012. As such, Commercial Bank of Kuwait is the third largest bank in terms of shareholders' equity.

The Bank's total assets were KD 3.9 billion with an increase of 7.1% over 2012. The Bank is ranked fifth in the banking sector in terms of assets size.

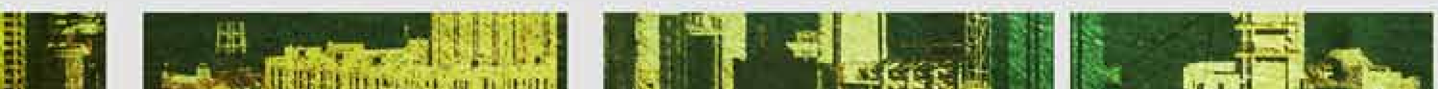
As for credit growth, the Bank extended credit facilities and loans of KD 2.3 billion to its customers with increase of KD 189.3 million and with a growth of 8.9% compared to 2012. The Bank is ranked fifth among Kuwaiti banks in terms of the size of credit facilities and loans extended to customers. In the same context, the year 2013 saw international syndicated loans achieving remarkable growth and reaching KD 71 million of on-balance sheet exposure.

The prudent and steady growth in the lending activities and the volume of credit facilities is based on a number of principles most important of which are the following:

First: Applying risk-focused selective criteria in choosing customers and transactions.

Second: Prioritising the enhancement of revenues from each relationship over growth in volume.

Third: Pro-active provisioning and off-loading of doubtful debts to maintain a cleaner portfolio. The amount of accumulated debts and loans off-loaded reached KD 486 million over the past four years, namely from 2010 to 2013. Such off-loaded debts are not on-balance sheet items. Nevertheless, the Bank, on best effort basis, seeks settlement for such debts amicably or through judicial process.



In terms of profitability, the Bank achieved operating profits of KD 102 million before provisions and reported net profits of KD 23.5 million for the year 2013.

Depressed Return on Assets: The Management believes that ROA fell short of expectation at the present time and this necessitates further diagnosis and remedial actions for achieving better ROA comparable to local peers.

Third: The Bank's position and potential

Capital Adequacy Ratio: The Bank has competitive advantages that underpin and enhance its financial position such as capital adequacy ratio that stood at 18.38% as at the end of 2013 and which comfortably exceeds the minimum 12% requirement of the Central Bank of Kuwait and is more than twice the minimum ratio recommended by Basel 2.

Assets Quality: Measured in terms of Non Performing Loans (NPLs), the Bank's asset quality is sound with NPLs at 1.35% of gross loans (the lowest ratio in the banking sector) compared to 2.76% in 2012. The aggregate provisions were KD 128.2 million resulting in a provision coverage for NPLs at 367% in 2013 compared to 169% in 2012.

Operational Efficiency: The Bank continues to demonstrate its cost leadership in operational efficiency with a cost-income ratio standing at 24.14%.

Branch Network: The Bank operated a large domestic branch network with 50 branches which are mostly located in commercial areas and complexes and all branches are based in Kuwait and it is not anticipated that the Bank would open foreign branches in the near future.

Fourth: Future and Challenges

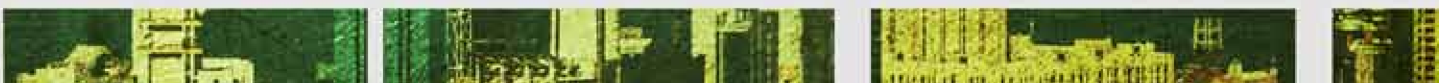
FATCA: Banks and financial institutions across the globe inclusive of Kuwaiti banks are concerned with the issue of implementing Foreign Account Tax Compliance Act (FATCA) which is expected to become enforceable on July 1st 2014.

The Act stipulates disclosure to Internal Revenue Service (IRS) in USA about the financial transactions of the American citizens and other US taxable persons according to tax laws and associated terms after entering into the agreements governing the disclosure process.

It is aspired that the competent authorities in Kuwait will accelerate the process of issuing the necessary legislations to secure implementation of the required disclosure, given the fast approaching deadline and the fact that failure to comply may result in many difficulties for financial institutions that are highly correlated with the US financial markets.

Basel III: The year 2013 saw the commencement of implementation of Basel III requirements as identified by the State's regulators which oversee implementation and application thereof. The requirements of Basel III will substantially impact the banking sector and its activities in Kuwait given the fact that some of these requirements aim at enhancing banks' capital base. However, the Bank had already taken the necessary steps for implementing such requirements.

The Bank is also in the process of issuing subordinated bonds valued at KD 120 million that would qualify as tier 2 capital in line with Basel III requirements for which all necessary measures are being put in place including endorsement of the issuance in the Extra-Ordinary General Assembly Meeting.



Among the impacts of Basel III are the constraints imposed on banks' investments in securities issued by financial institutions such as banks and insurance companies under the conditions contained in the instructions as well as the phased de-recognition of real-estate collaterals when calculating capital adequacy ratio.

Major Projects: The construction projects launched by the State of Kuwait in the present time are relatively huge in terms of cost and size. This in turn requires full cooperation among banks on one hand and between banks and the regulators on another hand to allow banks to extend the required financing commensurate with the size of such projects. Additionally, the general policies and procedures regulating banking business should cope with such unprecedentedly huge projects which Kuwaiti economy sees currently. We emphasize that the banking sector in Kuwait has all the potential and capabilities to extend all financing needed for such projects. It would be helpful if the the credit policies are adapted to factor in the size and cost of these projects.

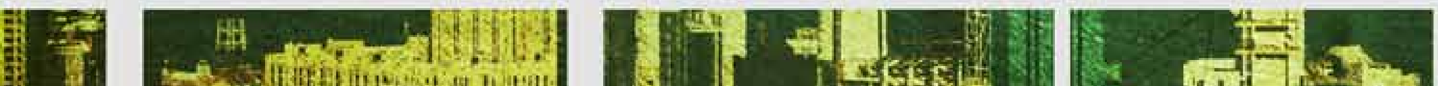
Competition in Banking Industry

The Kuwaiti market saw healthier and fierce competition among banks which results in improved quality and pricing of banking services offered to customers. It is expected that the market will see further competition with foreign banks licensed to operate in Kuwait permitted to operate through more than one branch. We welcome and support this approach, as the ability to cope with competition is the basic parameter that determines the quality for any institution. In addition, this approach complements the international commitment since Kuwait is a founding member in the International Trade Organization. So, it is generally recognized that reciprocity principle is an integral part of such commitment.

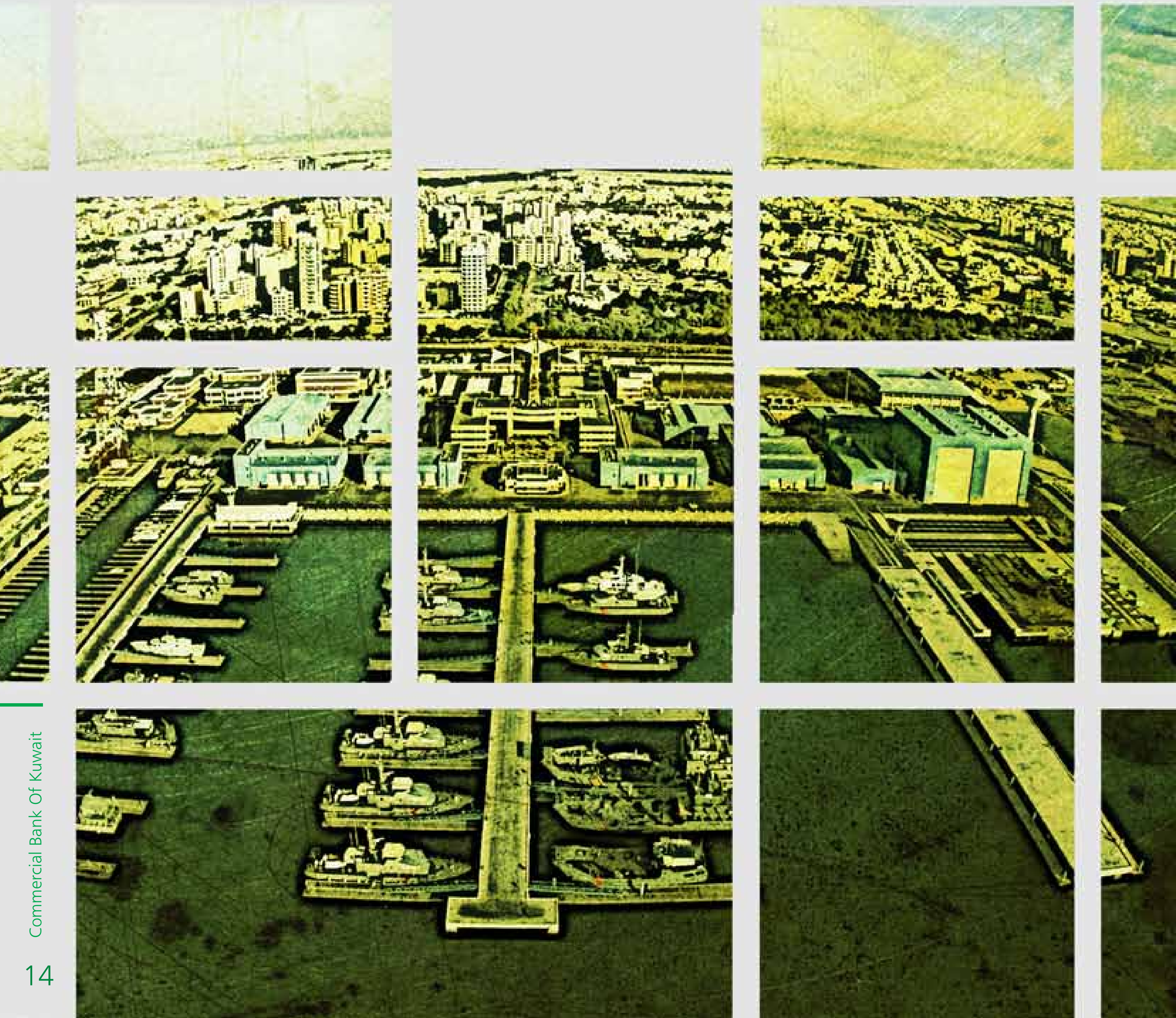
In conclusion, I would like to extend my thanks and appreciation to the Bank's shareholders, employees, customers and other stakeholders for their support and cooperation and to all regulatory authorities for their guidance.

Ali Mousa Al Mousa

Chairman



ECONOMIC BACKGROUND |



GLOBAL ECONOMY |

Growth momentum in the global economy appears to be still moving through the slow track despite four years ended after the world-wide financial turmoil of 2008-09. Advanced economies are struggling to remain on the recovery path while emerging economies continue to account for most global growth though losing momentum than expected.

The year 2014 will be rather challenging to the world economy especially if US moves forward with its exit plan of easy monetary policy via the so called "tapering".

IMF forecast GDP growth for the advanced economies at 1.2% in 2013 and 2% in 2014. Over-all global economy is expected to grow at 2.9% in 2013 and 3.6% in 2014. Growth engine in the emerging economies are in deceleration mode and the economy has cooled off. Europe though experienced mild recession in 2013, expected to return to growth in 2014. US economy is facing fiscal uncertainty and any failure to raise the debt ceiling resulting US default could seriously damage global economy.

KUWAIT ECONOMY |

Kuwait economy showed signs of revival in 2013 on the back of sustained inflows from oil exports and a boost in private and Govt. consumption arising from the record surplus in the fiscal year 2012-2013.

High oil prices continued to benefit Kuwait by generating high fiscal and external current account surplus. The recent domestic/regional political developments have adversely impacted Kuwait's development program to some extent.

Private sector lending growth remained rather slow mainly due to delays in development program. However, private sector growth is expected to accelerate in 2014 on the back of various new projects due to be launched soon.

Real GDP growth in Kuwait is expected to be 4.5% in 2013 and 5% in 2014 on expanding oil production and exports.

On the back of high oil price and boosted oil revenue, liquidity in Kuwait banking system continued to be ample and as a part of revitalizing the local economy, the discount rate is largely expected to remain unchanged at the current level of 2% though further slashing of 25-50 pb in 2014 is also a possibility.

KUWAIT STOCK MARKET |

During the year 2013 Kuwait Stock index fluctuated in the range between 5,933 and 8,451. Over-all market sentiment was rather positive compared to the previous year as launching of Govt's various development projects boosted sentiment.

Prevailing lower interest rate, higher liquidity in the banking system on the back of boosted oil revenue, credit growth and above all Govt's spending on infrastructure developments, all attributed as positive factors to improve the market. However, regional political uncertainties continued to pause as a hurdle for the market growth.

Going forward, Govt's comprehensive development support plan, expected over-all recovery in the GCC/ global economy, prevailing higher oil price, lower interest rate, all pointing towards the KSE index to climb further higher level in 2014.

REVIEW OF OPERATIONS |

RETAIL BANKING DIVISION |

During 2013, the Bank continued to extend its market position by developing its retail banking product offerings and services to meet customers' needs. In order to achieve greater market share, the focus has been on enhancing the quality and efficiency of service. Retail Banking Division continues in 2013 to offer individuals a comprehensive suite of retail banking products and services through an extensive branch and self-service terminal network ,via dedicated customer service agent and through the internet.

Year 2013 saw the Bank's revamping its retail services through a number of initiatives. On the level of branch network, the Bank continues its policy in optimizing its branch network by closing small non productive branches and opening new full serviced ones, where a new branch in Fahaheel area was opened to cater for the increased demand on banking services in this area, in addition a new branch was opened in Regea which was specialized in handling salary transactions for companies.

Premier Banking customers continue to enjoy the tailored-made service to cater for their needs. As such and within the Bank's efforts to attain customer' satisfaction, the local concierge service was launched to all Infinite and Platinum Credit Card holders in collaboration with one of the prominent concierge companies. Furthermore, special promotions and discounts were concluded with high end stores for premier banking Segment. Commercial Bank of Kuwait's premier banking customers were advised of the same through SMS, on their personal emails and through their dedicated newsletter.

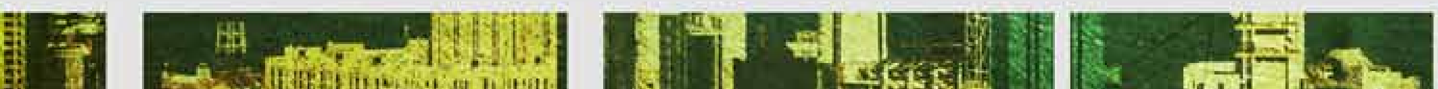
Other CBK account holders benefited from the promotional campaigns and events the bank has arranged during the year. @ Tijari and My First Account holders were invited to exclusive movie premier show and My First Account holders were invited to spend a day of fun in one the leisure parks in Kuwait.

Designed to meet the needs of Small and Medium Enterprise Account, a new customer segment under the name "Commercial Banking" was launched by the end of 2013, where the accounts of SME were shifted from Corporate Credit to Retail Banking division with the objective of streamlining the approval process, relief Corporate Credit from high volume of administration work and optimize the utilization of resources.

In the past few years, Retail Banking service has attained remarkable achievements in terms of processing and operations. This was further emphasized in 2013 with the Bank's introducing the "Cheque Authentication Service; a new service developed for corporate internet banking customers as a more precautionary action when writing checks, where this facility will allow customers to update the details of the beneficiary on the system using the corporate internet banking.

During the year Retail Banking Division continued to partner with merchants and retailers with the objective of providing CBK credit and prepaid cardholders special discounts at selected outlets and renowned merchants through tailored-made discount programs.

Commercial Bank of Kuwait's credit cards continue to offer a host of privileges and benefits to cardholders. The credit cards offered by CBK continue to provide customers with convenient and flexible way for managing their finance where the Bank offer customers a suite of credit cards for them to select the desired credit card that best matches their spending limit, moreover, as a reward initiative CBK had launched a big card campaign that lasted for 6 months where



all credit card and prepaid card holders had the chance to win one of the three Audi latest car models upon using their cards locally and abroad, the campaign witnessed a huge success in term of the number of cards issued ,increased usage, and the great feedback that was received from customers.

Al-Tijari 3D secure service, a newly developed fraud averting service in collaboration with VISA and MasterCard was designed to protect CBK credit card holders from any fraudulent actions while shopping online.

The Card Center continued its endeavors to provide the maximum protection levels to customers through employing state-of-the-art technological features in the card industry. The "Credit activation" technique was introduced giving credit cardholders an option to enhance their card security where the card activation and deactivation can be done through the use of Bank's IVR system. This function has allowed customers to activate newly issued card or deactivate misplaced card directly without the need of human interaction.

The Call Center also continued to provide customers with Tele-banking services at fingertips by responding to their queries, specifically during long holidays and beyond the official business hours.

In 2014, Retail Banking Division's endeavors and performance , as a strategic business unit will continue to be measured year on year to maintain the highest standards of success and to ensure that the Division's long term goals and objectives remain aligned to the Bank's overall strategic objectives.

CORPORATE CREDIT DIVISION |

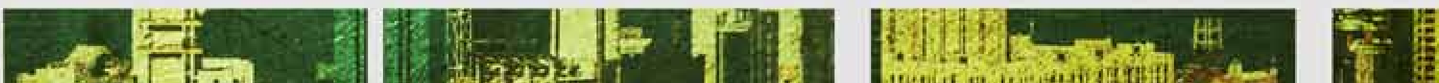
Commercial Bank of Kuwait's Corporate Credit Division, CCD, is assigned with the task of creating both funded and non funded assets and to manage the same on an ongoing basis with the prime objective of achieving maximum returns within the acceptable and the agreed-in risk parameters. As already known, Corporate Credit Division is the single largest custodian of bank's assets and thereby becoming the highest contributor for the profitability of the Bank.

In this context, CCD provides its customers with a board spectrum of financing services that cater for requirements of all diverse segments of customers and effectively contribute in injecting the required financing for different economic sectors.

Being the second oldest Bank in Kuwait, Commercial Bank of Kuwait have the legacy of maintaining very healthy relationships with the major Corporates in Kuwait, thus ensuring a steady volume of their business. To effectively service our clients, CCD has three different Units - namely Contracting & Services, General Trade and Investment & Real Estate. The strength of all these units is the experienced and highly skilled young Managers and Officers who perform under the close supervision of different Unit Heads.

Within the Bank's endeavors to continue developing and enhancing its customer relations, CCD always strive to upgrade its performance to provide tailor made credit package to suit the requirements of the customers in their chosen line of business. While bringing in business in huge volumes, CCD has been supported by other areas of the bank, mainly Risk Management, Retail Banking, Treasury and Operations.

The Bank's CCD endeavors to enhance and improve the quality of loans portfolio by attracting new corporate customers of creditworthiness or by raising credit limits for existing customers with due observation of full compliance with regulators' instructions.



Furthermore, CCD prepares credit studies, reschedules the credit facilities related to irregular customers and extends the proper credit facilities after conducting the required technical and credit studies for serious customers.

CCD is challenged by the fierce competition from the local banks and the foreign banks which have opened their branches in Kuwait. At the same time, the ever changing economic, political and financial developments in Kuwait as well as in the region, put more pressure on the division, yet to diversify and strengthen Corporate Credit's portfolio, the Bank has implemented a pro active strategy which is always reviewed under the wise guidance of our Board of Directors. CCD is taking the leading role in the Kuwaitization of the staff as required by the manpower policies of the Central Bank of Kuwait and the government of Kuwait. In this process, fresh recruits or Kuwaiti Graduates are nominated for courses in Credit Management at the Institute of Banking Studies and they are absorbed to the main stream upon their successful completion and based on the performance in the job training phase.

CCD endeavors to continue and enhance the Bank's credit portfolio performance despite the uncertainty prevailing in the market in particular and the region as a whole. Undoubtedly, enhancement of performance requires implementation of advanced and innovative business mechanisms including but not limited to the digital system for corporate credit customers which aims at identifying Obligor Risk Rating. CCD, further, seek to expand its syndication loans and solicit the companies operating in the most ever-growing economic sectors with less risks such as the sector related to financing of large-scale government projects. While optimum uses of our capabilities are ensured, we have several ambitious plans and objectives to re-enforce our existing prominent role to tap future growth opportunities, thereby increasing the profitability of the Division in particular and the Bank in general.

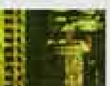
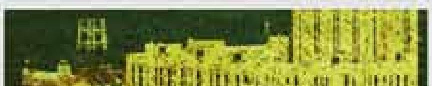
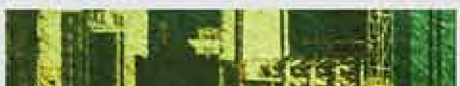
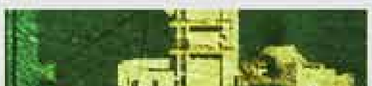
CCD has recently inaugurated special Center to provide corporate credit customers with all banking services and the new Center was highly commended by all the Bank's customers.

INTERNATIONAL BANKING 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 syndication 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 2013, while maintaining its existing proprietary unfunded activities in trade related transactions, the International Banking and Syndication Division experienced a growth in its foreign currency assets through its participation in various international syndication activities; namely in strategic global projects of government / quasi-government entities in the GCC region.

TREASURY |

Backed by solid foundation and sound business strategies, Treasury's focusing was to bring cost of fund lower and thereby to increase net interest margin while assuming top priority for liquidity as well as Balance Sheet management.

Treasury's effort to bring cost of fund lower yielded positive result by mobilizing deposits both from domestic as well as international markets at a relatively lower cost. Treasury continued its emphasis in developing customer oriented FX business coupled with proprietary trading in major currencies, gave further boost to our profitability.

Technology strength in Treasury system and high tech communication facilities have facilitated our customers to execute financial transactions with minimum cost and that kept Treasury as a preferred choice among the corporate community.

Treasury activities are mainly channeled through its dedicated FX, MM and Corporate desks managed by professionally experienced dealers.

Treasury is now taking further emphasis to expand its business volume in the field of corporate bond investments with the aim to diversify asset class and simultaneously targeting for higher portfolio yield.

Financial prudence and ethical governance have been the corner stone of Treasury's trading philosophy.

RISK MANAGEMENT |

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.

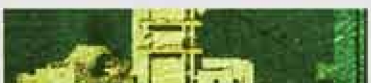
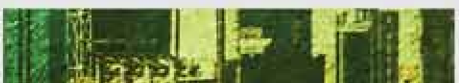
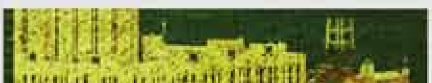
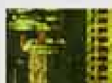
Treatment of different types of risks:

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.

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 rate. 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 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 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 was enhanced during the year by introducing a model that comprehensively captures name, sectoral and geographic concentration risks.

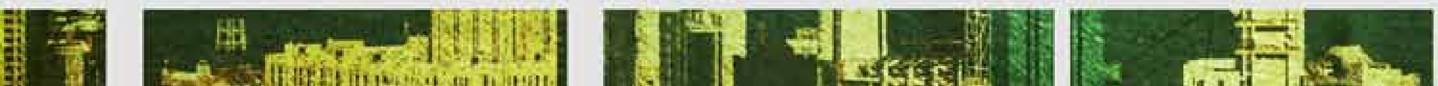
b) Market Risk

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 during the year with the new 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 was further enhanced during the year through new limits that attempt to restrict concentration of deposits from sensitive significant depositors as well as products. Limits were also introduced 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.

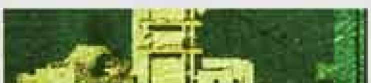
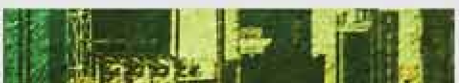
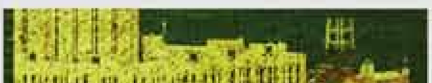
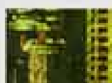
The Basle Committee for Banking Supervision has introduced the Basel III regulations covering, among others, a global framework for liquidity risk management. While these regulations are currently being developed for Kuwait banks, the Bank has in 2012 proactively introduced the new liquidity ratios, 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. During the year the Bank moved from a single, across-the-board rate shock on the IRSM to varied rate shocks for different time buckets/currencies 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 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 are in place for measuring the economic capital for these risks.

INFORMATION TECHNOLOGY |

Branch Improvements

Card printing systems for instant ATM card issuance has been installed in all branches for improved customer service. New Revel Digital Signage Devices has also been installed in branches. In addition, offsite ATMs has been installed at Jumeirah hotel, KAC and PAI.

Outsourcing of systems

As per the Banks strategy, the Swift System and Email has been outsourced in order to improve availability and business continuity.

Ongoing major system upgrades

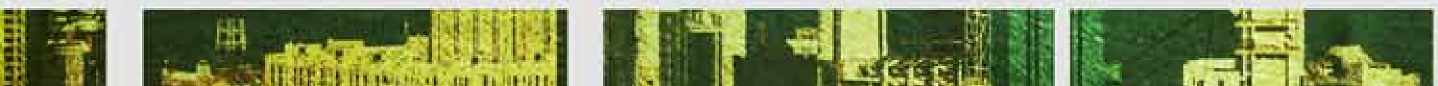
The banks ATM switch and its HR system are in the process of being upgraded to include latest features.

Compliance and Security

As per Central Bank requirements, all outgoing Swift messages are being screened against international sanction lists. The Banks Anti-Money Laundering system has also been enhanced to cater for Central Bank regulations.

CDM (Cash Deposit Machine)

CDMs has been implemented as the new primary channel for cash withdrawal and deposit transactions. This smart system has reduced the queue time and increased the volume of daily transactions conducted in all CBK branches. The system provides easy and secured access for both parties (customer and bank).



Civil ID collection from Chip cards (KYC update)

A new application has been installed bank wide to allow customers services officers to collect customers information easily from the customer's chipped civil id. This service reduced the paper, ink and teller's effort to leave his disk and take a copy of the customer's new civil id to update his personal information in CBK system.

Credit card registration for E-statement service

As part of an effort to enhance the process of registering customers for credit card E- statement services and help our card center staff, a new registration portal has been implemented for the card center to register the customers with the service within a single click.

Branch FX rates

A new FX rates application for branches allows for special rates for VIP customers. Branches can now easily request a special rate for a VIP customer and obtain approval from treasury department

Swift Incoming Messages

In order to enhance the process of branch transfers and eliminate the paper work, a new monitoring system has been implemented for branches to view swift messages relevant to them.

Revolving loans

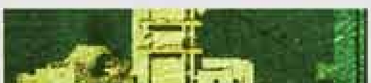
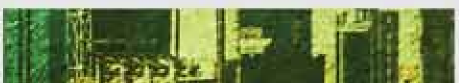
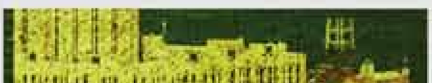
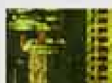
A new feature has been added to the corporate internet banking services family which allows the corporate customers with revolving loans to withdraw funds from this facility or to settle the funds of the facility through internet.

OPERATIONS DIVISION |

During 2013, Operations' continues to focus and leverage on "Customer Convenience & Delivery". The unit continues to consistently deliver & support the customer facing verticals within the bank and enables the front end to meet its value propositions.

In CPD, technology was evolved to impact process performance and improve end delivery quotient. With the remittance platform upgrade (Cloud based SWIFT Alliance Lite 2) the processing efforts were eased with a digitized single window system that was developed by the in-house team. This eliminated the printing of messages; improved processing efficiency; provided real time transactions status & errors if any. The "Straight Through Processing" (STP) message type scope was expanded along with making IBAN requirement mandatory for all remittances via SWIFT. The unit is focusing on meeting the PCI DSS requirements that aims at securing critical customer data and transactions storage to provide secured & compliant environment as per international standards.

In Treasury Operations, the efforts to incorporate ICBS system for supporting the bank's treasury platform has progressed positively with the Money Market module being on "parallel" run and the "Foreign Exchange" module for Customer transactions is underway testing and both expected to be live in near future. Treasury operations have

shown procedural perfection and error free processing of Treasury and Investment transactions without backlog. An eco-friendly office environment with bare minimal printing of SWIFT messages, confirmations, vouchers etc. and digital archival was introduced within the unit as a pilot project which will be scaled through-out the bank.

In Trade Finance Services, enhancements to ICBS system were carried out to improve the automation of processes. Procedure documentation requirements within the department were addressed and the same are under review state for final clearance. Intensive cross-training program has resulted in knowledge transfers between all processes to enhance the value of human capital.

The Account Processing & Records Management back-office has focused on improving customer data quality with an objective of 360 degree view of customer relationship & enhanced "Customer satisfaction" & "Compliance" to Central Bank related requirements. The joint efforts with RBD quality team has resulted in best turnaround times on delivery consistently. Reductions in cost of operations were achieved by process automation & re-organization of resources.

At iSPEED, multiple engagements are handled and all "work-in-progress" projects are aligned to the bank's strategic plan. A "Corporate ServiceDesk" set-up project was executed as a part of Corporate Banking re-engineering. The Procedure Documentation & Repository (PDR) arm within iSPEED has supported to complete the "Corporate Governance" project & was followed up with the charting, prioritizing & addressing of bank wide procedure documentation requirements. iSPEED contributes to evolve & standardize technology within the bank. Multiple processes across departments were re-engineered to be integrated through in-house developed applications. This increased efficiency in operating processes. iSPEED continues to support & add value to bank-wide processes with the focus on providing & improving "Customer Convenience"

HUMAN RESOURCES DEPARTMENT |

The bank recognizes that human resource is its most important asset. As such, Human Resources Department promotes efficiency, productivity and employee development and satisfaction within the Bank The Department strives to attract and retain the best talented staff members and fosters the development of employees in achieving professional and personal growth. The Department encourages localization of jobs by providing Kuwaiti graduates employment and career development opportunities within the Bank's ongoing efforts to raise the percentage of Kuwaiti labor, which crossed the threshold of 60% consistently, and stands now at 62.2% of the total workforce in the Bank .

The Human Resources Department performs these core functions

- Recruit and select competent and job-fit employees
- Promote an environment favorable to staff development and training
- Plan for staff training and development
- Administrate salaries and benefits
- Advise on personnel policy matters and provides employee assistance
- Conduct human resource planning

The Department takes leadership in creating a positive work environment that places high value on professional and collaborative work relationships while recognizing the importance of individual contributions. It encourages and maintains open communication channels Bank wide.

Staff Planning and Recruitment Section performs these core functions

- Attract and develop young local talent by means of the New Recruits Development Program.
- Coordinate all staffing needs of the Bank
- Ensure a recruitment and selection of a high quality diverse work force for the Bank.
- Participate in career fairs of local colleges and universities with an aim to attract fresh Kuwaiti graduates to the Bank.
- Provide emerging talents with the opportunity to acquire professional and practical experience through the internship program

Compensation and Benefits Section performs these core functions

- Conducting job grading, evaluations, salary surveys, etc.
- Develop, implement and maintain competitive and equitable compensation and benefits that enable the Bank to attract, recruit, motivate and retain highly qualified people.
- Identification and recommendation of competitive pay and rewards systems in line with prevailing market trends.

The Training Unit performs these core functions

Training & Development in Commercial Bank of Kuwait is practically considered as a strategic and focal service to all employees, to equip them with needed skills, to perform as expected. To achieve this, employees were enrolled in 145 different training courses, totaling 4600 training hours, in 2013. Such enrollment included short and long courses; technical certifications; leadership development; career development; and inhouse training by capitalizing on available modern in-house training facilities. In addition, the Training Unit has built an active training relationship in collaboration with the Institute of Banking Studies (IBS), which resulted in achieving the highest training utilization in two out of IBS's three training units, among all member banks,.

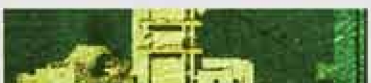
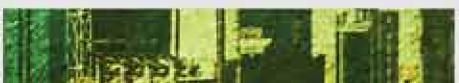
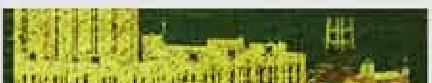
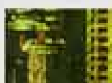
Parallel to this, Human Resources Training Unit (HRT) proactively seek to update employees with financial industry and Central Bank's regulations pertaining to various matters, such as training employees in Anti- Money Laundering and its regulative updates on annual basis; and taking the lead among all banks in training employees in Corporate Governance.

On another front, and in line with social responsibility commitment, the Bank offers students from local Universities, Institutes, social organizations, the opportunity for field training, during all year long, to expose them to the banking environment, and its functionalities.

The Human Resources Department is committed to ensuring that the Bank attracts, recruits, develops, retains and sustains a high performing and diverse workforce by developing and implementing progressive human resource management policies and strategies.

INTERNAL AUDIT |

The Internal Audit Department plays a significant role in commercial bank of Kuwait by providing an independent assessment and validation of key processes and internal controls across the bank. Internal Audit maintains independence from the businesses, governance and control functions by reporting to the Audit Committee of the Board. Internal Audit

activities are redesigned to provide reasonable assurance that resources are adequately protected, significant financial, managerial and operating information is materially complete, accurate and reliable, and employees' actions are in compliance with the bank's policies, standards, procedures, and applicable laws and regulations. Audits performed during 2013 covered various business and operational areas including corporate credit and Retail banking loans, Risk management, compliance activities, Core banking systems and E-channels. Internal audit achieved audit plan by following the best management practices of audits through certain achievements to improve the quality of the audit function as the following:

- Implementing a new audit tool "ACL" which is specifically designed to help Audit groups to perform in-depth analysis of data with ease, quickly find exceptions and controls breakdowns. ACL developed mainly to improve the quality of audit function and audit observations.

- Automation of Audit processes (planning, scheduling, time management, working papers, reporting, and issues tracking) which save time and utilizes audit resources efforts through implementing "Auto Audit" software..

- Internal Audit also provides the management with advisory services for several issues related to financial statements, operations, business process and corporate policies and procedures.

COMPLIANCE & AML DEPARTMENT |

Compliance & AML Department is composed of the following units:

1- Compliance Unit is responsible for taking the procedures that ensure the Bank's compliance with the domestic legislative & regulatory requirements in all aspects associated with banking business so that the Bank can avert any risks that may result from non-compliance with such requirements.

2- AML Unit is assigned the implementation of the prevailing legislations and existing regulatory instructions for AML as well as the implementation of the international standards in this area. The Bank endeavors to take all the required action so as not to be used in channeling suspicious transactions.

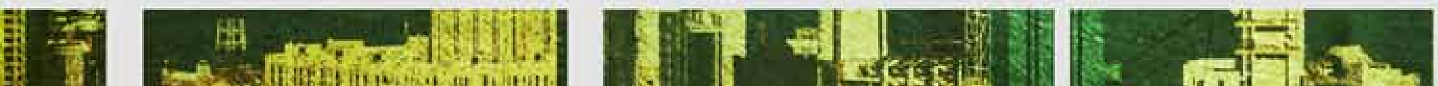
3- Disclosure Unit verifies that disclosure is made to the concerned entities as per the prevailing regulatory laws and instructions.

4- Follow-Up Unit is responsible for monitoring all remarks and observations being raised by regulatory authorities and internal and external auditors to ensure that necessary corrective procedures of these remarks are being taken.

The Bank endeavored to equip and provide the Department with highly qualified staff members and resources to avert financial and moral risks that may arise from non-compliance with legal & regulatory requirements with a view to safeguard the Bank and the interests of its shareholders and stakeholders.

Compliance & AML Department coordinates and cooperates with all departments Bank wise 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 required.

During 2013, the Central Bank of Kuwait's instructions on Corporate Governance rules and principles were put into actual implementation and the year also saw the issuance of Law 106/2013 regarding AML & CTF and the new



instructions issued by the Central Bank of Kuwait in this regard. In view of this, the Department worked closely to update the related policies, bylaws and controls to achieve full compliance with new legal & regulatory requirements.

Furthermore, the Department's efforts, during 2013, extended to cover the necessary procedures required for adherence to the "Foreign Account Tax Compliance Act". Such efforts included the introduction of amendments to accounts opening form and "Know Your Customer" form and other procedures applicable at the Bank. The Bank also entered into agreement with a major global audit firm to act as the Bank's consultant for implementation of the requirements of the said Act.

As for Corporate Governance rules & principles, GM - Compliance & AML Department has been previously engaged to manage the implementation scheme of such rules and principles where the Bank finalized all regulatory requirements in this area.

Compliance & AML 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 |

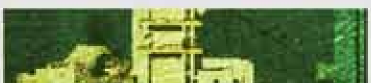
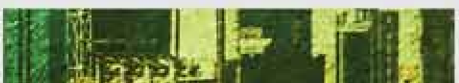
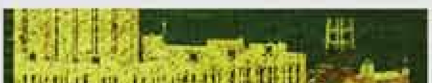
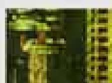
The Legal Department is the protective shield that safeguards the Bank's rights and interests towards any potential legal risks and actual claims filed against the Bank before any Court. Legal Department defends the Bank's legal rights towards third party and provides all legal and judicial services required by the Bank's diverse departments and branches to help them perform their usual day-to-day business. In addition, Legal Department monitors Collection Unit for accounts and files of defaulting customers in terms of regularity in repaying the overdue installments along with taking the necessary action against customers dishonoring their obligations so that the Bank can reach a compromise whether by repayment or settlement after obtaining an approval from the concerned department in the Bank.

Legal Department's functions are assumed within a defined strategy whose principles were set by the Bank's Board of Directors whereby Legal Departments cooperates with all other departments within its endeavors to get such principles materialized and to allow the Bank attain leading position among local banks.

As such, Legal Department endeavors to provide legal advice for the benefit of the Bank, apart from drafting the required contracts & agreements and executing the court rulings passed in favor of the Bank and eliminating any hindrances that may hamper work flow at the Bank's departments. Moreover, Legal Department represents the Bank before all government agencies such as Ministry of Justice, Ministry of Commerce and Industry and all courts with their diverse degrees 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 at the Bank assumes a prominent role by effectively and proactively participating in successful activities and social related events during the year 2013. The Department continued its role in solidifying the Bank's corporate image and its social responsibility as a leading financial institution recognizing the magnitude of its responsibility towards the community in which it operates. This was further illustrated through

the Bank's participations, contributions and sponsorship of diverse societal, humanitarian, philanthropic, health and sporting events and activities that place it as a true example of socially caring financial institution.

This was further emphasized with the Bank's providing financial & moral support to the diverse community segments and their social, sporting, health and educational activities. Long time back, the Bank meritoriously took the lead in supporting humanitarian activities through its usual care for the physically challenged people and the elderly by offering them all means of assistance, care and arranging visits to that segment in occasions and feasts in addition to the regular visits to students of schools and universities, along with its patronage of cultural and scientific conferences and forums.

Furthermore, the Bank continued its programs that reinforce the true concept of social responsibility and its distinct efforts for revival of the old Kuwaiti heritage by organizing its exceptional campaign "Ya Zeen Turathna" which achieved success for the second year in row where it was the culmination of the Bank's continued efforts to revive the old Kuwaiti heritage & traditions and get the future generation reminded of the life of forefathers and ancestors through the campaign's significant and diversified programs and events, most important of which was the small booth the Bank has set up to exhibit a true simulation of old Kuwaiti crafts of the forefathers in Kuwait.

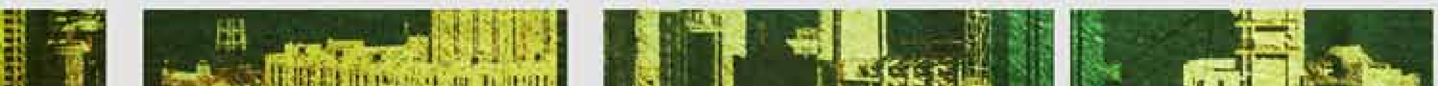
The Bank issued its 2014 calendar that mirrors vivid scenes from the old Kuwaiti heritage through art paintings authenticating customs and life styles of forefathers and ancestors in the past.

Advertising and Public Relations Department actively arranged a number of events and has had a very busy program during the Holy Month of Ramadan demonstrating a variety of humanitarian & philanthropic initiatives and activities arranged by the Bank particularly for the Holy Month of Ramadan. This included the campaign the Bank launched under the caption, "Contribute in Printing a Copy of the Qur'an for Each Blind" with the objective of contributing in printing the Holy Qur'an in Braille Manner for the people with visual disability in collaboration with Kuwait Blind Association. Moreover, the Bank launched the TV commercial "We continue with our Social Responsibility" which was simultaneous with a broad range of philanthropic and humanitarian activities patronized by the Bank during the Holy Month of Ramadan including but not limited to celebration of the joy of "Gergi'an" with the hospitalized children to bring happiness to their hearts as well as "Hawwen Alaihom" Campaign, a typically designated campaign to offer support to the road cleaners & construction workers, where the Bank distributed clothes to the road cleaners and construction workers on the occasion of the blessed Eid Al-Fitr.

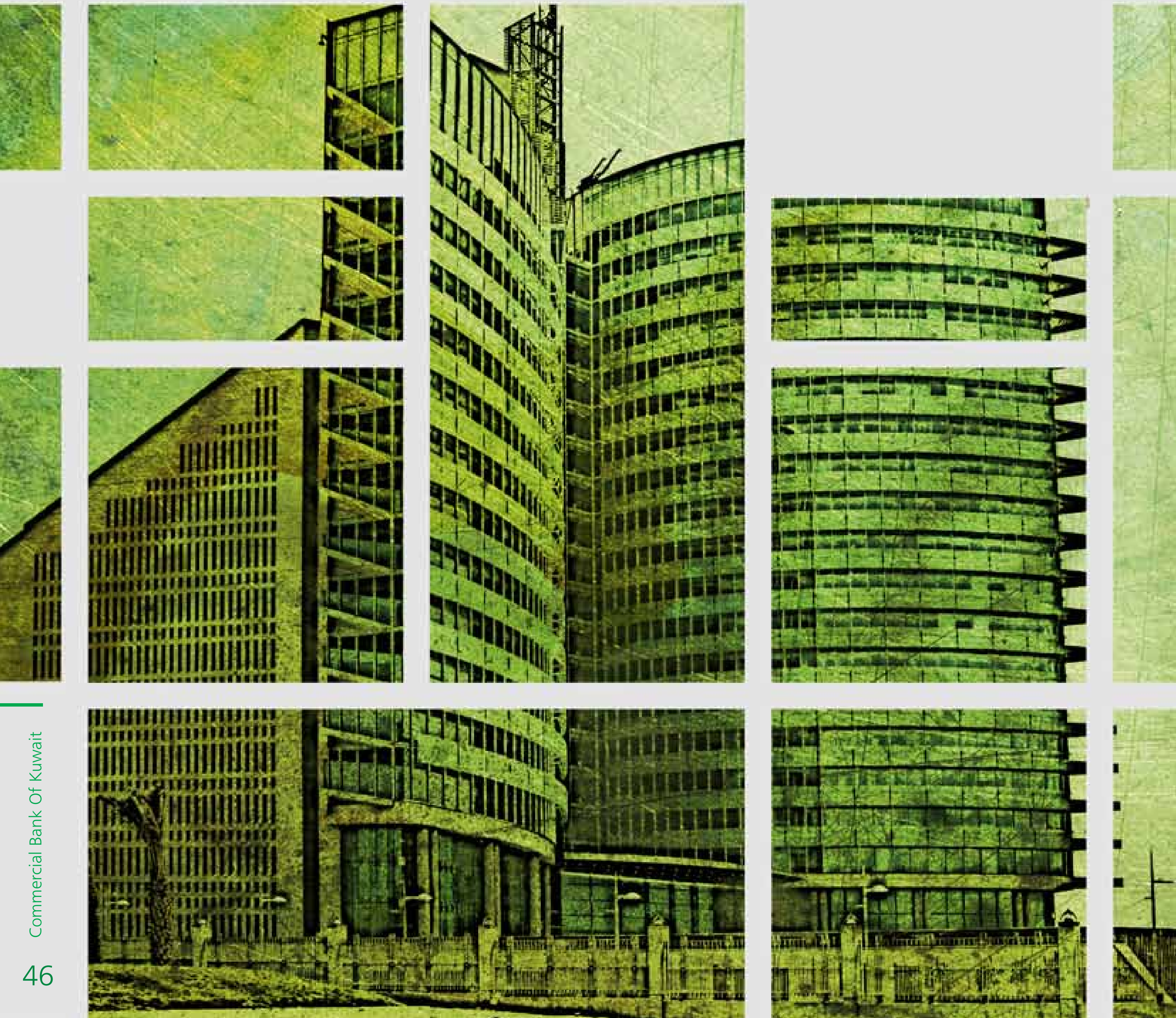
Within Advertising and Public Relations Department's endeavors to cope with modern technology, the Department enhanced the direct means of communication with customers through social media networks such as Instagram, Facebook and Twitter and this reflects the Bank's belief in supporting and sustaining its branding and mission statement via such significant conduits.

As for the in-house activities, Advertising and Public Relations Department continued its successful and active cooperation with the Bank's diverse departments through publicity and advertising campaigns for the products and services offered by the Bank and its marketing and promotional activities. The Department, further, had a positive role in establishing friendly and amicable atmosphere among the Bank staff members by organizing "Al-Tijari Hobbyist Exhibition" which brings together the Bank staff and their families to show their handmade and art products.

As the Bank's social responsibility covered various and extensive activities that can not be reviewed in few lines, Advertising and Public Relations Department issued a handbook highlighting its all social activities and events organized and patronized by the Bank during the year 2013.



FINANCIAL REVIEW |



2013 Statement of Income |

The profit attributable to shareholders of the Bank for the year is KD 23.5 million.

Net interest income of KD 86.9 million was KD 1.3 million or 1.5% higher than 2012. The average yield on interest earning assets declined to 3.14% from 3.47% in 2012. The average cost on interest bearing liabilities fell to 0.62% down from the 0.91% of 2012. The Bank's net spread was 2.52% and the net interest margin was 2.56%.

Fees and commissions increased by KD 2.1 million or 7.50%. Dividend income of KD 2.3 million was down 14.19% on 2012.

Staff expenses increased KD 2.4 million or 15.43% on 2012. General and administration expenses for 2013 were down by KD 0.2 million or 1.5% on 2012.

Gain on sale of investment securities and asset pending sale contributed KD 9.0 million compared to KD 1.7 million in 2012.

The charge for Impairment and other provisions for credit facilities and investments was KD 77.0 million for 2013, a decrease compared to the KD 92.6 million of 2012. The impairment and provision charge was net of recoveries KD 10.3 million against previously written off loans.

The Bank continues to enforce a strict credit policy and complies fully with the Central Bank of Kuwait provisioning requirements. Total provision cover for 2013, including general provisions, was 367.2% of non-performing loans. Non-performing loans decreased to KD 33.020 million (1.35%) compared to KD 61.6 million (2.76%) of 2012.

2013 Balance Sheet |

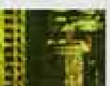
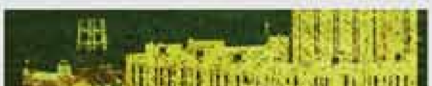
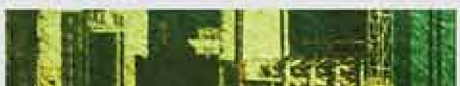
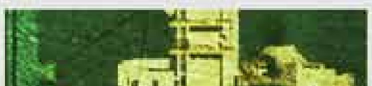
Total assets increased by KD 261.4 million or 7.12% on 2012. The Loans and advances net of provisions increased by KD 189.3 million or 8.89%. The customer deposits increased by KD 373.2 million or 16.50%

The capital adequacy ratio under Basel II regulations is 18.38% 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 23.5 million will be distributed as follow:

1. KD 8.9 million to the dividend account for the distribution of a 7 fils cash dividend (2012: nil) as recommended by the Board of Directors. This is subject to approval by the Shareholders at the Annual General Meeting.
2. KD 14.0 million to the bonus shares account for the distribution of an 11% bonus issue (2012: nil) as recommended by the Board of Directors. This is subject to approval by the Shareholders at the Annual General Meeting.
3. Nil to the Statutory Reserve, which now equals 50% of share capital and in accordance with the Law of Commercial Companies any future transfers are on a voluntary basis.

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

Introduction

We have audited the accompanying consolidated financial statements of Commercial Bank of Kuwait K.S.C.P ('the Bank') and its subsidiary (together 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2013 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

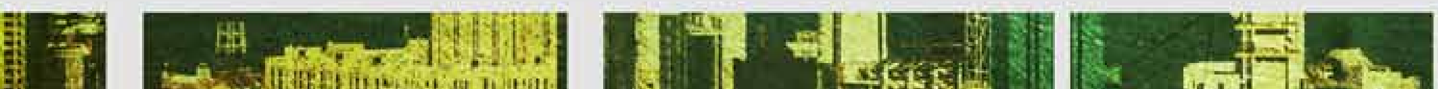
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted for use by the State of Kuwait.



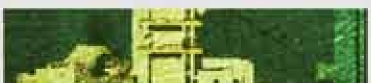
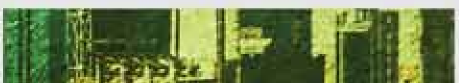
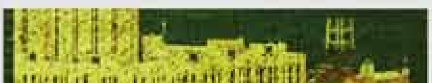
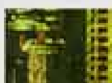
Report on other Legal and Regulatory Requirements

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 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 issued by Central Bank of Kuwait as stipulated in CBK Circular no. 2/BS/184/2005 dated 21 December 2005; Companies Law No. 25 of 2012 as amended, and by the Bank's 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 issued by Central Bank of Kuwait as stipulated in CBK Circular no. 2/BS/184/2005 dated 21 December 2005, Companies Law No. 25 of 2012 as amended, or of the Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 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 2013.

Bader A. Al-Wazzan	Dr. Shuaib A. Shuaib
License No. 62A	License No. 33A
Deloitte & Touche	RSM Albazie & Co.
Al-Wazzan & Co.	

27 January 2014
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION |

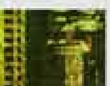
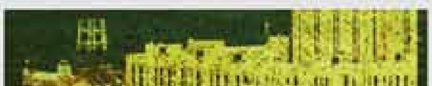
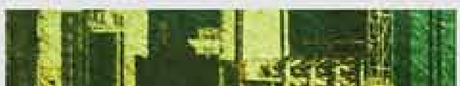
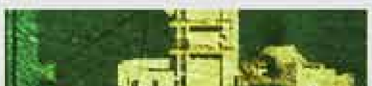
31 December 2013

	Note	2013 KD 000's	2012 KD 000's
ASSETS			
Cash and short term funds	3	**436,620**	253,765
Treasury and Central Bank bonds	4	**341,297**	444,195
Due from banks and other financial institutions	5	**393,765**	373,033
Loans and advances	6	**2,316,998**	2,127,733
Investment securities	7	**355,541**	395,123
Investment in an associate	8	**-**	3,228
Premises and equipment		**26,672**	25,768
Intangible assets	9	**9,809**	9,940
Other assets	10	**48,770**	35,311
TOTAL ASSETS		**3,929,472**	3,668,096
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	11	**685,607**	817,294
Customer deposits	12	**2,630,451**	2,257,288
Other liabilities	13	**50,507**	40,492
TOTAL LIABILITIES		**3,366,565**	3,115,074
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		**127,202**	127,202
Proposed bonus shares		**13,992**	-
Treasury shares		**(4,018)**	(75)
Reserves		**299,844**	309,667
Retained earnings		**115,940**	115,262
		552,960	552,056
Proposed dividend		**8,864**	-
		561,824	552,056
Non-controlling interests		**1,083**	966
TOTAL EQUITY	14	**562,907**	553,022
TOTAL LIABILITIES AND EQUITY		**3,929,472**	3,668,096

Ali Mousa M. Al Mousa
Chairman

Elham Yousry Mahfouz
Acting CEO

The attached notes 1 to 27 form part of these consolidated financial statements.

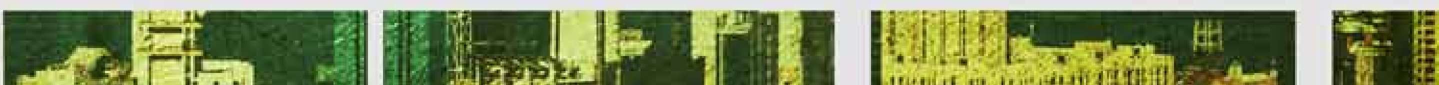





CONSOLIDATED STATEMENT OF INCOME |

Year Ended 31 December 2013

	Note	2013 KD 000's	2012 KD 000's
Interest income	15	**106,718**	113,920
Interest expense		**(19,818)**	(28,338)
NET INTEREST INCOME		**86,900**	85,582
Fees and commissions		**30,296**	28,182
Net gain from dealing in foreign currencies		**4,002**	3,896
Net gain from investment securities	16	**3,427**	1,661
Gain on disposal of assets pending sale		**5,605**	-
Dividend income		**2,255**	2,628
Share of result from an associate	8	**512**	157
Other operating income		**1,118**	1,124
OPERATING INCOME		**134,115**	123,230
Staff expenses		**(18,161)**	(15,732)
General and administration expenses		**(13,122)**	(13,323)
Depreciation and amortisation		**(1,091)**	(369)
OPERATING EXPENSES		**(32,374)**	(29,424)
OPERATING PROFIT BEFORE PROVISIONS		**101,741**	93,806
Impairment and other provisions	17	**(76,985)**	(92,640)
PROFIT BEFORE TAXATION		**24,756**	1,166
Taxation	18	**(1,068)**	(13)
NET PROFIT FOR THE YEAR		**23,688**	1,153
Attributable to:			
Shareholders of the Bank		**23,534**	1,119
Non-controlling interests		**154**	34
		23,688	1,153
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	19	**18.5**	0.9

The attached notes 1 to 27 form part of these consolidated financial statements.

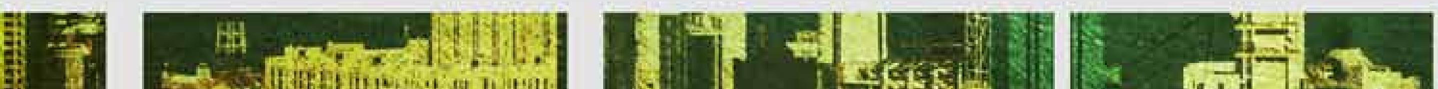


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME |

Year Ended 31 December 2013

	2013 KD 000's	2012 KD 000's
Net profit for the year	**23,688**	1,153
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to consolidated statement of income:		
Changes in fair value of investment securities	**(7,001)**	22,644
Net (loss) gain on disposal / impairment of investment securities	**(2,530)**	400
Share of other comprehensive loss from an associate	**(1,824)**	(3,391)
Items that will not be reclassified subsequently to consolidated statement of income:		
Property revaluation gain	**1,531**	827
	(9,824)	20,480
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,864**	21,633
Attributable to:		
Shareholders of the Bank	**13,711**	21,580
Non-controlling interests	**153**	53
	13,864	21,633

The attached notes 1 to 27 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |

Year Ended 31 December 2013

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	Property Dividend	Total	Non-controlling Interests	Total
Balance as at 1 January 2012	127,202	-	(75)	66,791	63,601	17,927	45,603	22,172	73,112	289,206	114,143	-	530,476	913	531,389
Total comprehensive income for the year	-	-	-	-	-	-	-	827	19,634	20,461	1,119	-	21,580	53	21,633
Balance as at 31 December 2012	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 14)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,864)**	**8,864**	**-**	**-**	**-**
Proposed bonus shares (note 14)	**-**	**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**

Investment valuation reserve includes a loss of KD 5,334 thousand (31 December 2012: loss of KD 3,334 thousand) arising from foreign currency translation of the Bank's investment in its associate.

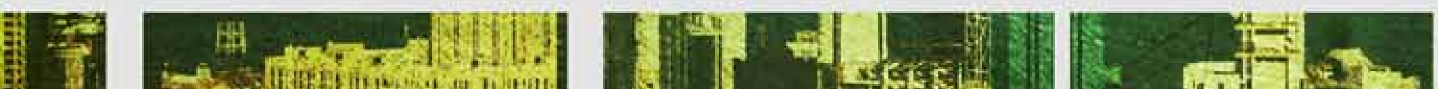
The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS |

Year ended 31 December 2013

	Note	2013 KD 000's	2012 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		**24,756**	1,166
Adjustments for:			
Impairment and other provisions	17	**76,985**	92,640
Income from investment securities		**(5,682)**	(4,289)
Foreign exchange gain on investment securities		**(148)**	758
Depreciation and amortisation		**1,091**	369
Share of results from an associate	8	**(512)**	(157)
Profit before changes in operating assets and liabilities		**96,490**	90,487
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		**102,898**	39,841
Due from banks and other financial institutions		**(20,732)**	32,956
Loans and advances		**(254,000)**	(25,225)
Other assets		**(16,155)**	(17,070)
Due to banks and other financial institutions		**(131,687)**	(69,226)
Customer deposits		**373,163**	3,323
Other liabilities		**7,826**	(3,870)
Net cash from operating activities		**157,803**	51,216
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		**58,038**	67,059
Acquisition of investment securities		**(30,928)**	(64,881)
Dividend income from investment securities		**2,255**	2,628
Proceeds from disposal of premises and equipment		**75**	59
Acquisition of premises and equipment		**(409)**	(786)
Net cash from investing activities		**29,031**	4,079
FINANCING ACTIVITIES			
Purchase of treasury shares		**(3,943)**	-
Dividend paid to non-controlling interest		**(36)**	-
Net cash used in financing activities		**(3,979)**	-
Net increase in cash and short term funds		**182,855**	55,295
Cash and short term funds as at 1 January		**253,765**	198,470
Cash and short term funds as at 31 December	3	**436,620**	253,765

The attached notes 1 to 27 form part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS |

31 December 2013

1- INCORPORATION AND REGISTRATION

The Commercial Bank of Kuwait K.S.C.P. ("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 27 January 2014 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 power to amend these consolidated financial statements after issuance.

The principal activities of the Group are explained in note 25.

The new Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree).

The Executive Regulations of the new amended law was issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

2 - SIGNIFICANT ACCOUNTING POLICIES

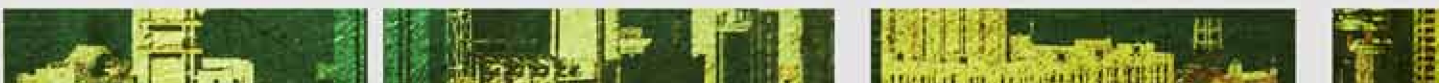
(a) Basis of preparation

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) IFRS 7: Financial Instruments Disclosures: Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)

The amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment affects disclosure only and has no material impact on the consolidated financial position or performance of the Group.

ii) IFRS 10: Consolidated Financial Statements: (effective 1 January 2013)

This new Standard replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC 12: Consolidation of Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).

Under IFRS 10, control is based on whether an investor has

1) power over the investee.

2) exposure or rights to variable returns from its involvement with the investee.

and 3) the ability to use its power over the investee to affect the amount of the returns.The adoption of this standard has not resulted in any material impact on the consolidated financial position or performance of the Group.

iii) IFRS 12: Disclosure of Interests in Other Entities: (effective 1 January 2013)

This new Standard requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is provide information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The adoption of this standard has not resulted in any material additional disclosures in the consolidated financial statements of the Group.

iv) IFRS 13: Fair Value Measurement: (effective 1 January 2013)

This new Standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 defines fair value as an exit price. The adoption of this standard has not materially impacted the financial position or performance of the Group. Additional disclosures that were required are provided in the consolidated financial statements of the Group.

v) IAS 1: Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income: (effective 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the consolidated financial position or performance of the Group.

vi) IAS 19: Employee Benefits: (effective 1 January 2013)

Numerous changes or clarifications are made under the amended Standard. Among these numerous amendments, the most important changes are making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. These amendments have no material impact on the consolidated financial position or performance of the Group.

vii) IAS 28: Investments in Associates and Joint Ventures: (effective 1 January 2013)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures. The Standard describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard has not resulted in any material impact on the consolidated financial position or performance of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 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

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2015, but IASB in its November 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

ii) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014, and 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.

iii) IAS 32: Financial Instruments Presentation: Offsetting Financial Assets and Financial liabilities (Amendment)

The 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 Group is currently assessing the impact that this standard will have on the consolidated financial position and performance when it becomes effective for annual periods beginning on or after 1 January 2014.

iv) Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

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 period. 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.

v) IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current year. However, these amendments would be considered for future novations.

(b) Basis of consolidation

The financial statements of the subsidiaries used to prepare the consolidated financial statements of the Group are prepared as at the Bank's reporting date.

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.

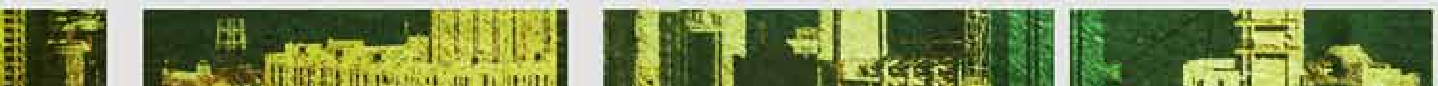
ii) Associates

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) Business Combinations

A business combination is the bringing together of separate entities or businesses into one. The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the consolidated statement of income as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized initially at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5.Non-current assets held for sale and discontinued operations are recognized and measured at lower of carrying amount or fair value less costs to sell.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of income.

"The non-controlling interests in the acquiree are initially measured either at the fair value or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets."

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.

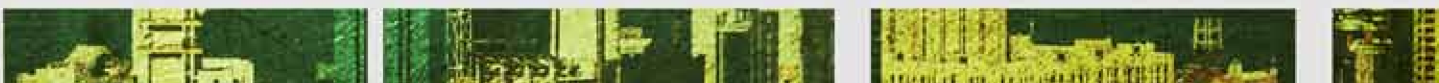
(d) Cash and short term funds

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.

(e) 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.

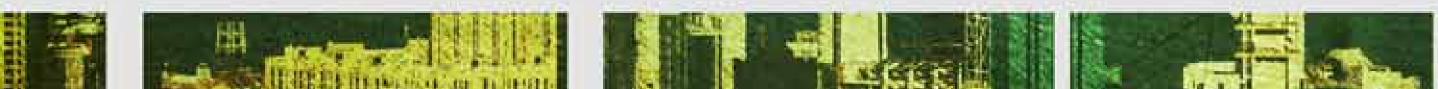
Any resultant unrealised gains and losses arising from changes in fair value are taken to other comprehensive income in the consolidated statement of comprehensive income. When the "available for sale" financial asset is disposed off or impaired, any prior fair value adjustments earlier reported in the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

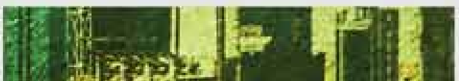
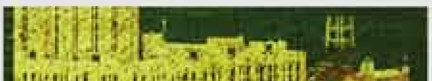
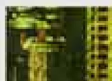
Changes in the fair value of derivatives that are fair value hedges are recorded in the consolidated statement of income, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

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.

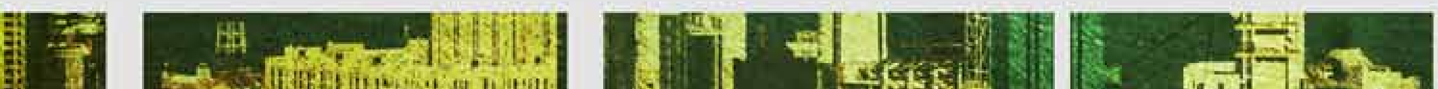
For financial instruments traded in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value for investments in mutual funds, unit trusts or similar investment vehicles are based on the last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

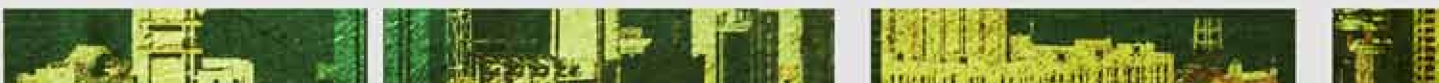
Amortised cost is computed by taking into account any discount or premium on acquisition of the financial instrument, and fees and costs that are an integral part of the effective interest rate.

(xi) Impairment of financial asset

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.

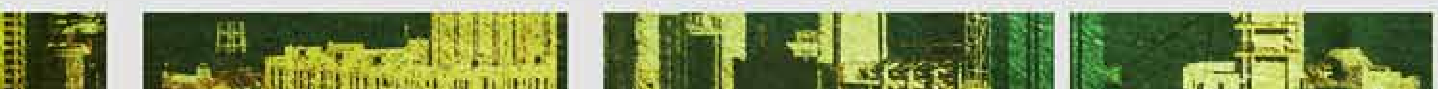
ii) Financial assets classified as available for sale

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.

(f) 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.

(g) 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.

(h) Goodwill and other intangible assets

Goodwill arising in a business combination is recognised as at the acquisition date as the excess of:

i) "the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree measured at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over

ii) the net of the acquisition-date amounts of the identifiable acquired assets, liabilities and contingent liabilities are measured at their fair values.

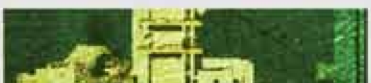
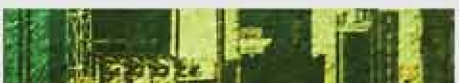
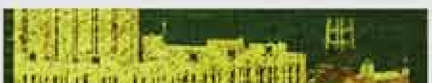
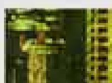
If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses.

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.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(i) 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.

(j) 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 is generally recognised on an accrual basis, when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred together with related direct costs, and recognised as an adjustment to the effective interest rate on the loan. 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.

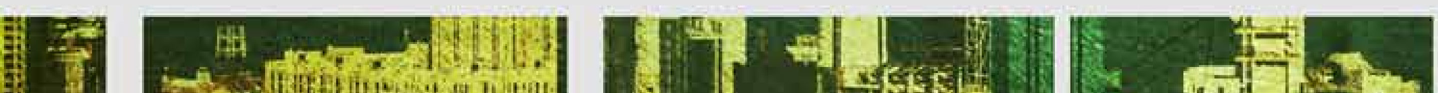
(k) Foreign currencies

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.

(l) 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.

(m) 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.

(n) Fiduciary assets

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

(o) 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.

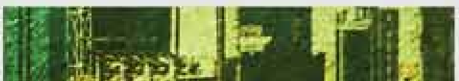
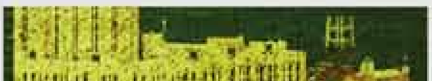
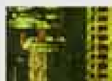
The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of selling in the short term or if so designated by management upon initial recognition when they are managed and their performance is evaluated and reported internally on a 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; 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 goodwill and other intangible assets

The Group determines whether goodwill and intangible assets is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. 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.

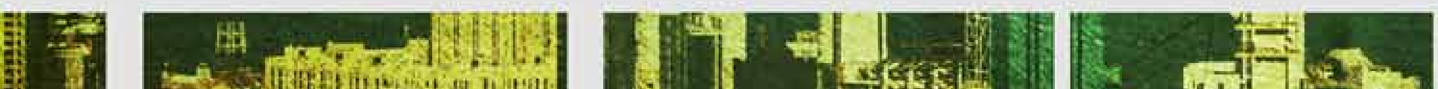
3 - CASH AND SHORT TERM FUNDS

	2013	2012
	KD 000's	KD 000's
Cash and cash items	**65,789**	64,341
Balances with the CBK	**36,469**	76,563
Deposits with banks maturing within seven days	**334,362**	112,861
	436,620	253,765

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

4 - TREASURY AND CENTRAL BANK BONDS

	2013	2012
	KD 000's	KD 000's
Treasury bonds	**135,587**	189,489
Central Bank bonds	**205,710**	254,706
	341,297	444,195



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.

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

5 - DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 KD 000's	2012 KD 000's
Placements with banks	393,765	343,458
Loans and advances to banks	-	1,374
Amounts due from other financial institutions	-	28,201
	393,765	373,033

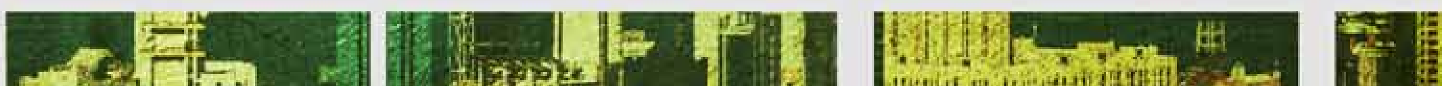
Due from banks and other financial institutions are classified as "loans and receivables".

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:

	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2013						
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



	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2012						
Trade and commerce	264,324	222	-	-	-	264,546
Construction and real estate	725,070	-	-	-	-	725,070
Other financial institutions	191,229	-	-	-	-	191,229
Retail customers	436,430	-	-	-	-	436,430
Others	613,748	641	-	-	131	614,520
	2,230,801	863	-	-	131	2,231,795
Less: Provision for impairment						(104,062)
						2,127,733

During the year, 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 amounted to KD 41,878 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.

(b) Movement in provisions for loans and advances

	2013			2012		
	KD 000's			KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**15,349**	**88,563**	**103,912**	46,798	94,629	141,427
Written-off	**(57,854)**	**-**	**(57,854)**	(107,782)	-	(107,782)
Exchange differences	**-**	**(2)**	**(2)**	(106)	-	(106)
Recoveries	**10,254**	**-**	**10,254**	11,887	-	11,887
Ceded to Central Bank	**(14)**	**-**	**(14)**	(13)	-	(13)
Charged / (released to consolidated statement of income	**50,248**	**14,487**	**64,735**	64,565	(6,066)	58,499
Provisions 31December	**17,983**	**103,048**	**121,031**	15,349	88,563	103,912

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 121,031 thousand (2012: KD 103,912 thousand) also includes an additional provision amounting to KD 73,500 thousand (2012: KD 60,926 thousand) which is over and above the CBK's minimum general provision requirements. The Group has also suspended interest amounting to KD 204 thousand (2012: KD 150 thousand) on impaired loans. The available provision for non-cash credit facilities of KD 7,163 thousand (2012 : KD 5,751 thousand) is included in other liabilities.

(c) Non-performing loans

	2013 KD 000's	2012 KD 000's
Loans and advances	**33,020**	61,613
Collaterals	**12,591**	48,876
Available provisions	**12,725**	9,077

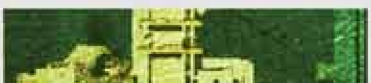
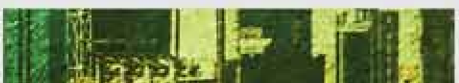
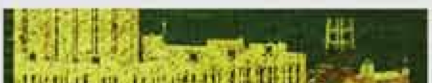
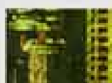
7 - INVESTMENT SECURITIES

	2013 KD 000's	2012 KD 000's
Available for sale		
Debt securities - quoted	**23,764**	14,894
Debt securities - unquoted	**24,859**	40,743
Equity securities - quoted	**268,793**	299,271
Equity securities - unquoted	**35,985**	36,720
Others	**2,140**	3,495
	355,541	395,123

During the year, the Group recognised an unrealised loss of KD 7,001 thousand (2012: unrealised gain of KD 22,644 thousand) in the consolidated statement of comprehensive income as arising from changes in fair value and re-cycled accumulated fair valuation changes of KD 2,530 thousand (2012: KD 400 thousand) to the consolidated statement of income on disposal and impairment of "available for sale" investment securities. Impairment loss of KD 7,826 thousand (2012: KD 20.758 thousand) was also charged to the consolidated statement of income.

It was not possible to reliably measure the fair value of unquoted securities and others amounting to KD nil thousand (2012: KD 41,584 thousand) due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses, if any.

Investment securities include 365,907,768 shares carried at a fair value of KD 204,908 thousand (31 December 2012: KD 223,029 thousand). The Bank acquired 221,421,095 of these 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 127,062,494 shares at a cost of KD 32,401 thousand, During 2013, the bank received 17,424,179 bouns shares. As at the Reporting date, the Bank holds the title of underlying shares. The country party raised a legal case challenging the Bank's ownerShip that is currently pending at the court of law on the Basis of legal counsed, Management believes that they have a meritorious defens and accordingly the Bank has fair valus the Investment and Recognised the resultant fair valued gain in the Investment valuation Reserve.

8 - INVESTMENT IN AN ASSOCIATE

The Group owns a 32.26% (2012: 32.26%) interest in Al Cham Islamic Bank S.A, a private bank incorporated in the Republic of Syria, engaged in Islamic banking activities.

Summarised financial information of the associate is as follows:

	2013 KD 000's	2012 KD 000's
Share of associate's statement of financial position:		
Assets	27,811	24,274
Liabilities	(22,582)	(17,817)
Equity	5,229	6,457
Less: Provision for impairment	(5,229)	(3,229)
	-	3,228
Share of associate's net revenues and results:		
Net operating income	427	987
Results for the year	512	157

9 - INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license KD 9,809 thousand (2012: KD 9,809 thousand) and customer relationship KD nil thousand (2012: KD 131 thousand). The brokerage license is considered to have an indefinite useful life. The customer relationship are amortised over a period of 5 years.

As at 31 December 2013, 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 10% (2012: 5%). These cash flows were then discounted using a pre-tax discount rate of 8.5% (2012 : 8.5%) to derive a net present value which is compared to 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 indication's that brokerage license is impaired (2012: KD 8,141 thousand).

10 - OTHER ASSETS

	2013 KD 000's	2012 KD 000's
Accrued interest receivable	**1,162**	896
Other receivables	**47,608**	34,415
	48,770	35,311

Other assets are classified as "loans and receivables".

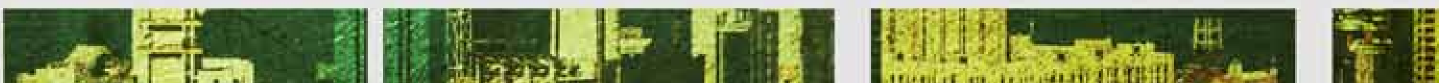
Other receivables include assets pending sale amounting to KD 1,451 thousand (2012: KD 21,046 thousand) acquired relating to settlement of loans and advances.

11 - DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 KD 000's	2012 KD 000's
Due to banks		
Current accounts and demand deposits	**64,787**	28,571
Time deposits	**129,518**	321,536
	194,305	350,107
Deposits from other financial institutions		
Current accounts and demand deposits	**43,915**	55,715
Time deposits	**447,387**	411,472
	491,302	467,187
	685,607	817,294

12 - CUSTOMER DEPOSITS

	2013 KD 000's	2012 KD 000's
Current accounts and demand deposits	**485,674**	437,013
Saving accounts	**540,377**	475,684
Call deposits	**24,333**	131,290
Time deposits	**1,580,067**	1,213,301
	2,630,451	2,257,288



13 - OTHER LIABILITIES

	2013 KD 000's	2012 KD 000's
Accrued interest payable	**7,556**	6,668
Deferred income	**7,851**	3,684
Provision for non-cash facilities & others	**10,640**	9,811
Staff related accruals	**2,576**	2,141
Others	**21,884**	18,188
	50,507	40,492

14 - EQUITY

(a) Share capital

The share capital comprises of 1,272,022,346 (2012: 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 III "Capital adequacy" of the Public Disclosures on Capital Adequacy Standard.

(b) Treasury shares

	2013	2012
Number of treasury shares	**5,669,133**	70,000
Percentage of treasury shares	**0.45**	0.01
Cost of shares (KD 000's)	**4,018**	75
Fair value of shares (KD 000's)	**4,195**	49

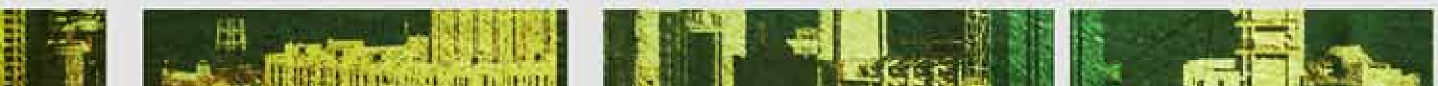
The Board of Directors has been given the authority to purchase treasury shares up to a maximum of 10% of the share capital of the Bank.

(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 not to transfer any amount to statutory reserve as the statutory reserve has reached 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 2013 and 2012 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 and is not available for distribution.

(f) Property revaluation reserve

This represents surplus arising from the revaluation of property.

(g) Investment valuation reserve

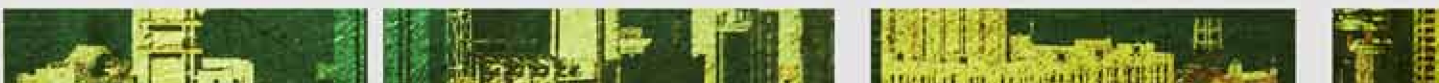
This represents gains or losses arising from changes in the fair value of "available for sale" investment securities. The balance in this reserve is transferred to the consolidated statement of income when the underlying assets are disposed off or impaired.

(h) Proposed dividend and bonus shares

The Board of Directors has proposed a cash dividend of 7 fils per share (2012: nil) and bonus shares of 11 shares for every 100 shares held (2012: nil). This proposal is subject to shareholders' approval and shall be payable to the shareholders registered in the Bank's records as of the date of the Annual General Assembly.

15 - INTEREST INCOME

Interest income includes a release of KD 246 thousand (2013: KD 927 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.



16 - NET GAIN FROM INVESTMENT SECURITIES

	2013 KD 000's	2012 KD 000's
Realised gain on sale of investments at fair value through statement of income	24	-
Realised gain on sale of investments classified as available for sale	3,403	1,661
	3,427	1,661

17 - IMPAIRMENT AND OTHER PROVISIONS

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

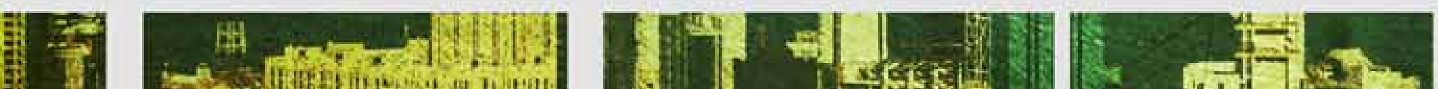
	2013 KD 000's	2012 KD 000's
Loans and advances - specific	(50,248)	(64,565)
Loans and advances - general	(14,487)	6,066
Investment securities	(7,826)	(20,758)
Non cash facilities	(1,412)	(867)
Other provisions	(3,012)	(12,516)
	(76,985)	(92,640)

Other provisions mainly represent impairment of investment in an associate and intangible assets estimated on acquisition of one of the subsidiaries amounting to KD 1,926 thousand (31 December 2012: KD 3,229 thousand) and KD nil thousand (31 December 2012: KD 8,141 thousand) respectively.

18 - TAXATION

	2013 KD 000's	2012 KD 000's
National Labour Support Tax (NLST)	(592)	-
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	(248)	(11)
Zakat	(228)	(2)
	(1,068)	(13)

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.

19 - EARNINGS PER SHARE

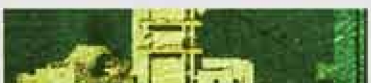
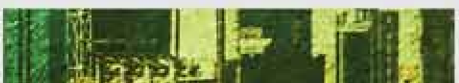
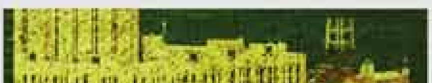
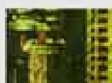
Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of shares outstanding during the year.

	2013	2012
Net profit for the year attributable to shareholders of the Bank (KD 000's)	**23,534**	1,119
Weighted average of authorised and subscribed shares (numbers in 000's)	**1,272,022**	1,272,022
Less: Weighted average of treasury shares held (numbers in 000's)	**(2,829)**	(70)
	1,269,193	1,271,952
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	**18.5**	0.9

20 - SUBSIDIARIES

Name of Entities	Country of incorporation	Principal Business	% of Ownership **2013**	% of Ownership 2012
Al Tijari Investment Company K.S.C (Closed)	Kuwait	Investment banking	**-**	100 %
Union Securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage services	**80 %**	80 %

Based on the approval from the Capital Markets Authority as on 7 January 2013 and the Ministry of Commerce as on 17 January 2013, the Bank has appointed a liquidator to liquidate "Al Tijari Investment Company K.S.C (Closed)". Accordingly, the net assets of the former subsidiary amounting to KD 3,149 thousand have been treated as non-current assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and classified under other assets. Net profit of the Group for the year ended 31 December 2013 includes profit from discontinued operations of this subsidiary amounting to KD 4 thousand.

21 - 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:

	2013			2012		
	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**	1	-	1
Deposits	**10**	**-**	**139**	7	-	32
Executive Management						
Loans	**7**	**-**	**104**	8	-	91
Credit cards	**8**	**3**	**13**	5	3	9
Deposits	**13**	**9**	**548**	13	12	734

The loans issued to directors, key management personnel and related members are repayable within 5 years and have interest rates of 0% (2012: 0%).

Details of compensation for key management including remuneration of the Chief Executive Officer amounting to KD 737 thousand (31 December 2012 KD: 509 thousand) are as follows:

	2013 KD 000's	2012 KD 000's
Salaries and other short-term benefits	**(1,641)**	(1,216)
Post employment benefits	**(9)**	(12)
End of service benefits	**(170)**	(149)

The remuneration to the Chairman and members of the Board of Directors is KD 280 thousand (31 December 2012: KD 161 thousand) and KD 193 thousand (31 December 2012: KD 117 thousand) respectively for assignments performed by them related to the Board Committees.

22- 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. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Fair values of interest bearing financial assets and financial liabilities not carried on the Group's consolidated statement of financial position at fair values have been estimated using prevailing interest rates for debts with similar credit risk and residual maturity. The carrying value of such financial instruments generally approximates their fair value.

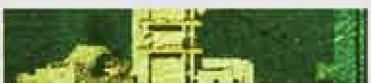
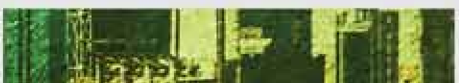
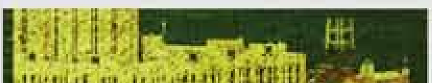
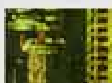
The techniques and assumptions used to determine fair values of financial instruments are described in the fair value section of note 2: "Significant Accounting Policies".

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

	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**

During the year ended 31 December 2013, there were no transfers between level 1, level 2 and level 3.

	2012			
	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	347,902	-	-	347,902
Financial assets available for sale:				
Equity securities	299,271	36,719	-	335,990
Debt securities	14,894	-	-	14,894
Others	-	2,655	-	2,655
	314,165	39,374	-	353,539

23 - 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 IV, "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 IV(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.

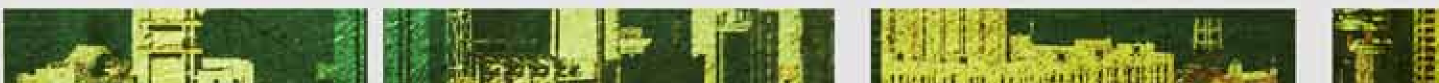
	2013 KD 000's	2012 KD 000's
Credit exposure relating to on-balance sheet items		
Cash and short term funds	**436,620**	253,765
Treasury and Central Bank bonds	**341,297**	444,195
Due from banks and OFIs	**393,765**	373,033
Loans and advances - Corporate	**1,975,417**	1,795,365
Loans and advances - Retail	**462,816**	436,430
Debt securities	**48,623**	55,637
Other assets	**48,770**	21,263
	3,707,308	3,379,688
Credit exposure relating to off-balance sheet items		
Acceptances	**56,243**	42,904
Letters of credit	**139,609**	130,518
Letters of guarantee	**869,308**	885,205
Others	**34,753**	37,961
	1,099,913	1,096,588
	4,807,221	4,476,276

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 VI " Credit risk mitigation", of the Public Disclosures on Capital Adequacy Standard.



(D) Credit quality of credit exposure

The following table represents the 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			
	Superior grade	Good grade	Standard grade	'0 - 60 days	'61 - 90 days	Impaired	Fair value of collateral
As at 31 December 2013							
Corporate	**114,056**	**1,149,656**	**397,796**	**288,958**	**6,730**	**18,223**	**12,542**
Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail	**-**	**-**	**413,744**	**34,273**	**-**	**14,797**	**49**
	114,056	**1,149,656**	**811,540**	**323,231**	**6,730**	**33,020**	**12,591**
As at 31 December 2012							
Corporate	2,405	1,088,557	405,201	247,488	1,095	50,619	48,846
Banks	-	-	1,374	-	-	-	-
Retail	-	-	390,416	35,020	-	10,994	30
	2,405	1,088,557	796,991	282,508	1,095	61,613	48,876

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

	2013		2012	
	KD 000's		KD 000's	
	Assets	**Off Balance Sheet**	Assets	Off Balance Sheet
Geographic sector				
Kuwait	**3,235,079**	**816,282**	3,211,248	818,642
Asia	**585,849**	**207,997**	330,584	199,601
Europe	**70,809**	**66,508**	74,531	72,253
USA	**1,139**	**4,576**	1,854	4,498
Others	**115**	**1,595**	123	1,594
	3,892,991	**1,096,958**	3,618,340	1,096,588
Industry sector				
Government	**341,296**	**-**	444,196	-
Trade and commerce	**347,387**	**214,109**	253,060	211,155
Construction and real estate	**750,316**	**476,201**	702,857	576,788
Banks and financial institutions	**1,388,763**	**251,000**	1,209,924	240,566
Others	**1,065,229**	**155,648**	1,008,303	68,079
	3,892,991	**1,096,958**	3,618,340	1,096,588

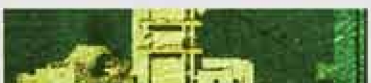
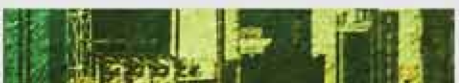
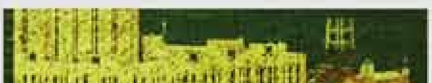
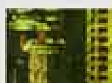
(F) Financial instruments with contractual or notional amounts that are subject to credit risk

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.

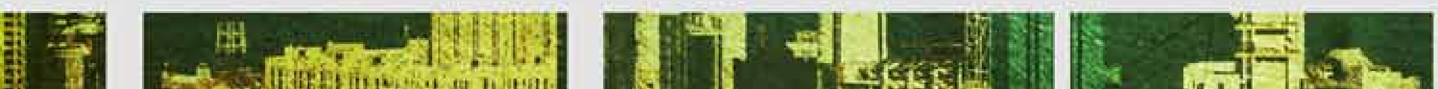
	KD 000's						
			Notional amount by term maturity				
	Positive Fair value	Negative Fair value	Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	Total
As at 31 December 2013							
forward foreign Exchange contract	**8,346**	**1,617**	**418,605**	**183,205**	**12,842**	**-**	**614,652**
	8,346	**1,617**	**418,605**	**183,205**	**12,842**	**-**	**614,652**
As at 31 December 2012							
forward foreign Exchange contract	2,393	1,172	243,689	87,855	16,358	-	347,902
	2,393	1,172	243,689	87,855	16,358	-	347,902

(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 IV(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

(A) Interest rate risk

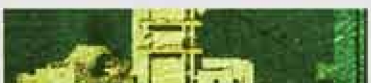
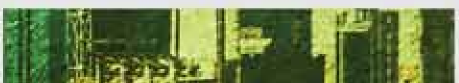
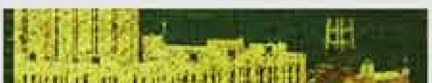
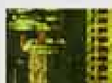
Interest rate risk arises from the difference in repricing maturities of assets and liabilities. The majority of the Group's assets and liabilities reprice within one year. The Group manages the risk by matching the repricing of assets and liabilities by setting up a tolerance limit. The exposure is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



The Group's interest sensitivity position and the range of effective rate of interest on its interest bearing financial assets and liabilities are as follows:

As at 31 December 2013	**KD 000's**						**%**
	Up to 1 Month	**1 to 3 Months**	**3 to 12 Months**	**Over 1 Year**	**Non - interest Sensitive**	**Total**	**Effective rate of interest**
ASSETS							
Cash and short term funds	**359,028**	**20,000**	**-**	**-**	**57,592**	**436,620**	**0 – 1**
Treasury and Central Bank bonds	**-**	**177,198**	**162,345**	**1,754**	**-**	**341,297**	**0 – 1**
Due from banks and OFIs	**-**	**306,392**	**87,373**	**-**	**-**	**393,765**	**0 – 1**
Loans and advances	**1,789,324**	**52,976**	**86,916**	**371,974**	**15,808**	**2,316,998**	**1 – 6**
Investment securities	**-**	**20,662**	**13,679**	**21,012**	**300,188**	**355,541**	**1 – 4**
Other assets	**29,775**	**883**	**432**	**-**	**17,680**	**48,770**	**-**
	2,178,127	**578,111**	**350,745**	**394,740**	**391,268**	**3,892,991**	
LIABILITIES							
Due to banks and OFIs	**11,881**	**297,888**	**236,142**	**92,839**	**46,857**	**685,607**	**0 – 2**
Customer deposits	**24,635**	**1,585,450**	**483,934**	**8,458**	**527,974**	**2,630,451**	**0 – 2**
Other liabilities	**77**	**3,161**	**586**	**357**	**46,326**	**50,507**	**-**
	36,593	**1,886,499**	**720,662**	**101,654**	**621,157**	**3,366,565**	
Total interest rate sensitivity gap	**2,141,534**	**(1,308,388)**	**(369,917)**	**293,086**			

As at 31 December 2012	KD 000's						%
	Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	Non - interest Sensitive	Total	Effective rate of interest
ASSETS							
Cash and short term funds	201,390	-	-	-	52,375	253,765	0 – 2
Treasury and Central Bank bonds	67,956	191,582	184,655	-	-	444,195	1 – 2
Due from banks and OFIs	135,664	196,588	38.406	-	1,375	373,033	1 – 2
Loans and advances	1,688,127	13,739	38,519	367,027	20,321	2,127,733	1 – 5
Investment securities	16,553	12,459	14,643	15,911	335,557	395,123	1 – 9
Investment in an associate	-	-	-	-	3,228	3,228	-
Other assets	2,458	512	76	-	18,217	21,263	-
	2,112,148	414,512	277,299	382,938	431,073	3,618,340	
LIABILITIES							
Due to banks and OFIs	382,242	144,676	190,689	54,535	45,152	817,294	
Customer deposits	977,443	445,063	367,798	29,969	437,015	2,257,288	1 – 3
Other liabilities	1,022	547	1,083	-	37,840	40,492	0 – 3
	1,360,707	590,286	559,570	84,504	520,007	3,115,074	
Total interest rate sensitivity gap	751,441	(175,404)	(282,271)	298,434			

Over a period of one year, the impact on the consolidated statement of income based on the repricing gap is as follows:

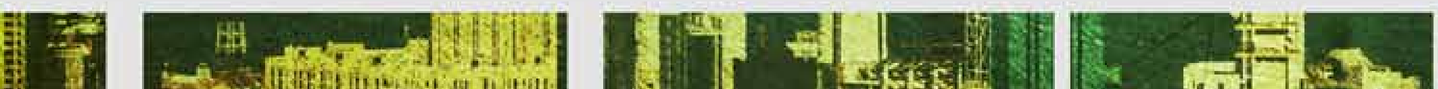
	KD 000's			
	2013		2012	
	Impact on statement of income		Impact on statement of income	
	±@1%	**±@2%**	±@1%	±@2%
Kuwaiti dinar	**8,170**	**16,340**	6,482	12,964
US dollar	**3,676**	**7,352**	(1,496)	(2,992)
Other currencies	**(3,786)**	**(7,572)**	1,005	2,010
	± 8,060	**± 16,120**	± 5,991	± 11,982

(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 IV(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

The Group had the following significant net exposures denominated in foreign currencies are as follows :

	2013	2012
Net assets (liabilities)	**KD 000's**	KD 000's
US Dollar	**(1,017)**	3,687
Euro	**196**	283
Saudi Riyal	**41**	438
Swiss Franc	**28**	(24)
UAE Dirham	**375**	312
Sterling Pound	**62**	(393)
Japanese Yen	**66**	1
Others - assets	**731**	773
Others - liabilities	**(252)**	(3)
	230	5,074



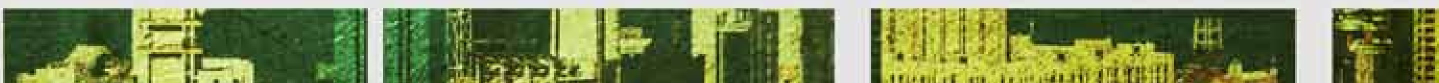
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS |

31 December 2013

The table below summarises the Group's exposure to foreign currency exchange rate risk. Included in the table are the Group's on and off balance sheet financial instruments at carrying amounts, categorised by currency.

As at 31 December 2013	**KD 000's**			
	Kuwaiti dinar	**US dollar**	**Other currencies**	**Total**
ASSETS				
Cash and short term funds	**185,568**	**208,883**	**42,169**	**436,620**
Treasury and Central Bank bonds	**341,297**	**-**	**-**	**341,297**
Due from banks and OFIs	**58,000**	**332,125**	**3,640**	**393,765**
Loans and advances	**2,134,572**	**164,815**	**17,611**	**2,316,998**
Investment securities	**323,022**	**25,154**	**7,365**	**355,541**
Other assets	**10,874**	**36,987**	**909**	**48,770**
	3,053,333	**767,964**	**71,694**	**3,892,991**
LIABILITIES				
Due to banks and OFIs	**567,131**	**89,888**	**28,588**	**685,607**
Customer deposits	**1,897,090**	**254,784**	**478,577**	**2,630,451**
Other liabilities	**45,927**	**4,002**	**578**	**50,507**
	2,510,148	**348,674**	**507,743**	**3,366,565**
Net on balance sheet financial position	**543,185**	**419,290**	**(436,049)**	**526,426**
Contingent liabilities	**820,601**	**194,462**	**81,895**	**1,096,958**

As at 31 December 2012	KD 000's			
	Kuwait dinar	US dollar	Other currencies	Total
ASSETS				
Cash and short term funds	149,486	36,970	67,309	253,765
Treasury and Central Bank bonds	444,195	-	-	444,195
Due from banks and OFIs	17,000	193,186	162,847	373,033
Loans and advances	2,036,762	81,098	9,873	2,127,733
Investment securities	345,521	35,332	14,270	395,123
Investment in an associate	-	3,228	-	3,228
Other assets	18,629	2,265	369	21,263
	3,011,593	352,079	254,668	3,618,340
LIABILITIES				
Due to banks and OFIs	569,635	180,172	67,487	817,294
Customer deposits	1,893,373	276,808	87,107	2,257,288
Other liabilities	28,487	3,828	8,177	40,492
	2,491,495	460,808	162,771	3,115,074
Net on balance sheet financial position	520,098	(108,729)	91,897	503,266
Contingent liabilities	830,828	200,862	64,898	1,096,588



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:

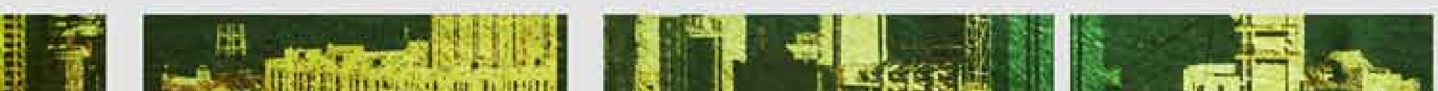
	KD 000's			
	Impact on statement of income		Impact on equity	
	@1%	@2%	@1%	@2%
As at 31 December 2013				
US Dollar	**(10)**	**(20)**	**244**	**488**
Euro	**2**	**4**	**5**	**10**
UAE Dirham	**4**	**8**	**-**	**-**
Qatari Riyal	**3**	**6**	**-**	**-**
Others	**3**	**6**	**69**	**138**
	2	**4**	**318**	**636**
As at 31 December 2012				
US Dollar	37	74	319	638
Euro	3	6	20	40
Saudi Riyal	4	8	-	-
UAE Dirham	3	6	4	8
Qatari Riyal	3	6	-	-
Others	-	-	94	188
	50	100	437	874

(C) Equity price risk

Equity price risk is the risk that the fair value of equities decrease as the 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 IV(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			
	Impact on statement of income		Impact on equity	
	± @1%	± @2%	± @1%	± @2%
As at 31 December 2013				
Kuwait Stock Exchange	**-**	**-**	**2,683**	**5,366**
As at 31 December 2012				
Kuwait Stock Exchange	-	-	2,986	5,972



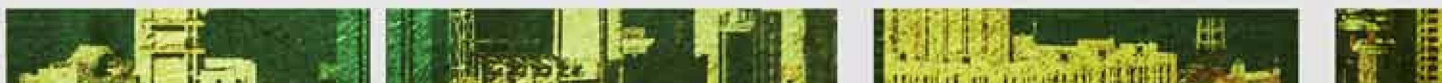
(iii) LIQUIDITY RISK

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 IV(c),"Risk management - Liquidity risk", of the Public Disclosures on Capital Adequacy Standard.

(A) The table below summarises the maturity profile of the Group's assets and liabilities.

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

	KD 000's					
As at 31 December 2013	Up to 1 Month	1 to 3 Months	3 to 6 Months	3 to 6 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 and OFIs	134,883	225,904	106,146	129,996	88,678	685,607
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
	1,783,062	744,961	406,171	317,368	115,003	3,366,565
Net liquidity gap	(184,960)	(119,618)	(81,809)	59,783	889,511	562,907



As at 31 December 2012	KD 000's					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	3 to 6 Months	Over 1 Year	Total
ASSETS						
Cash and short term funds	253,611	154	-	-	-	253,765
Treasury and Central Bank bonds	443,696	262	237	-	-	444,195
Due from banks and OFIs	135,664	196,588	39,412	-	1,369	373,033
Loans and advances	227,268	503,996	294,212	246,270	855,987	2,127,733
Investment securities	322,811	130	481	18,695	53,006	395,123
Investment in associate	-	-	-	-	3,228	3,228
Premises and equipment	-	-	-	-	25,768	25,768
Intangible assets	-	-	-	-	9,940	9,940
Other assets	10,792	512	70	5	23,932	35,311
	1,393,842	701,642	334,412	264,970	973,230	3,668,096
LIABILITIES						
Due to banks and OFIs	401,047	144,676	93,661	123,375	54,535	817,294
Customer deposits	1,359,193	482,171	301,475	84,681	29,768	2,257,288
Other liabilities	20,781	2,240	1,843	640	14,988	40,492
	1,781,021	629,087	396,979	208,696	99,291	3,115,074
Net liquidity gap	(387,179)	72,555	(62,567)	56,274	873,939	553,022

(B) Contractual expiry by maturity.

	KD 000's					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	3 to 6 Months	Over 1 Year	Total
As at 31 December 2013						
Contingent Liabilities	**160,271**	**279,326**	**155,366**	**183,293**	**318,702**	**1,096,958**
As at 31 December 2012						
Contingent Liabilities	194,796	281,364	151,925	205,169	263,334	1,096,588

(c) Contractual undiscounted repayment obligations by maturity.

	KD 000's					
As at 31 December 2013	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**3 to 6 Months**	**Over 1 Year**	**Total**
UNDISCOUNTED LIABILITIES						
Due to banks and OFIs	**134,893**	**226,170**	**106,603**	**130,997**	**90,224**	**688,887**
Customer deposits	**1,621,906**	**516,661**	**298,591**	**186,979**	**8,571**	**2,632,708**
Other liabilities	**26,358**	**2,819**	**1,883**	**1,580**	**17,867**	**50,507**
	1,783,157	**745,650**	**407,077**	**319,556**	**116,662**	**3,372,102**
As at 31 December 2012						
UNDISCOUNTED LIABILITIES						
Due to banks and OFIs	401,108	144,936	93,950	124,572	55,842	820,408
Customer deposits	1,359,248	482,646	302,149	85,337	30,290	2,259,670
Other liabilities	20,781	2,240	1,843	640	14,988	40,492
	1,781,137	629,822	397,942	210,549	101,120	3,120,570

24 - OPERATIONAL RISK

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

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

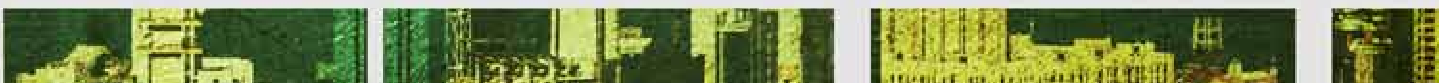
For detailed qualitative disclosure on operational risk control please refer to note IV(e),"Risk management - Operational risk", of the Public Disclosures on Capital Adequacy Standard.

25 - 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 corporate and international customers.

b)Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds, asset management 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	
	2013	2012	**2013**	2012	**2013**	2012
Net interest income	**79,031**	77,337	**7,869**	8,245	**86,900**	85,582
Non interest income	**35,539**	28,343	**11,676**	9,305	**47,215**	37,648
Operating income	**114,570**	105,680	**19,545**	17,550	**134,115**	123,230
Impairment and other provisions	**(67,121)**	(59,172)	**(9,864)**	(33,468)	**(76,985)**	(92,640)
Net profit / (loss) for the year	**28,706**	30,255	**(5,018)**	(29,102)	**23,688**	1,153
Total Assets	**2,314,706**	2,183,781	**1,614,766**	1,484,315	**3,929,472**	3,668,096
Total Liabilities and Equity	**1,566,184**	1,457,295	**2,363,288**	2,210,801	**3,929,472**	3,668,096
Investment in an associate	**-**	-	**-**	3,228	**-**	3,228

26 - OFF BALANCE SHEET ITEMS

(a) Financial instruments with contractual amounts

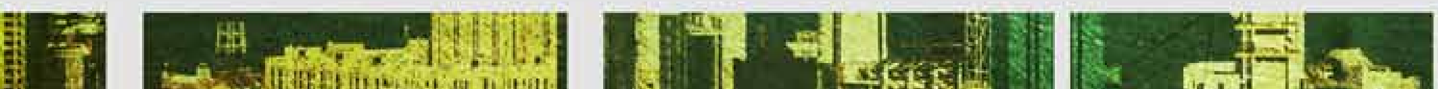
In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent 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 2,037 thousand (2012: KD 2,620 thousand) has been provided.

27 - CAPITAL ADEQUACY

The disclosures relating to Capital Adequacy Regulations issued by CBK as stipulated in circular number 2/BS/184/2005 dated 21 December 2005 are included under the "Public Disclosures on Capital Adequacy Standard" section of the annual report.



PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD |

31 December 2013

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 II issued through Circular No. 2/BS/184/2005 on December 21, 2005. The purpose of these disclosures is to complement the above capital adequacy requirements and the supervisory review process. 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.S.C.P (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.

Based on the approval from the Capital Markets Authority as on 7 January 2013 and the Ministry of Commerce as on 17 January 2013, the Bank has appointed a liquidator to liquidate "Al Tijari Investment Company K.S.C (Closed)".

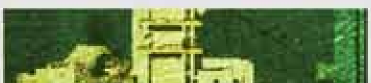
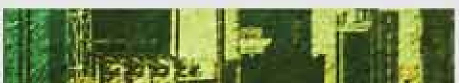
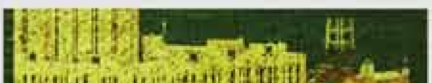
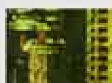
The Bank and its subsidiary are collectively referred to as "the Group".

II - Capital structure

Share Capital – Share capital comprises of 1,272,022,346 (2012: 1,272,022,346) authorised, subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2013, the Bank held 5,669,133 (0.45%) (2012: 70,000 (0.01%)) of its own shares.

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

	2013 **KD 000's**	2012 KD 000's
a. Tier 1 capital :		
1 - Paid-up share capital	**127,202**	127,202
2 - Proposed bonus shares	**13,992**	-
3 - Share premium	**66,791**	66,791
4 - Statutory reserve	**63,601**	63,601
5 - General reserve	**17,927**	17,927
6 - Retained earnings	**115,940**	115,262
7 - Treasury shares reserve	**45,603**	45,603
8 - Minority interests in consolidated subsidiaries	**1,083**	966
9 - Goodwill	**-**	-
10 - Significant minority investments in banking entities	**-**	(3,228)
11 - Surplus capital from insurance companies	**-**	-
12 - Treasury shares	**(4,018)**	(75)
Total tier 1 capital	**448,121**	434,049

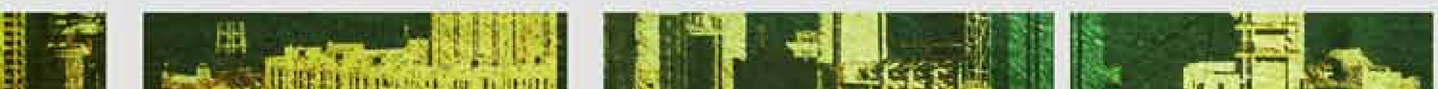
PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD |

31 December 2013

	2013 KD 000's	2012 KD 000's
b. Tier 2 capital.		
1. Asset revaluation reserve (45% only)	**11,039**	10,350
2. Fair value reserve (45% only with the concurrence of external auditors)	**36,626**	41,736
3. General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	**35,091**	31,199
Total tier 2 capital	**82,756**	83,285
Total eligible capital	**530,877**	517,334

III - Capital adequacy

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



PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD |

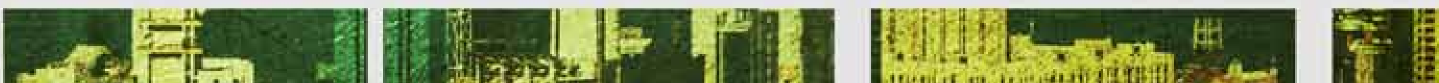
31 December 2013

A. Capital requirement

	2013			2012		
	Gross exposures	**Net risk weighted assets**	**Capital requirement**	Gross exposures	Net risk weighted assets	Capital requirement
a. Credit risk	**KD 000's**	**KD 000's**	**KD 000's**	KD 000's	KD 000's	KD 000's
1. Cash items	**57,592**	**-**	**-**	52,379	-	-
2. Claims on sovereigns	**377,766**	**-**	**-**	520,754	-	-
3. Claims on international organisations	**-**	**-**	**-**	-	-	-
4. Claims on PSEs	**-**	**-**	**-**	-	-	-
5. Claims on MDBs	**-**	**-**	**-**	-	-	-
6. Claims on banks	**1,011,733**	**244,482**	**29,338**	746,838	206,574	24,789
7. Claims on corporates	**1,653,035**	**1,060,143**	**127,217**	1,462,303	836,477	100,377
8. Claims on securitised assets	**-**	**-**	**-**	-	-	-
9. Regulatory retail	**501,755**	**452,578**	**54,309**	451,106	432,724	51,927
10. RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11. Past due exposure	**95,218**	**51,235**	**6,148**	107,974	49,274	5,913
12. Other assets	**1,374,123**	**926,654**	**111,198**	1,445,021	909,588	109,151
Total	**5,071,222**	**2,735,092**	**328,210**	4,786,375	2,434,637	292,157
b. Market risk						
1. Interest rate position risk	**-**	**-**	**-**	-	-	-
2. Equities position risk	**-**	**-**	**-**	-	-	-
3. Foreign exchange risk	**1,554**	**1,036**	**124**	9,489	6,323	759
4. Commodities risk	**-**	**-**	**-**	-	-	-
5. Options	**-**	**-**	**-**	-	-	-
Total	**1,554**	**1,036**	**124**	9,489	6,323	759
c. Operational risk	**126,386**	**152,442**	**18,300**	126,113	151,661	18,207
Total	**5,199,161**	**2,888,570**	**346,634**	4,921,977	2,592,621	311,123

B. Capital ratios

	2013	2012
1. Total capital ratio	**18.38%**	19.95%
2. Tier 1 capital ratio	**15.51%**	16.74%



IV - 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 credit risk, market risk, operational risk, liquidity risk, interest rate risk, reputational risk and strategic risk.

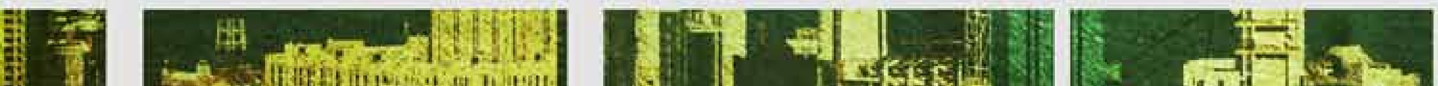
The Risk Management division of the Group is an independent and dedicated function reporting to the Chairman. The division is responsible for assessing, monitoring and recommending strategies for control of credit, market, liquidity and operational risks. Specific personnel are assigned within the Risk 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 strtegies 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.



PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD |

31 December 2013

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 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. During the year facility risk rating has also been introduced . Maximum counterparty/group wise lending limits are applied to exposures according to regulatory norms for credit concentration.

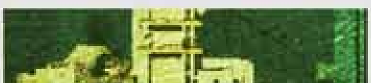
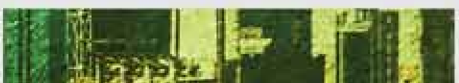
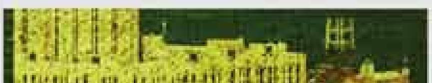
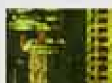
Appropriate risk analysis ensures that the limits approved are commensurate with the risk profile of the borrower. Apart from individual lending limits, broader portfolio level exposure limits have been stipulated for perceived higher risk sectors and exposure to these segments are continuously monitored. 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 II. The last two were added during the year.

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.

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 the year 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, behavioural trends in short-term funds and correlations with macro economic variables.

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

The Basel Committee for Banking Supervision has introduced the Basel III regulations covering, among others, a global framework for liquidity risk management. While these regulations are currently being developed for Kuwait banks, the Bank has in 2012 proactively introduced the new liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). 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 now a little above 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.

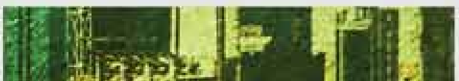
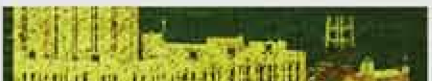
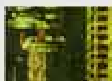
V - Credit exposures

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:

Category & provision required	Irregularity period	
	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

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD |

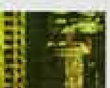
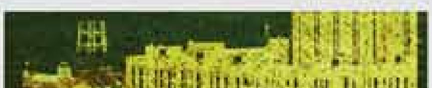
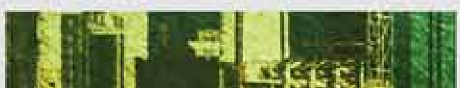
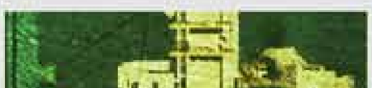
31 December 2013

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.

External Credit Assessment Institutions (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

	2013			2012		
	Total gross exposures	**Funded gross exposures**	**Unfunded gross exposures**	Total gross exposures	Funded gross exposures	Unfunded gross exposures
	KD 000's	**KD 000's**	**KD 000's**	KD 000's	KD 000's	KD 000's
1. Cash items	**57,592**	**57,592**	**-**	52,379	52,379	-
2. Claims on sovereigns	**377,766**	**377,766**	**-**	520,754	520,754	-
3. Claims on international organisations	**-**	**-**	**-**	-	-	-
4. Claims on PSEs	**-**	**-**	**-**	-	-	-
5. Claims on MDBs	**-**	**-**	**-**	-	-	-
6. Claims on banks	**1,011,733**	**768,076**	**243,657**	746,838	510,385	236,453
7. Claims on corporates	**1,653,035**	**859,784**	**793,251**	1,462,303	643,658	818,645
8. Claims on securitised assets	**-**	**-**	**-**	-	-	-
9. Regulatory retail	**501,755**	**446,013**	**55,742**	451,106	435,188	15,918
10. RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11. Past due exposure	**95,218**	**94,859**	**359**	107,974	90,868	17,106
12. Other assets	**1,374,122**	**1,370,173**	**3,949**	1,445,021	1,436,555	8,466
	5,071,221	**3,974,263**	**1,096,958**	4,786,375	3,689,787	1,096,588

31 December 2013

b. Average gross credit exposures

	2013			2012		
	Total gross exposures	Funded gross exposures	Unfunded gross exposures	Total gross exposures	Funded gross exposures	Unfunded gross exposures
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
1. Cash items	54,986	54,986	-	39,982	39,982	-
2. Claims on sovereigns	449,260	449,260	-	508,136	508,136	-
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	879,286	639,231	240,055	779,096	548,454	230,642
7. Claims on corporates	1,557,669	751,721	805,948	1,517,313	666,011	851,302
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	476,431	440,601	35,830	434,638	418,886	15,752
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	101,597	92,864	8,733	107,706	98,946	8,760
12. Other assets	1,409,572	1,403,364	6,208	1,466,651	1,437,891	28,760
	4,928,801	3,832,027	1,096,774	4,853,522	3,718,306	1,135,216

c.Total credit exposures by geographic sector

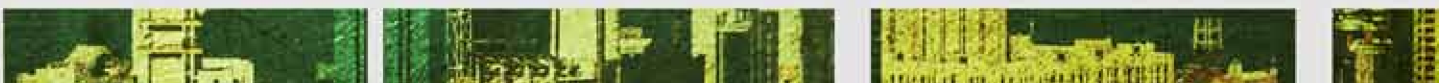
	KD 000's					
As at 31 December 2013	**Kuwait**	**Asia**	**Europe**	**USA**	**Others**	**Total**
1. Cash items	**57,592**	**-**	**-**	**-**	**-**	**57,592**
2. Claims on sovereigns	**377,766**	**-**	**-**	**-**	**-**	**377,766**
3. Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
4. Claims on PSEs	**-**	**-**	**-**	**-**	**-**	**-**
5. Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
6. Claims on banks	**201,612**	**699,408**	**100,464**	**7,543**	**2,706**	**1,011,733**
7. Claims on corporates	**1,540,630**	**80,962**	**30,846**	**597**	**-**	**1,653,035**
8. Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
9. Regulatory retail	**500,572**	**782**	**227**	**56**	**118**	**501,755**
10. RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11. Past due exposure	**95,211**	**6**	**1**	**-**	**-**	**95,218**
12. Other assets	**1,364,071**	**824**	**8,218**	**1,009**	**-**	**1,374,122**
	4,137,454	**781,982**	**139,756**	**9,205**	**2,824**	**5,071,221**
Percentage of credit exposure by geographical sector	**81.6%**	**15.4%**	**2.8%**	**0.2%**	**0.1%**	**100.0%**

	KD 000's					
As at 31 December 2012	Kuwait	Asia	Europe	USA	Others	Total
1. Cash items	52,379	-	-	-	-	52,379
2. Claims on sovereigns	520,754	-	-	-	-	520,754
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	116,349	513,019	109,980	5,331	2,159	746,838
7. Claims on corporates	1,420,915	5,862	34,931	595	-	1,462,303
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	451,106	-	-	-	-	451,106
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	107,955	19	-	-	-	107,974
12. Other assets	1,430,531	1,986	10,955	1,549	-	1,445,021
	4,099,989	520,886	155,866	7,475	2,159	4,786,375
Percentage of credit exposure by geographical sector	85.7%	10.9%	3.3%	0.2%	0.0%	100.0%

d. Funded credit exposures by geographic sector

	KD 000's					
As at 31 December 2013	**Kuwait**	**Asia**	**Europe**	**USA**	**Others**	**Total**
1. Cash items	**57,592**	**-**	**-**	**-**	**-**	**57,592**
2. Claims on sovereigns	**377,766**	**-**	**-**	**-**	**-**	**377,766**
3. Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
4. Claims on PSEs	**-**	**-**	**-**	**-**	**-**	**-**
5. Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
6. Claims on banks	**201,612**	**496,714**	**65,015**	**3,621**	**1,114**	**768,076**
7. Claims on corporates	**784,117**	**75,667**	**-**	**-**	**-**	**859,784**
8. Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
9. Regulatory retail	**445,112**	**773**	**13**	**-**	**115**	**446,013**
10. RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11. Past due exposure	**94,852**	**6**	**1**	**-**	**-**	**94,859**
12. Other assets	**1,360,122**	**824**	**8,218**	**1,009**	**-**	**1,370,173**
	3,321,173	**573,984**	**73,247**	**4,630**	**1,229**	**3,974,263**
Percentage of credit exposure by geographical sector	**83.6%**	**14.4%**	**1.8%**	**0.1%**	**0.0%**	**100.0%**

	KD 000's					
As at 31 December 2012	Kuwait	Asia	Europe	USA	Others	Total
1. Cash items	52,379	-	-	-	-	52,379
2. Claims on sovereigns	520,754	-	-	-	-	520,754
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	116,349	319,379	72,662	1,427	568	510,385
7. Claims on corporates	643,658	-	-	-	-	643,658
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	435,188	-	-	-	-	435,188
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	90,849	19	-	-	-	90,868
12. Other assets	1,422,065	1,986	10,955	1,549	-	1,436,555
	3,281,242	321,384	83,617	2,976	568	3,689,787
Percentage of credit exposure by geographical sector	88.9%	8.7%	2.3%	0.1%	0.0%	100.0%



e. Unfunded credit exposures by geographic sector

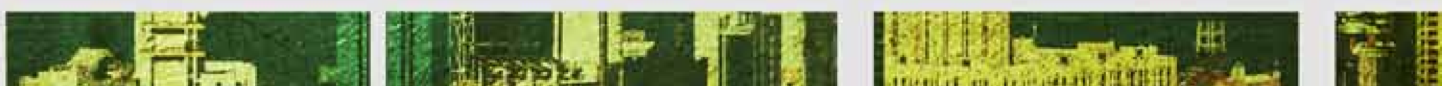
	KD 000's					
As at 31 December 2013	**Kuwait**	**Asia**	**Europe**	**USA**	**Others**	**Total**
1. Cash items	-	-	-	-	-	-
2. Claims on sovereigns	-	-	-	-	-	-
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	-	202,694	35,449	3,922	1,592	243,657
7. Claims on corporates	756,513	5,295	30,846	597	-	793,251
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	55,460	9	214	56	3	55,742
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	359	-	-	-	-	359
12. Other assets	3,949	-	-	-	-	3,949
	816,281	**207,998**	**66,509**	**4,575**	**1,595**	**1,096,958**
Percentage of credit exposure by geographical sector	**74.4%**	**19.0%**	**6.1%**	**0.4%**	**0.1%**	**100.0%**

	KD 000's					
As at 31 December 2012	Kuwait	Asia	Europe	USA	Others	Total
1. Cash items	-	-	-	-	-	-
2. Claims on sovereigns	-	-	-	-	-	-
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	-	193,640	37,318	3,904	1,591	236,453
7. Claims on corporates	777,257	5,862	34,931	595	-	818,645
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	15,918	-	-	-	-	15,918
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	17,106	-	-	-	-	17,106
12. Other assets	8,466	-	-	-	-	8,466
	818,747	199,502	72,249	4,499	1,591	1,096,588
Percentage of credit exposure by geographical sector	74.7%	18.2%	6.6%	0.4%	0.1%	100.0%

f. Total credit exposures by residual maturity

	KD 000's					
As at 31 December 2013	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
1. Cash items	**57,592**	**-**	**-**	**-**	**-**	**57,592**
2. Claims on sovereigns	**82,325**	**131,345**	**103,901**	**58,440**	**1,755**	**377,766**
3. Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
4. Claims on PSEs	**-**	**-**	**-**	**-**	**-**	**-**
5. Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
6. Claims on banks	**477,580**	**298,362**	**101,067**	**18,753**	**115,974**	**1,011,736**
7. Claims on corporates	**210,681**	**311,216**	**251,260**	**283,102**	**596,773**	**1,653,032**
8. Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
9. Regulatory retail	**38,834**	**6,600**	**5,206**	**8,569**	**442,545**	**501,754**
10. RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11. Past due exposure	**95,218**	**-**	**-**	**-**	**-**	**95,218**
12. Other assets	**480,340**	**261,133**	**119,821**	**244,097**	**268,732**	**1,374,123**
	1,442,570	**1,008,656**	**581,255**	**612,961**	**1,425,779**	**5,071,221**
Percentage of credit exposure by geographical sector	**28.4%**	**19.9%**	**11.5%**	**12.1%**	**28.1%**	**100.0%**

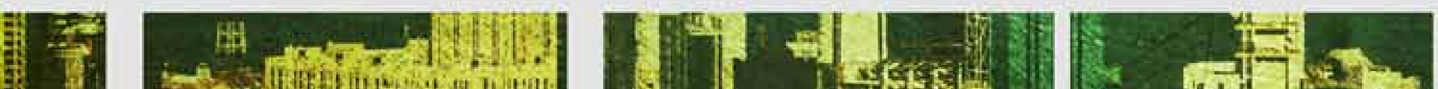
	KD 000's					
As at 31 December 2012	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1. Cash items	52,379	-	-	-	-	52,379
2. Claims on sovereigns	144,536	191,533	128,219	56,466	-	520,754
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	312,894	228,919	56,706	29,424	118,895	746,838
7. Claims on corporates	245,964	414,420	210,369	348,457	243,093	1,462,303
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	2,542	7,069	5,771	7,784	427,940	451,106
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	107,949	-	25	-	-	107,974
12. Other assets	622,857	251,005	208,036	101,546	261,577	1,445,021
	1,489,121	1,092,946	609,126	543,677	1,051,505	4,786,375
Percentage of credit exposure by geographical sector	31.1%	22.8%	12.7%	11.4%	22.0%	100.0%



g. Funded credit exposures by residual maturity

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
1. Cash items	57,592	-	-	-	-	57,592
2. Claims on sovereigns	82,325	131,345	103,901	58,440	1,755	377,766
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	443,506	209,687	87,372	-	27,514	768,079
7. Claims on corporates	122,121	125,005	112,916	123,284	376,455	859,781
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	1,855	3,606	2,376	4,385	433,791	446,013
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	94,859	-	-	-	-	94,859
12. Other assets	480,041	259,687	119,324	243,559	267,562	1,370,173
	1,282,299	729,330	425,889	429,668	1,107,077	3,974,263
Percentage of credit exposure by geographical sector	32.3%	18.4%	10.7%	10.8%	27.9%	100.0%

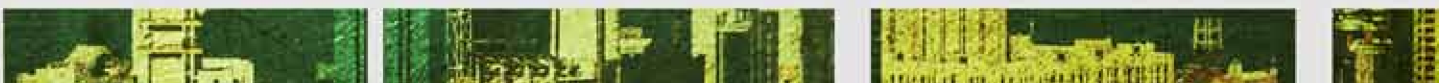
As at 31 December 2012	KD 000's Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1. Cash items	52,379	-	-	-	-	52,379
2. Claims on sovereigns	144,536	191,533	128,219	56,466	-	520,754
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	261,762	172,061	41,165	5,669	29,728	510,385
7. Claims on corporates	120,880	193,794	81,310	173,553	74,121	643,658
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	1,132	3,648	2,663	3,647	424,098	435,188
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	90,843	-	25	-	-	90,868
12. Other assets	622,793	250,546	203,819	99,173	260,224	1,436,555
	1,294,325	811,582	457,201	338,508	788,171	3,689,787
Percentage of credit exposure by geographical sector	35.1%	22.0%	12.4%	9.2%	21.4%	100.0%



h. Unfunded credit exposures by residual maturity

	KD 000's					
As at 31 December 2013	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
1. Cash items	-	-	-	-	-	-
2. Claims on sovereigns	-	-	-	-	-	-
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	**34,074**	**88,675**	**13,695**	**18,753**	**88,460**	**243,657**
7. Claims on corporates	**88,560**	**186,211**	**138,344**	**159,818**	**220,318**	**793,251**
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	**36,979**	**2,994**	**2,830**	**4,184**	**8,754**	**55,741**
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	**359**	-	-	-	-	**359**
12. Other assets	**299**	**1,446**	**497**	**538**	**1,170**	**3,950**
	160,271	**279,326**	**155,366**	**183,293**	**318,702**	**1,096,958**
Percentage of credit exposure by geographical sector	**14.6%**	**25.5%**	**14.2%**	**16.7%**	**29.1%**	**100.0%**

	KD 000's					
As at 31 December 2012	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1. Cash items	-	-	-	-	-	-
2. Claims on sovereigns	-	-	-	-	-	-
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	51,132	56,858	15,541	23,755	89,167	236,453
7. Claims on corporates	125,084	220,626	129,059	174,904	168,972	818,645
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	1,410	3,421	3,108	4,137	3,842	15,918
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	17,106	-	-	-	-	17,106
12. Other assets	64	459	4,217	2,373	1,353	8,466
	194,796	281,364	151,925	205,169	263,334	1,096,588
Percentage of credit exposure by geographical sector	17.8%	25.7%	13.9%	18.7%	24.0%	100.0%

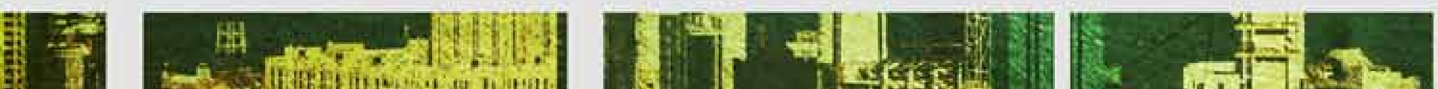


i. Impaired loans by standard portfolio

	2013			2012		
	KD 000's			KD 000's		
	Gross Debt	Specific Provision	Net Debt	gross Debt	Specific Provision	Net Debt
1. Cash items	-	-	-	-	-	-
2. Claims on sovereigns	-	-	-	-	-	-
3. Claims on international organisations	-	-	-	-	-	-
4. Claims on PSEs	-	-	-	-	-	-
5. Claims on MDBs	-	-	-	-	-	-
6. Claims on banks	-	-	-	-	-	-
7. Claims on corporates	18,223	(2,315)	15,908	50,619	(1,654)	48,965
8. Claims on securitised assets	-	-	-	-	-	-
9. Regulatory retail	14,797	(10,410)	4,387	10,994	(7,423)	3,571
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	-	-	-	-	-
12. Other assets	-	-	-	-	-	-
	33,020	(12,725)	20,295	61,613	(9,077)	52,536

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

	2013		2012	
	KD 000's		KD 000's	
	General Provision	Statement of Income	General Provision	Statement of Income
1. Cash items	-	-	-	-
2. Claims on sovereigns	-	-	-	-
3. Claims on international organisations	-	-	-	-
4. Claims on PSEs	-	-	-	-
5. Claims on MDBs	-	-	-	-
6. Claims on banks	-	-	-	-
7. Claims on corporates	84,347	64,285	69,130	62,982
8. Claims on securitised assets	-	-	-	-
9. Regulatory retail	5,627	1,862	5,547	(3,616)
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	-	-	-	-
12. Other assets	13,074	10,838	13,886	33,274
	103,048	76,985	88,563	92,640



PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD |

31 December 2013

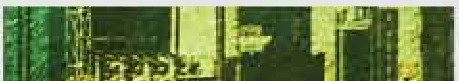
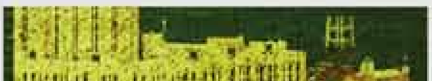
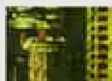
k. Impaired loans and provisions by geographic sector

As at 31 December 2013	**2013**			2012		
	KD 000's			KD 000's		
	Gross Debt	**Specific Provision**	**Net Debt**	Gross Debt	Specific Provision	Net Debt
Kuwait	**33,020**	**(12,725)**	**20,295**	61,613	(9,077)	52,536
Asia	**-**	**-**	**-**	-	-	-
Europe	**-**	**-**	**-**	-	-	-
USA	**-**	**-**	**-**	-	-	-
Others	**-**	**-**	**-**	-	-	-
	33,020	**(12,725)**	**20,295**	61,613	(9,077)	52,536

General provision as at 31 December 2013 amounting to KD 103,048 thousand (2012: KD 88,563 thousand) is related to Kuwait.

l. Movement in provisions

	2013			2012		
	KD 000's			KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**15,499**	**88,563**	**104,062**	46,980	94,629	141,609
Write-offs	**(58,109)**	**-**	**(58,109)**	(112,183)	-	(112,183)
Exchange differences	**(798)**	**(2)**	**(800)**	(480)	-	(480)
Recoveries	**11,043**	**-**	**11,043**	12,992	-	12,992
Ceded to Central Bank	**(14)**	**-**	**(14)**	(13)	-	(13)
Statement of income	**50,566**	**14,487**	**65,053**	68,203	(6,066)	62,137
Provisions 31 December	**18,187**	**103,048**	**121,235**	15,499	88,563	104,062

m. Credit exposures after CRM and CCF

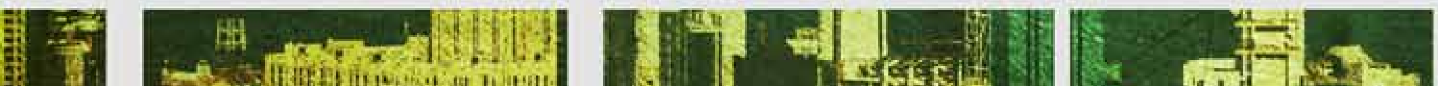
	2013		2012	
	KD 000's		KD 000's	
	Credit Exposures after CRM		Credit Exposures after CRM	
	Rated Exposures	Unrated Exposures	Rated Exposures	Unrated Exposures
1. Cash items				
2. Claims on sovereigns	-	57,592	-	52,379
3. Claims on international organisations	-	377,958	-	521,005
4. Claims on PSEs	-	-	-	-
5. Claims on MDBs	-	-	-	-
6. Claims on banks	-	-	-	-
7. Claims on corporates	635,474	265,954	507,975	123,841
8. Claims on securitised assets	10,770	1,130,064	-	897,779
9. Regulatory retail	-	-	-	-
10. RHLs eligible for 35% RW	-	456,143	-	435,743
11. Past due exposure	-	-	-	-
12. Other assets	-	60,364	-	67,760
	-	729,089	-	745,232
	646,244	3,077,164	507,975	2,843,739

VI - Credit risk mitigation

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

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

Acceptable collateral includes cash, bank guarantees, shares, real estate etc. subject to specific conditions on eligibility, margin requirements etc. laid down in the credit policy. The credit risk mitigation used for capital adequacy computation include collateral in the form of cash and shares as well as guarantees in accordance with the CBK's rules and regulations concerning capital adequacy standard. For the purpose of capital adequacy computation, the



PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD |

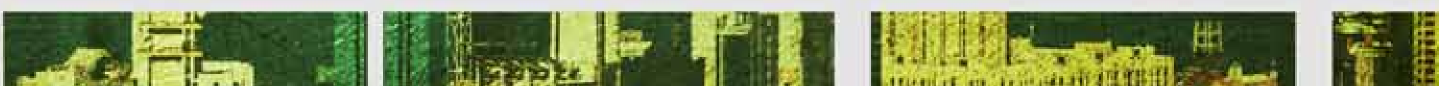
31 December 2013

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:

	2013			
	KD 000's			
As at 31 December 2013	**Total gross exposures**	**Collateralised Exposures**	**Financial Collaterals**	**Bank Guarantees**
1. Cash items	**57,592**	**-**	**-**	**-**
2. Claims on sovereigns	**377,766**	**-**	**-**	**-**
3. Claims on international organisations	**-**	**-**	**-**	**-**
4. Claims on PSEs	**-**	**-**	**-**	**-**
5. Claims on MDBs	**-**	**-**	**-**	**-**
6. Claims on banks	**1,011,733**	**-**	**-**	**-**
7. Claims on corporates	**1,653,035**	**325,534**	**58,188**	**-**
8. Claims on securitised assets	**-**	**-**	**-**	**-**
9. Regulatory retail	**501,755**	**13,149**	**6,682**	**-**
10. RHLs eligible for 35% RW	**-**	**-**	**-**	**-**
11. Past due exposure	**95,218**	**50,734**	**34,675**	**-**
12. Other assets	**1,374,122**	**616,164**	**643,035**	**-**
	5,071,221	**1,005,581**	**742,580**	**-**

	2012			
	KD 000's			
As at 31 December 2012	Total gross exposures	Collateralised Exposures	Financial Collaterals	Bank Guarantees
1. Cash items	52,379	-	-	-
2. Claims on sovereigns	520,754	-	-	-
3. Claims on international organisations	-	-	-	-
4. Claims on PSEs	-	-	-	-
5. Claims on MDBs	-	-	-	-
6. Claims on banks	746,838	-	-	-
7. Claims on corporates	1,462,303	325,094	93,266	-
8. Claims on securitised assets	-	-	-	-
9. Regulatory retail	451,106	13,526	6,664	-
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	107,974	47,973	28,514	-



12. Other assets	1,445,021	614,814	695,556	-
	4,786,375	1,001,407	824,000	-

VII - 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:

	2013 KD 000's	2012 KD 000's
1. Interest rate position risk	**-**	-
2. Equity position risk	**-**	-
3. Foreign exchange risk	**124**	759
4. Commodities risk	**-**	-
5. Options	**-**	-
	124	759

VIII - Operational risk

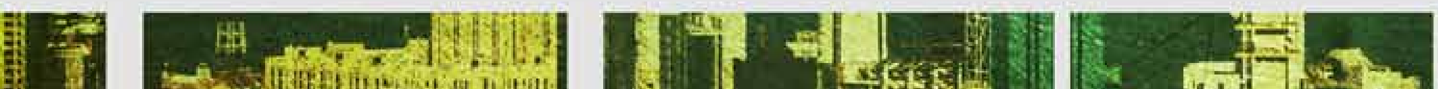
The Group uses the standardised approach for computation of operational risk capital charge that amounted to KD 18,300 thousand (2012: KD 18,207 thousand) which primarily involves segregating the Group's activities into eight business lines and applying the relevant beta factors to the average gross 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.

IX - Equity position

The majority of equity holdings are taken with the expectation of capital gains and dividend income. Certain holdings in the funds managed by the Group are taken to comply with regulations that require the Group as fund manager to hold at a minimum 5% of the outstanding issued units. 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:

	2013	2012
	KD 000's	KD 000's
1. Value of investment disclosed in the balance sheet	**304,778**	335,991
2. Type and nature of investment securities		
Available for sale		
Equity securities -quoted	**268,793**	299,271
Equity securities -unquoted	**35,985**	36,720
	304,778	335,991
3. Cumulative realised gain (loss) (net) arising from sales of investment securities	**1,759**	(3,875)
4. Total unrealised (loss) gain (net) recognised in the balance sheet but not through profit and loss account	**(7,077)**	19,048
5. 45% of item (4) included in Tier 2 capital	**-**	8,572
6. Capital requirements		
Available for sale	**35,724**	39,062

X - 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:

	2013		2012	
	Impact on earnings		Impact on earnings	
	± @1%	**± @2%**	± @1%	± @2%
	KD 000's	**KD 000's**	KD 000's	KD 000's
Kuwaiti dinars	**8,170**	**16,340**	6,482	12,964
US dollars	**3,676**	**7,352**	(1,496)	(2,992)
Other currencies	**(3,786)**	**(7,572)**	1,005	2,010
	± 8,060	**±16,120**	±5,991	±11,982