ANNUAL REPORT **2015**

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GROWING WITH YOU

H.H. Sheikh
Sabah Al Ahmed Al Jaber Al Sabah
(The Amir of the State of Kuwait)

H.H. Sheikh
Nawaf Al Ahmed Al Jaber Al Sabah
(The Crown Prince)

H.H. Sheikh
Jaber Al Mubarak Al Hamad Al Sabah
(The Prime Minister)


GULF REWARDS
THE FASTEST AND MOST
REWARDING PROGRAM IN KUWAIT
Earn Gulf Points for free flights and hotel stays
around the world.

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Head Office:
Mubarak Al Kabeer Street, P. O. Box 3200, Safat 13032, Kuwait, Tel: 22449501

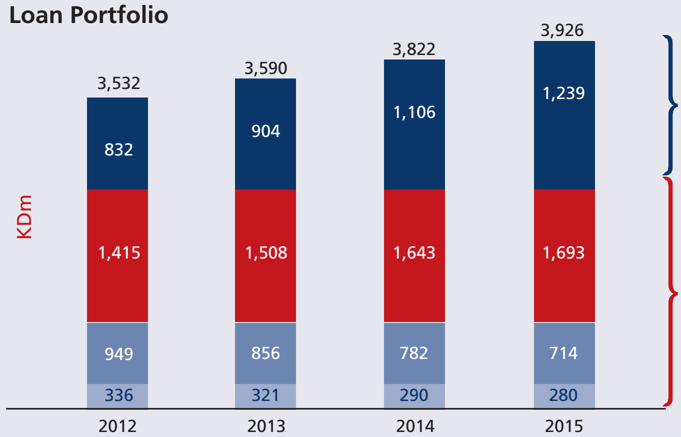
THE ENTERTAINER APP, AN **EXCITING** ADDITION TO GULF REWARDS

Kuwait's first geo-locator mobile app offering exclusive deals in Kuwait, UAE and London.

Transformation Highlights

1. Build strong Consumer bank and grow / diversify corporate lending across sectors

Loan Portfolio

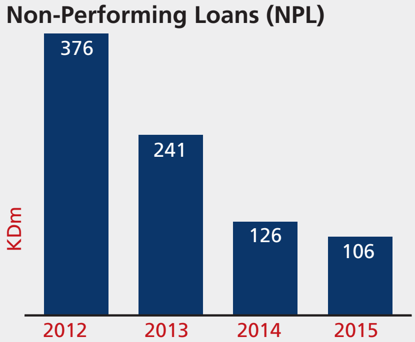


3 Year Compounded Annual Growth Rate	**4%**
Consumer Loans	14%
Corporate Loans to Other Sectors	6%
Corporate Loans to Real Estate Sector	-9%
Corporate Loans to non-bank Financial Sectors(1)	-6%

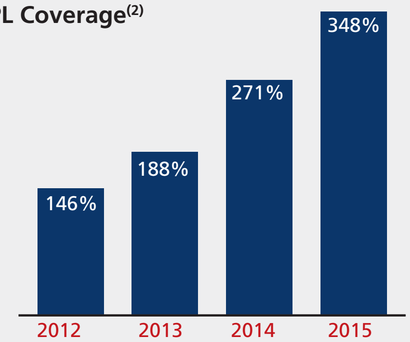
(1) Financial sector = Includes insurance, exchange and investment companies but excludes banks

2. Reduce Non-Performing Loans and increase coverage

Non-Performing Loans (NPL)



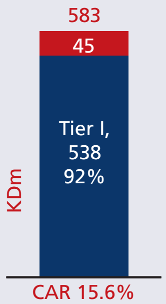
NPL Coverage(2)



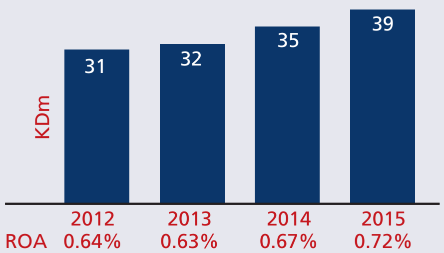
(2) NPL Coverage= (Total Provisions+Collateral)/ NPLs

3. Strengthen Capital base and grow earnings

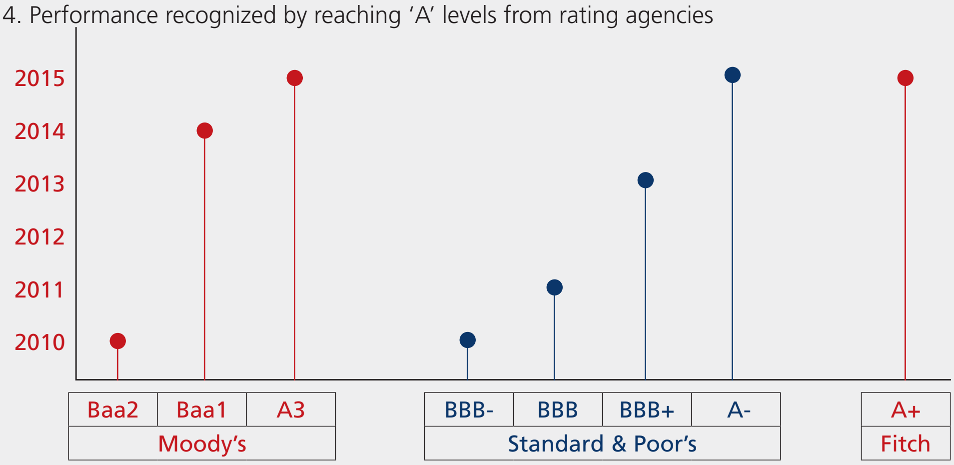
2015 Capital



Net Profit



4. Performance recognized by reaching 'A' levels from rating agencies



Omar Kutayba Alghanim
Chairman

Chairman's Message

Dear Shareholders,

As we celebrate the 55th anniversary of the founding of Gulf Bank, it gives me great pleasure to report to you on the Bank's 2015 performance and progress. As you can see on page 5 of the annual report, we have transformed the Bank quite dramatically since 2012. Over this period, we have built a strong Consumer Banking franchise, grown/diversified our Wholesale Banking business while reducing concentration to the real estate and non-bank financial sectors, reduced non-performing loans, and increased our loan loss coverage. This has resulted in a much stronger capital base with a higher level and quality of earnings.

For the year ended 31 December 2015, Gulf Bank's operating profit before provisions reached KD 108 million and net profit grew 10% to KD 39 million vs. the prior year. The Bank's balance sheet continued its steady growth with gross customer loan growth of 3% to KD 3,926 million, asset growth of 2% to KD 5,438 million, deposit growth of 5% to KD 4,563 million, and equity growth of 5% to KD 538 million.

The Bank's total capital adequacy ratio remained steady at 15.6% (minimum requirement is 12.5%). The Tier 1 capital ratio is 14.4% (minimum requirement is 10.5%) and comprises 92% of the Bank's total capital.

Loan quality remains strong, reflecting the Bank's prudent risk appetite. Non-performing loans (NPLs) declined from 3.3% at the end of 2014 to 2.7% at the end of 2015 and coverage (collaterals and provisions) on NPLs improved to 348%. Of the Bank's total loan loss reserves of KD 293 million, KD 178 million or 61% are general provisions.

As a result of this continuous improvement in earnings, capital, and loan quality, the Board of Directors has recommended a cash dividend of 4 fils per share to be distributed to shareholders.

Gulf Bank Now Rated "A" By the Three Leading Rating Agencies

This progress has been recognized by credit rating agencies. Prior to 2015, the Bank was rated **A+** by Fitch Ratings. In June 2015, the Bank received a rating upgrade from Standard & Poor's to "**A-**" from "**BBB+**". Then, in November, the Bank received a rating upgrade from Moody's to "**A3**" from "**Baa1**". Thus, Gulf Bank ended 2015 with three "A" ratings from the three leading international credit rating agencies.

These ratings reflect the Bank's restructuring of its portfolio, lower risk appetite, resilient core profitability, and adequacy of its capital buffers. The agencies affirmed the Bank's asset quality, capitalization, revenue-generating capacity, and sound risk-management systems and practices. To achieve these ratings in a time of global turmoil, is a testament to the growth and transformation the Bank has completed.

Customer Service and Products - Key to the Bank's Growth

Our 2015 customer satisfaction survey results showed an improvement in service across all customer touch-points and a decline in complaints. The results show that our brand health has improved significantly as demonstrated by an increased Net Promoter Score (NPS), especially among priority clients. Based on customer feedback for areas of improvement, we have made a significant investment in a new state-of-the-art mobile banking app and online banking platform, both of which we will be launching in 2016.

Consumer Banking continued its strong performance in 2015 with double digit growth in interest income and compounded annual growth in loans of 14% since 2012. Following the revamp of two of our core customer propositions in early 2015, we saw 12% growth in our Kuwaiti Salary new accounts, and 52% growth in the Red (student) accounts. We also launched our new Gulf Rewards loyalty program, which includes Gulf Points for the fastest free flights in Kuwait, as well as "Entertainer", Kuwait's first geo-locator mobile application offering exclusive deals in Kuwait, UAE and London.

There was net growth in Wholesale Banking despite the purposeful decrease in high-risk sectors. Wholesale has worked to further improve its suite of products and services, as well as streamline operations to deliver faster and more efficient customer service. This has resulted in strong growth in cash management and online banking revenues. Wholesale Banking's updated automated salary process system now enables corporate clients to process salaries online. Additionally, the Wholesale Bank remains actively engaged in the construction sector and the "Kuwait Development Plan," financing many of the key projects in Kuwait.

Awards

This year, the Bank's success was recognized with the Bank winning numerous awards. Some of these awards are highlighted on page 9. The Bank's awards were extended for its consumer banking service, performance and products, its wholesale banking products, and bank-wide operational excellence. The Bank was also honored globally and locally for its advertising impact/creativity, as well as its human resources and staff development efforts.

Focus on Human Capital and Building Talent

In order to sustain and increase our competitive advantage, the Bank is focused on attracting, developing, and retaining the best talent. Our most recent employee satisfaction survey showed an increase in satisfaction from 78% to 81% across the Bank.

The Bank is proud that 64% of its workforce is Kuwaiti and we are committed to increasing that percentage and gender parity. Additionally, the Bank's Graduate Development Program for talented Kuwaiti nationals (now known as Ajyal) celebrated its first class of graduates.

Events and Corporate Social Responsibility

During the year, the Bank sponsored numerous community events focusing on youth, education, health and fitness, helping the underprivileged, women's empowerment, and promoting Kuwait's heritage and culture. The Bank continued to be a lead sponsor of INJAZ - Kuwait, with a high level of employee volunteers. INJAZ helps to deliver Arabic and English language education programs on entrepreneurial and leadership skills to help youth build successful careers. This is one of the most important strategic challenges for our region.

In order to raise awareness about health and fitness, the Bank successfully concluded the first Gulf Bank 642 Marathon, Kuwait's first and only full road race to be internationally accredited by the world's governing body for marathons. The Gulf Bank 642 Marathon was a walking and running event (5km, 10km, 21km, and 42Km) and the three longer distance categories now appear in the international calendar of races. The event was well received with 2,400 participants representing over 74 nationalities.

Continuing its focus on youth, Gulf Bank was a platinum sponsor of the National Union of Kuwaiti Students (NUKS) conference in the USA. It also sponsored the Tmkeen Youth Empowerment Symposium, a Kuwaiti initiative delivered by youth to the youth in Kuwait. Furthermore, the Bank sponsored the Jahazeen 2 training and development program in cooperation with Kuwaiti's Manpower and Government Restructuring Program (MGRP).

The Bank was again a lead sponsor of the "Memorial Journey of Pearl Diving", an important Kuwaiti heritage event. This long-running festival is a tribute to Kuwait's cultural and economic heritage and aims to teach the younger generations about the lives of their forefathers.

During Ramadan, the Bank worked to help children and the underprivileged. The Bank also created the well-received "I Am Kuwaiti" television campaign soon after the horrific bombings during Ramadan. This award-winning campaign highlighted the traditional values of Kuwait and called for unity during a troubled time. Its impact is still being felt as people around the world continue to view the commercial and support its message.

Concluding Remarks and Recognitions

With all these achievements and international recognitions, the Bank is well placed to continue into the next phase of its expansion. Looking ahead, exciting innovations are underway, with our clients at the centre of our efforts.

I would like to take this opportunity to express my appreciation to our Board of Directors and our Shareholders for their commitment and loyalty. I would also like to thank our valued customers for their continued trust in our products and services. All of this progress would not have been possible without the work of our dedicated staff; I thank them for their services and for being part of the Gulf Bank family.

On behalf of the Board of Directors, I would also like to express my sincere gratitude to His Highness the Amir Sheikh Sabah Al Ahmad Al Jaber Al Sabah, HH the Crown Prince Sheikh Nawaf Al Ahmad Al Jaber Al Sabah, and HH The Prime Minister Sheikh Jaber Al Mubarak Al Hamad Al Sabah for their leadership and guidance. We also extend our appreciation to the Central Bank of Kuwait, the Capital Markets Authority, and their staff for their unwavering support throughout the year.

Omar Kutayba Alghanim
Chairman

The Award Winning Bank

Best Retail Bank in Kuwait - *Asian Banker*

Best Retail Bank in Kuwait - *International Finance Magazine*

Best Retail Customer Service Bank in Kuwait
International Finance Magazine

Best Customer Service in Kuwait - *Banker Middle East*

Best Innovation in Retail Banking - *International Banker*

Best Commercial Bank in Kuwait - *International Banker*

Best Customer Experience Overall Branch-Kuwait
Ethos-Customer Experience Benchmarking Index Report

Best Branch Experience - *Ethos Integrated Solutions*

Best Cash Management Bank - *The Asian Banker*

Best Customer Service (Retail) - *Banker Middle East*

Best Cash Management Bank - *Banker Middle East*

Best Car Loan - *Banker Middle East*

'Excellence in Learning and Development' - *NASEBA*

HR Leadership Award - *Asian HR Leadership Awards*

SME Bank of the Year - *The European*

Euro STP Excellence Award - *Deutsche Bank*

'Straight Through Processing Excellence' Award - *Citibank*

Elite J.P. Morgan Quality Recognition Award

First Recognition Award for Outstanding Payment Systems in GBP
Barclays Bank

Advertising Creativity Award (Affect Category)
for the 'I Am Kuwaiti' TVC

'Silver Sapphire' *at the Cristal Global Festival*

GULF BANK 642 MARATHON INSPIRING **HEALTH AND FITNESS**

Kuwait's first and only internationally accredited marathon.

Board of Directors

Omar Kutayba Alghanim

Chairman

Ali Morad Behbehani

Deputy Chairman

Farouk Ali Bastaki

Board Member

Sayer Bader Al-Sayer

Board Member

Omar Hamad Yousef Al-Essa

Board Member

Bader Nasser Al-Kharafi

Board Member

Khalid Faisal Ali Al-Mutawa

Board Member

Jasem Mustafa Boodai

Board Member

Bader Abdulmohsen El-Jeaan

Board Member

	**Omar Kutayba Alghanim** Chairman, Board of Directors, Gulf Bank K.S.C.P Chairman, Corporate Governance Committee
Date of Appointment:	Chairman - Gulf Bank, March 16, 2013 - present Vice Chairman, March 17, 2012 - March 15, 2013 Board Member, April 11, 2009 - March 16, 2012
Academic Qualifications:	- Master's Degree in Business Administration, June 2002, Harvard Business School, Harvard University, Boston, MA, USA - Bachelor's Degree in Business Administration, June 1997, Stern School of Business, New York University, NY, USA
Experience:	- Alghanim Industries, Kuwait Chief Executive Officer, 2005 - present Executive Director, 2004 - 2005 General Manager, 2002 - 2004 - Morgan Stanley, London Financial Analyst, ME Coverage, 1999 - 2000 Financial Analyst, MandA, 1998 - 1999 - Asiya Investments, Kuwait Chairman, 2005 - 2013 Member, Investment Committee, 2005 - 2013 - AI International, New York Board Member, 2002 - present - Perella Weinberg Partners, New York Founding Member, 2006 - present - INJAZ, Kuwait Founder and Chairman of the Board, 2005 - present - INJAZ AL-ARAB, Jordan Board Member, 2005 - present

	**Ali Morad Behbehani** Deputy Chairman Deputy Chairman, Board Risk Committee
Date of Appointment:	Board Member, April 11, 2009 Deputy Chairman, March 15, 2013
Academic Qualifications:	BA, English Literature, Kuwait University
Experience:	- Board Member - Kuwait Insurance Company - Board Member - National Industries Company - President of Morad Yousuf Behbehani Company - Former Board Member of Kuwait National Cinema Company (S.A.K.), Kuwait - Former Board Member of Kuwait Pipe Industries Company

	**Sayer Bader Al-Sayer** Board Member Member of Board Corporate Governance Committee
Date of Appointment:	March 17, 2012
Academic Qualifications:	Degree in Engineering, Scotland
Experience:	- Chief Executive Officer of Al Sayer Group of Companies, Kuwait - Member of the Board of Kuwait Chamber of Commerce and Industry, Kuwait - Member of the Board of Miami International Holdings, Inc., Miami-USA - Former Member of the Board of Europhenix Management Company S.A., Luxembourg - Former Member of the Board of FIM Bank, Malta - Former Member of the Board of Lebanon Invest, Lebanon - Former Member of the Board of Bank of Kuwait and Middle East, Kuwait - Former Advisor to the Board of Audi Bank, Lebanon

	**Farouk Ali Akbar Bastaki** Board Member Chairman of the Audit Committee
Date of Appointment:	Representative of Kuwait Investment Authority, April 11, 2009
Academic Qualifications:	Bachelor of Science in Industrial Engineering, University of Miami, USA
Experience:	- Executive Director- Alternative Investments Sector, Kuwait Investment Authority - Board Member of Forsterlane Realty Inc., USA - Board Member of St. Martins Property Corporation - UK - Former Board Member of National Technology Enterprises Company, Kuwait - Former Director of the Board of Livestock Transport and Trading Co., Kuwait - Former Director of the Board of Kuwait Consulting and Investment Company, Kuwait

	**Omar Hamad Yousef Al-Essa** Board Member Deputy Chairman, Board Audit Committee Member of Board Nomination and Remuneration Committee
Date of Appointment:	April 11, 2009
Academic Qualifications:	BA in law, Faculty of Law, Kuwait University, Kuwait
Experience:	- Founder and Managing Director of The Law Office of Al-Essa and Partners - Former President of the Admissions Committee of the Kuwait Bar Association - Former President of the Arbitration Center of the Kuwait Bar Association - Former Chairman of the Kuwait Bar Association - Former Chairman of Nichan Holding Company - Vice Chairman of Abu Hasaniya International Real Estate Company, Kuwait - Head of the Kuwaitization Group at the Workforce Restructuring Program and the Executive Branch of the Government - Chairman of Kuwaiti Touristic Enterprises Company, Egypt - Former Vice Chairman of the Kuwait Bar Association - Former Secretary of Kuwait Bar Association - President of the Development and Training Committee of Kuwait Bar Association - Former Member of the Board of Arabi Company - Appointed Adviser to the Public Authority and Compensation for Iraqi Invasion - Member of the Kuwaiti Association for Learning Differences - 2015 - Kuwait Legal Association - 2015

	**Jassim Mustafa Boodai** Board Member Member, Board Nomination and Remuneration Committee
Date of Appointment:	March 17, 2012
Experience:	- Chairman of Integrated Holding Company K.C.S.C. Kuwait - Board Member of Kuwait Insurance Company, Kuwait - Former Vice Chairman of Kuwait China Investment Company, Kuwait - Former Chief Operating Officer of Boodai Corporation, Kuwait - Former Vice Chairman of Hilal Cement Company, Kuwait - Former Chairman of Transport and Warehousing Group Company, Kuwait

	**Khalid Faisal Ali Al-Mutawa** Board Member Member, Board Audit Committee
Date of Appointment:	March 9, 2015
Academic Qualifications:	Bachelor's of Science in Political Sciences and Business Administration, Northeastern University, Boston, Massachusetts, USA
Experience:	- Deputy CEO of Ali Abdulwahab Al Mutawa Commercial Co. (AAW) - Proud Board Member of INJAZ-Kuwait (part of Injaz Al-Arab, JA WORLDWIDE) - Former Vice Chairman of the International Franchise Advisory Council in Nexcen Franchising - Former Chairman and Managing Director of Bonyan Real Estate Company - Former Board Member of Bayan Investment Company - Former Board Member of Metal and Recycling Company - Former Board Member of Villa Moda Lifestyle - Former Chairman and Managing Director of Dar Al Dhabi Holding (DAD Holding)

	**Bader Nasser Mohammed Al-Kharafi** Board Member Deputy Chairman, Board Corporate Governance Committee Member of Board Risk Committee
Date of Appointment:	March 17, 2012
Academic Qualifications:	MBA, London Business School, London, England Bachelor's Degree, Mechanical Engineering, Kuwait University, Kuwait
Experience:	- Chairman and Head of Investment Committee of Gulf Cables and Electrical Industries Company, Kuwait - Director of Group Executive Committee of Mohammed Abdulmohsin AlKharafi and Sons W.L.L. ,Kuwait - Middle East Advisory Board Member of Coutts and Co. - Vice Chairman, Member of the Executive Committee and Member of the Investment Committee of Mobile Telecommunications Company K.S.C (Zain Group), Kuwait - Member of the Board of Atheer Telecom Iraq Limited (Zain Iraq), Iraq - Managing Director of Al-Khatem (Zain Iraq) - Vice Chairman of Sudanese Mobile Telephone Co (Zain Sudan), Sudan - Chairman of Mobile Interim Com (MIC2) S.A.L Lebanon - General Manager of Al Khair National for Stocks and Real Estate Co., W.L.L - Member of the Board of Refreshment Trading Company (Coca-Cola), Kuwait - Member of the Board of Foulath Holding B.S.C., Bahrain - Member of the Board of Bahrain Steel B.S.C. (EC), Bahrain - Member of the Board of United Stainless Steel Company (USCO), Bahrain - Vice Chairman of Diamond International Motors Company (Mitsubishi cars), Egypt - Chairman of EMAK-Paper Manufacturing, Egypt - Chairman of Arab Aluminum Company SAE, Egypt - Chairman of MAK Holding Industry, Egypt - Chairman of EMAK Brake Systems, Egypt - Chairman of National Paper Company, Egypt - Member of the Board of Kuwait-British Friendship Society - Vice Chairman of Injaz Kuwait, Kuwait - Member of the Industrial Advisory Board, Mechanical Engineering, Kuwait University, Kuwait - Member of the Board of Kazma Sports Club, Kuwait

	**Bader Abdulmohsen El-Jeaan** Board Member Chairman, Board Risk Committee Deputy Chairman, Board Nomination and Remuneration Committee
Date of Appointment:	March 16, 2013
Academic Qualifications:	AB in Economics, Harvard University, United States MA in Law, Oxford University, United Kingdom
Experience:	- Founder and Senior Partner, Meysan Partners, Kuwait - Former Director and Senior Executive Officer, Carlyle MENA Investment Advisors, United Arab Emirates - Former Group General Counsel and Member of Senior Management Board, Agility Logistics, Kuwait - Former Attorney, Shearman and Sterling, New York/Abu Dhabi - Former Vice President, Private Equity, Kuwait Investment Office, London

Remuneration

The proposed remuneration for the Directors amounts to KD 135 thousand (2014: KD 135 thousand). This is in accordance with local regulations, and is subject to the approval of the shareholders at the Annual General Assembly Meeting.

Related Party Transactions

Certain related parties (Major Shareholders, Board Members and Officers of the Bank, their families and companies where they are the principal owners) are customers of the Bank in its normal course of business. The transactions with these parties are concluded on substantially the same terms as those governing comparable transactions with unrelated parties. The details of such transactions are detailed in Note 23 of the Financial Statements.

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Management

(left to right):
Mona Mansour, General Manager-Customer Service Delivery, **Khaled Al-Mutawa**, General Manager-International Banking and Investments, **Salma Al-Hajjaj**, General Manager-Human Resources, **Kevin Smith**, Chief Financial Officer, **César González-Bueno Mayer**, Chief Executive Officer, **Omar Kutayba Alghanim**, Chairman, **Antoine Daher**, Deputy CEO and GM-Wholesale Banking, **Vikram Issar**, General Manager-Consumer Banking, **Nabil Abdel-Malek**, General Manager Legal Affairs, Compliance and Board Affairs, **Sudad Hamam**, General Manager-Treasury, **Hussam Sulieman Mustafa**, General Manager and Chief Internal Auditor-Internal Audit, **Peter Roberts**, General Manager-IT and CIO

Gulf Bank's Executive Management is responsible for ensuring the Bank's activities are in the line with its corporate strategy, risk appetite and policies approved by the Board of Directors. The Executive Management team is appointed by the Board of Directors to carry out their respective roles in running the operations of the Bank. The team includes the CEO, his deputy, heads of business and support departments and any other persons who may be considered key to the successful running of the Bank.

The Bank ensures that all members of the Executive Management have suitable academic and professional qualifications, relevant experience and personal integrity to run the Bank's business. Executive Management is provided with ongoing training to ensure they remain up-to-date with the best practices in the banking and finance industry.

Executive Management is responsible for contributing to sound corporate governance of the Bank through their personal conduct and leadership by example. They should also be supportive of and committed to a culture conducive to corporate governance and risk management.

Executive Management is responsible for assigning tasks to Bank employees and promoting an organizational structure which supports accountability and transparency. They must also ensure that Bank's compliance and risk functions have adequate autonomy and that separation of tasks is practiced without causing any conflicts.

Executive Management also provides the Board of Directors with financial and administrative reports, at agreed intervals. These reports must comply with the principles of transparency and objectivity. The Board shall rely on the expertise of Executive Management in the implementation of the Board's resolutions.

Executive Management ensures staff receives adequate direction to fulfill their role in carrying out the day-to-day activities of the Bank in a safe and prudent manner. This includes ensuring suitable policies and procedures are in place and are communicated to all relevant staff and made available on an ongoing basis. Executive Management has established, as part of the Bank's governance practices, a rigorous management framework to ensure that regulatory compliance and risk management form an embedded part of the assessment of the Bank's decision making process.

César González-Bueno Mayer

Chief Executive Officer

Date of Appointment:	March 18, 2014
Academic Qualifications:	- M.B.A, Yale School of Management, New Haven, USA - Double Degree, Law and Business Administration, ICADE, Madrid, Spain
Experience:	- Former CEO for Novagalicia Banco, Vigo, Spain - Former Regional Head of Europe, ING Bank, Amsterdam, - Former General Manager ING Direct, Amsterdam, - Former Founder and CEO, ING Direct, Spain, Madrid - Former Director of Alternative Channels, Argentaria, Madrid - Former Associate Principal, McKinsey and Co., Lisbon, Mexico City and Madrid - Former Consultant, the Boston Consulting Group, Boston, London and Madrid - Former Financial Analyst, Asesores Bursatiles, Madrid - Former Financial Analyst, Citibank, Madrid

Antoine J. Daher

Deputy Chief Executive Officer and General Manager Wholesale Banking

Date of Appointment:	July 7, 2013
Academic Qualifications:	- MBA, Finance, 2000, Case Western Reserve University, Ohio, USA - B.Sc. Civil Engineering- Magna Cum Laude, 1993, Cleveland State University, Ohio, USA
Experience:	- Former Head of Domestic Corporate Banking at National Bank of Kuwait, Kuwait - Former Head of Domestic Multi-National Unit at National Bank of Kuwait, Kuwait - Former Vice President of Corporate Banking/ Capital Markets of PNC/National City Bank, Cleveland, Ohio, USA - Former Relationship Manager, Corporate Banking, Real Estate Division of PNC/National City Bank, Cleveland, Ohio, USA - Former Project Manager at Fuller Engineering Group, Pennsylvania, USA

	**Hussam Sulieman Mustafa** General Manager and Chief Internal Auditor – Internal Audit
Date of Appointment:	August 10, 2014
Academic Qualifications:	- BA in Accounting, Yarmouk University – Irbid, Jordan - Certified Bank Auditor (CBA) - Certified Information System Auditor (CISA) - Certified Fraud Examiner (CFE) - Certified Internal Control Auditor (CICA)
Experience:	- Former Senior Vice President, Head of Basel II for Abu Dhabi Islamic Bank, UAE - Former Senior Vice President, Group Internal Audit Division for Abu Dhabi Islamic Bank, UAE - Former Head of Internal Audit for Abu Dhabi Investment Company, UAE - Former Manager Audit Department for National Bank of Abu Dhabi, UAE - Former Manager, Fraud and Operational Error Investigation Unit for National Bank of Abu Dhabi, UAE - Former Assistant Manager, Audit Department for National Bank of Abu Dhabi, UAE - Former Auditor/ Senior Auditor/ Senior Supervisory Auditor for National Bank of Abu Dhabi, UAE - Former Head of Section for Central Bank of Jordan, Jordan

	**Kevin Smith** Chief Financial Officer
Date of Appointment:	August 12, 2015
Academic Qualifications:	- Executive MBA – Purdue University, Indiana, USA - Bachelor's Degree in Finance – University of Maryland, Maryland, USA
Experience:	- Former Chief Financial Officer, Consumer Bank at Standard Chartered Bank, Singapore - Former Chief Financial Officer, Tokyo Star Bank, Japan - Former Chief Financial Officer, Global Consumer Finance, Citigroup, Japan - Former Chief Financial Officer, GE Capital Finance, Japan

	**Khaled Al-Mutawa** General Manager - International Banking and Investments
Date of Appointment:	June 18, 1989
Academic Qualifications:	- Bachelor’s Degree in Economics, University of Southern California, Los Angeles, USA - General Certificate of Education “GCE O Levels”, University of London, United Kingdom
Executive Education:	- Harvard Program for High Potential Leaders (May 2009) - Harvard Program for Leadership Development (Dec 2010 - June 2011) - Harvard Program for Building Businesses in Emerging Markets Program (May 2012)
Experience:	- Former acting General Manager of Investments Banking Group for Gulf Bank K.S.C.P., Kuwait - Former acting General Manager of Risk Management for Gulf Bank K.S.C.P., Kuwait - Former Senior Manager, Deputy Head of International Banking Group for Gulf Bank K.S.C.P., Kuwait - Former Manager, Oil Trade Finance Division for Gulf Bank K.S.C.P., Kuwait - Former worked in the Middle East Corporate Finance Department for Bankers Trust Co., London, United Kingdom - Former Assistant Manager – Multinational Corporate Division, Commercial Banking Group for Gulf Bank K.S.C.P. - Former Assistant Manager, Financial Institutions – International Banking Group for Gulf Bank K.S.C.P., Kuwait - Former Board Member of CINET (Credit Information Network), Kuwait - Former Board Member of Masaleh Real Estate Company, Kuwait

	**Mona Mansour Ali** General Manager – Customer Service Delivery
Date of Appointment:	August 15, 2004
Academic Qualifications:	Bachelor's Degree in Business Administration, Kuwait University
Experience:	- Former Deputy General Manager, Operations, Gulf Bank, Kuwait - Former Executive Manager, Retail Support, Gulf Bank, Kuwait - Former Executive Manager, Domestic Consumer Banking, NBK, Kuwait - Former Senior Manager, Cards Service Division, NBK, Kuwait - Former Head of Member Services Department, Cards Service Division, NBK, Kuwait - Former Computer Programmer, NBK Kuwait - Board Member of the Shared Electronic Banking Services Company (K-Net)

	**Nabil Abdel-Malek** General Manager Legal Affairs, Compliance and Board Affairs
Date of Appointment:	February 1, 2015
Academic Qualifications:	- American University of Beirut, EMBA, June 2014 - North Carolina State University (Raleigh USA): Ph.D coursework in macroeconomics and public finance (1984- Fall 1985). - American University of Beirut - Bachelor's Degree in Economics with distinction (Feb. 1982) - Master's Degree in Economics with distinction (Feb. 1985) - Lebanese University (Law School), Beirut, Lebanon. - Master's Degree in Law with distinction (June1983) - Post-Graduate Studies in Private Law, completed courses with distinction (October 1990).
Experience:	- June 2011-January 2015: Agility, Group General Counsel - July 2007- June 2011: Agility, Deputy Group General Counsel and General Counsel for the Middle East and North Africa - July 2007- June 2014: Alghanim Industries, Legal Advisor (Litigation) - 1992 - present: Sole proprietor of Abel-Malek Law Firm in Beirut, Lebanon, Scope of activity: M&As, Investment Banking, Commercial Banking, Litigation and Arbitration - 1985 till present: Part time instructor at the American University of Beirut (Civilisation Sequence, and Business Law).

	**Salma Al Hajjaj** General Manager – Human Resources
Date of Appointment:	February 1, 2013
Academic Qualifications:	- Master’s Degree in Organizational Management, University of Phoenix, Arizona, USA - B.Sc in Mathematics, Kuwait University, Kuwait
Experience:	- Former Director, Center for Leadership Development for Kuwait Petroleum Corporation (KPC), Kuwait - Former Human Resources Director for Kuwait Petroleum International (KPI), Kuwait - Worked in HR at Gulf Investment Corporation, Kuwait - Former member of SPE Training - Member of the board of trustees of the Arabian Society For Human Resources (ASHRM)

	**Peter Roberts** General Manager – IT and CIO
Date of Appointment:	November 3, 2013
Academic Qualifications:	Degree in Geography and Economics, University of London, United Kingdom
Experience:	- Former Executive Vice President – Head of Group Operations for National Commercial Bank, Kingdom of Saudi Arabia - Former Head of Barclays Technology Centre UK (BTC-UK) - Former Global Head of E- Channel Programme Delivery and Support – Barclays Global Retail and Commercial Banking - Former CIO for Barclays Africa/Lead Tech Partner Absa Integration - Former Regional Chief Operating Officer for Barclays Bank East Africa and Indian Ocean (based in Nairobi Kenya) - Former Chief Operating Officer for Barclays Bank of Botswana, United Kingdom - Former Head of Barclays Corporate Service Centre (Corporate Recovery and Re-structuring) - North, United Kingdom - Former Assistant Retail Director for Barclays Bank North London and Luton Region, United Kingdom - Former UK Credit Risk Management Project Manager for Barclays Bank, United Kingdom - Former Corporate Relationship Manager for Barclays Bank, United Kingdom - Associate of the Institute of Bankers

	**Sudad Hamam** General Manager – Treasury
Date of Appointment:	January 18, 2015
Academic Qualifications:	M.B.A Bilkent University – Ankara, Turkey
Experience:	- Former Chief Financial Risk Officer for ING Bank Turkey, Istanbul. - Former Senior Vice President (Treasurer) for ING Bank Turkey, Istanbul. - Former Head of Treasury for Oyak Bank Turkey, Istanbul. - Former Foreign Exchange Desk Manager for Bank of Boston Turkey, Istanbul.

	**Thomas George Panampunnayil** General Manager - Strategy and Project Management
Date of Appointment:	September 26, 2002
Academic Qualifications:	- Advanced Management Program - Harvard Business School, USA - Chartered Accountant – Institute of Chartered Accountants of India - Cost and Management Accountant – Institute of Cost and Management Accountants of India
Experience:	- Former Financial Controller at Kuwait National Marketing Company - Former Finance Manager (Finance andMIS) at Al-Kharafi National Group - Former Manager at Kirby Building Systems Kuwait – Alghanim Industries - Former Manager at Tata Iron and Steel Company – India - Former Consultant at A.F Ferguson and Company - Member of the Association of Certified Fraud Analysts-USA

	**Vikram Issar** General Manager – Consumer Banking
Date of Appointment:	March 24, 2013
Academic Qualifications:	- Bachelor's Degree in Commerce from University of Delhi, India - Chartered Accountant - Institute of Chartered Accountants of India
Experience:	- Former Chief Operating Officer, Retail Banking System, Products and Consumer Finance, Standard Chartered Bank, Singapore - Former Head of Consumer Banking for Standard Chartered Bank, Thailand - Former Head of Consumer Banking for Standard Chartered Bank, Bangladesh - Former Head of Wealth Management and Distribution for Standard Chartered Bank, India - Former Head, Wealth Management and Group Head, Deposits for Standard Chartered Bank, India - Former Head, Wealth Management for Standard Chartered Bank, India - Former General Manager, Marketing, Banking Products for Standard Chartered Bank, India - Former Senior Manager, Consumer Banking, India Hubbing Project from Standard Chartered Bank, India - Former Manager, Process Design for Standard Chartered Bank, India - Former Manager, Internal Control for Standard Chartered Bank, India - Former Assistant Manager, Internal Control for Standard Chartered Bank, India - Former Consultant for A.F. Ferguson and Co., India

Management Discussion and Analysis

As of or for the year ended December 31, 2015
(in KD millions, except per share and ratio data)

KEY METRICS (IN KD MILLIONS)	2015	2014
Operating income	**169**	163
Net profit	**39**	35
Gross loans and advances to customers	**3,926**	3,822
Total assets	**5,438**	5,331
Deposits	**4,563**	4,340
Total stockholders' equity	**538**	511
Ending number of net outstanding shares (millions)	**2,910**	2,931
Earnings per share (fils)	**13**	12
Pre-provision return on beginning equity	**21%**	22%
Return on beginning equity	**7.6%**	7.3%
Return on average assets	**0.72%**	0.67%
Tier 1 capital ratio	**14.36%**	14.25%
Capital adequacy ratio	**15.56%**	15.45%
Non Performing Loan Ratio	**2.7%**	3.2%
NPL coverage ratio (including collateral)	**348%**	271%

BANK STRATEGY

Gulf Bank's strategy centers on serving the needs of our corporate and retail banking customers. At the same time, the bank strives to diversify its loan portfolio so as to not be overly dependent on lending to any one industry sector or any one client. In this way, the bank can deliver quality earnings from a stable capital base

FINANCIAL SUMMARY

In the year ended 31-December-2015, Gulf Bank reported net profit of KD 39 million, 10% higher than 2014. This is the second straight year of double digit growth in net profit.

The year-over-year growth came from a significant reduction in credit costs of KD 25.6 million (specific provisions plus write-offs less recoveries), higher non-interest income of KD 4.5 million, higher net interest income of KD 1.2 million, and lower impairments of KD 1.2 million.

This was offset by an increase in operating expenses and an increase in general provision expense of KD 7.8 million in 2015 compared with a decrease of KD 16.7 million in the prior year.

So, if general provision expense was excluded from both years, operating profit would have more than doubled from KD 20.6 million in 2014 to KD 48.8 million in 2015.

The Bank's balance sheet continued its steady growth with gross customer loan growth of 3%, asset growth of 2%, deposit growth of 5%, and equity growth of 5%.

Earnings per share grew 11% vs 2014.

Pre-provision return on beginning equity was 21%, one of the highest amongst banks in Kuwait. Return on average assets improved 5 basis points to 0.72%.

The capital adequacy ratio remained steady at 15.6% (minimum requirement is 12.5%). The Tier 1 capital ratio is 14.4%, well above the minimum requirement of 10.5%, and comprises 92% of the Bank's total capital.

The Board of Directors has recommended the distribution of a cash dividend of 4 fils per share on the outstanding issued share capital as of 31 December 2015. Since the dividend is subject to approval by the shareholders' assembly, the Bank's capital adequacy ratio as of 31 December 2015 has not been adjusted to reflect the dividend. If adjusted for dividends, the capital adequacy ratio would be 15.25%.

The Bank's non-performing loan ratio improved to 2.7% from 3.2% a year ago

PORTFOLIO QUALITY

As you can see on page 5 of the annual report, the loan portfolio mix has shifted quite dramatically since 2012. In 2012, the Consumer segment comprised 24% of total loans. Between 2012 and 2015, this segment has grown by KD 407 million to KD 1,239 million (compounded annual growth rate of 14%) and now represents 32% of gross loans. Over the same time period, the Bank reduced corporate lending to the real estate and non-banking sectors (36% of total loans in 2012) by KD 291 million (-23%). On 31 December 2015, corporate lending to these sectors represented 18% and 7% of total loans, respectively. On the other hand, corporate lending to other sectors (manufacturing, trade/commerce, construction, oil/gas, and other) has grown from KD 1,415 million to KD 1,693 million, a compounded annual growth rate of 6%. None of the total loans to these sectors exceeds 10% of the total loan portfolio.

NET INTEREST INCOME

Net interest Income grew by KD 1.2 million (+1%) to 118.9 million with KD 0.9 million coming from higher interest income and KD 0.3 million coming from lower interest expense.

Interest income growth was mainly driven from double-digit interest income growth Consumer Banking. This was offset partially by a large corporate account that went non-accrual for 8 months in 2015. As a result of restructuring that account in December 2015, the Bank is expecting to earn income on this account again in 2016.

OTHER OPERATING INCOME	**2015**	2014
Net fees and commissions	**30**	28
Net gains from foreign currencies and derivatives	**9**	9
Realised gains from disposal of investment securities	**7**	6
Dividend income	**2**	2
Other income	**2**	1
Total other operating income	**50**	45

Other operating income increased to KD 49.6 million, a gain of KD 4.5 million (+10%) compared with last year.

Net fees grew by KD 2.2 million (+8%) from last year and this growth was well balanced across many different fee types in Wholesale and Consumer Banking.

The Bank's income from dealing in foreign currencies and derivatives was essentially flat year-over-year as strong income growth of KD 0.6 million (+8%) from foreign exchange operations was offset by KD 0.4 million unrealized losses in credit default swaps compared with gains in the prior year of KD 0.3 million.

OPERATING EXPENSES	2015	2014
Staff costs	**41**	41
Occupancy costs	**4**	4
Depreciation	**2**	3
Other expenses	**13**	8
Total operating expenses	**60**	56

CREDIT COSTS / IMPAIRMENTS / PORTOLIO QUALITY	2015	2014
Specific provisions	**70**	114
Loan recoveries net of write-off	**(14)**	(32)
Total credit costs	**56**	82
General provisions	**8**	(17)
Impairment loss on investment securities	**3**	5
Total provisions / impairments	**67**	70
Average gross customer loans	**3,874**	3,706
Credit cost ratio (credit costs / average loans)	**1.45%**	2.20%
General provisions	**178**	171

Credit costs of KD 56 million (specific provisions plus write-offs less recoveries) were booked in 2015, KD 25.6 million or 31% lower than 2014.

In 2015, credit costs were 1.45% of average loans. This compares favorably against a credit cost ratio of 2.20% of average loan balances. Thus, the credit cost ratio on loans fell by 34% or 75 basis points in 2015 compared with 2014.

The bank's total loan loss reserves on the balance sheet stood at KD 293 million. General provisions comprise KD 178 million or 61% of total loan loss reserves at year-end.

Ratings

		2015	2014
Fitch Ratings	**FITCH** Long Term Short Term Viability Rating Outlook	 A+ F1 bb Stable	 A+ F1 bb- Stable
Moody's	**MOODY'S** Long Term Short Term Outlook	 A3 P-2 Stable	 Baa1 P-2 Positive
STANDARD & POOR'S RATINGS SERVICES McGRAW HILL FINANCIAL	**STANDARD & POOR'S** Long Term Short Term Outlook	 A- A-2 Stable	 BBB+ A-2 Positive

On 9 November 2015, **Fitch** Ratings has affirmed the Bank's Long-term Issuer Default Rating (IDR) at 'A+' with a 'Stable' Outlook. The Viability Rating (**VR**) was **upgraded** to '**bb**' from 'bb-'. According to Fitch, the VR was upgraded 'due to its (the Bank's) stronger company profile post restructuring' … and it's 'lower risk appetite'.

On 26 November 2015, **Moody's upgraded** the **Long-term deposit rating** to '**A3**' from 'Baa1' after it had upgraded the Bank from 'Baa2' to 'Baa1' in 2014 with a 'stable' outlook. According to Moody's, the action was driven by '(1) continuing improvements in asset quality and provisioning coverage, (2) the strengthening of the bank's risk management practices and a further reduction of balance sheet risk … and (3) the rating agency's expectation that core profitability will remain resilient and capitalization buffers will remain adequate driven by a conservative implementation of Basel III requirements by Kuwait's Central Bank'.

On 3 June 2015, **Standard & Poor**'s (S&P) **upgraded** the Long-term rating to '**A-**' from 'BBB+' with a '**stable**' outlook. According to S&P, 'Gulf Bank has made significant progress [including] the overhaul of its overall risk management framework, cleaning up the balance sheet, and reduction of single-party and industry concentrations'

Corporate Governance

Corporate Governance is an integrated part of the Bank's culture. A continuing education, training and awareness campaigns are carried out and reinforced by the Bank to familiarize Management and staff with world-class standards and requirements of Corporate Governance. The Bank's upholding of Corporate Governance principles and imperatives goes hand in hand with the business activity and is implemented at all levels. In its endeavour towards offering a leading example of a comprehensive Corporate Governance culture, the Bank observes a strict compliance with the laws in place and CBK instructions governing this area.

The Bank's Corporate Governance structure stresses the proactive engagement of the Board of Directors in monitoring the performance of the Executive Management and the activity of the Bank as a whole. Emphasis is put on the Board's responsibility in promoting general confidence in the Bank's management, taking into consideration, in the context of maximizing the Bank's revenues and profits, the impact of risk on the interests of customers, stakeholders and financial soundness of the Bank. The same structure underlines the segregation between the Board and Executive Management's prerogatives and applicable checks and balances. Inasmuch as shareholders' interests are preponderant in the Bank's policies, said shareholders have a key role in the definition of those policies and in monitoring their implementation through the vote of confidence they exercise towards the Board.

Corporate Governance Compliance with CBK Instructions

In June 2012, CBK issued instructions relating to Corporate Governance.

The instructions set out nine pillars for a sound Corporate Governance:

i. Board of Directors;
ii. Corporate values, conflict of interest and group structure;
iii. Executive management;
iv. Risk management and internal controls;
v. Remuneration systems and policies;
vi. Disclosure and transparency;
vii. Complex corporate structure;
viii. Protection of shareholders' rights; and
ix. Protection of other stakeholders' rights.

The Bank has put in place all the relevant policies, manuals and guidelines aimed at being fully compliant with the nine pillars. The Bank is proud to announce that it has, under the leadership of the Chairman and Board, established a sound and strong Corporate Governance structure, as well as stringent and transparent processes of governance and has successfully implemented same.

In carrying out the above, the Bank ensures a continuing compliance with all applicable laws and CBK instructions pertaining to Corporate Governance.

The Bank also endeavours to adopt and implement best international practices in this field, which the Bank believes are critical for its financial performance and role in the community where it operates.

In addition, the Corporate Governance principles are promoted with the various stakeholders, including the regulators, shareholders and business community.

Stakeholder Definition

In line with best practice, the following entities/ persons are deemed Bank's key stakeholders:

1. Customers and depositors
2. Shareholders
3. Regulatory authorities
4. Board and directors
5. Employees
6. Suppliers and service providers
7. Community where the Bank operates

Policies and Procedures

The Bank adopted a comprehensive framework of Corporate Governance aimed at properly balancing between its ambitious objectives, on the one hand, and adherence to the internal and external governance and compliance systems in place, on the other hand. Both Board and Executive Management strongly believe that governance should always be the object of concurrent critique aimed at continuously improving the standards in place.

The Bank has implemented a set of clear and user friendly policies and procedures that consolidate good governance. They include, inter alia:

1. Corporate Governance Manual
2. Disclosure and Notification Policy
3. Risk Appetite Document
4. Whistle Blowing Policy and Procedures Manual
5. Conflict of Interest Policy
6. Related Party Transactions Policy
7. Customer Complaint Handling Policy and Procedures
8. Internal Audit Charter
9. Human Resources Manual
10. Policy and Procedure Standards
11. Compliance Manual

Roles and Responsibilities

The Corporate Governance Manual differentiates between the Board and Executive Management's respective roles. The overlap between the two roles is precluded. The Manual clearly defines the role of the Chairman, Chief Executive Officer (CEO), Chief Risk Officer (CRO), General Counsel, Board Affairs Division, Chief Internal Auditor (CIA) and Chief Financial Officer (CFO). The independence of key executive roles is secured through well-defined reporting lines. The Board monitors the key Executive positions in the Bank. The CBK further protects those positions so as to ensure their independence.

Governance Structure

The Bank has established an organisation-wide governance structure aimed at providing a sound governance practice reflected in the reporting lines, clear segregation of duties, independence of opinion and action in areas such as Anti-Money Laundering, Legal, Compliance, Internal Audit and Risk Management. The structure also adheres to CBK's regulatory instructions.

The Governance structure in place follows a three-tier approach: at the Executive Level through several Committees; at the Board Committees' Level, and at the level of the Board itself.

a. Executive Governance Structure

The modus operandi of Executive Governance is reflected in the number of committees operating at the Executive level. These include credit committees, risk committees and several other committees set out in the chart below:

Credit Committees

- Executive Credit Committee
- Management Credit Committee
- Remedial Credit Committee
- Classification and Provisions Committee
- Consumer Banking Credit Committee
- Business Banking Credit Committee

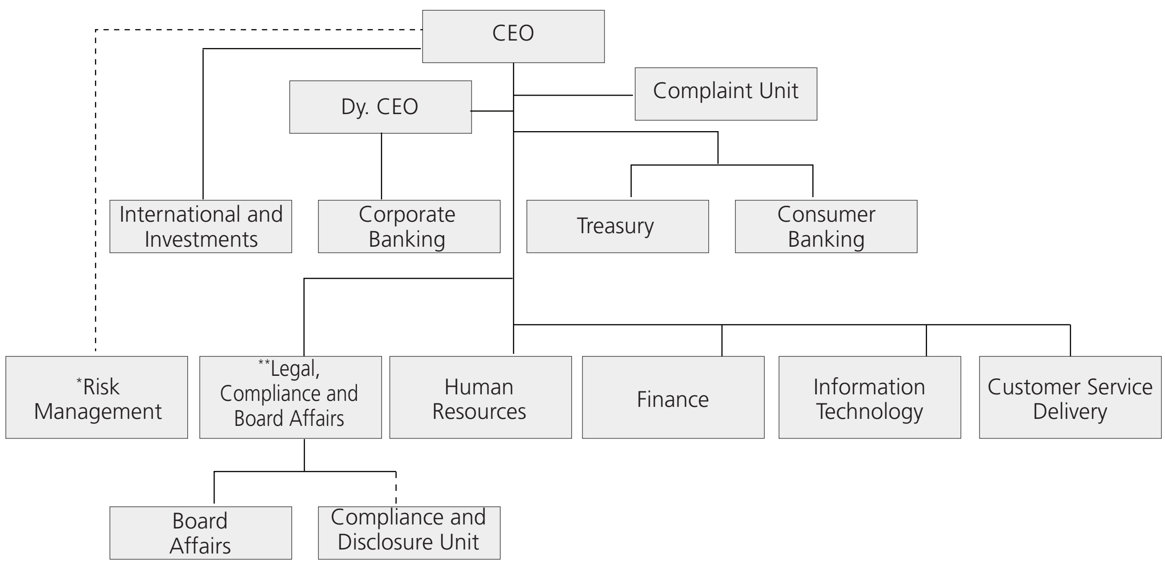
Management

- Management Committee
- Executive Risk Committee
- Asset and Liability Committee
- Fraud Committee
- Human Resources Committee

Others

- Operational Risk Management Committee
- IT Steering Committee
- Multiple Project Steering Committees
- Policies and Procedures Committee

Executive Organisation

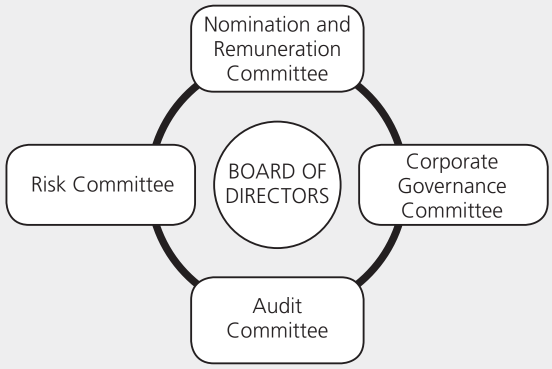


* Reports to the Board Risk Committee
** Reports to the Board Corporate Governance Committee with a line to the CEO for Legal matters

b. Board Committees' Structure

In line with Governance regulations issued by the CBK, the Bank has put in place four committees to oversee and monitor the Bank's overall activity. The committees are the following:

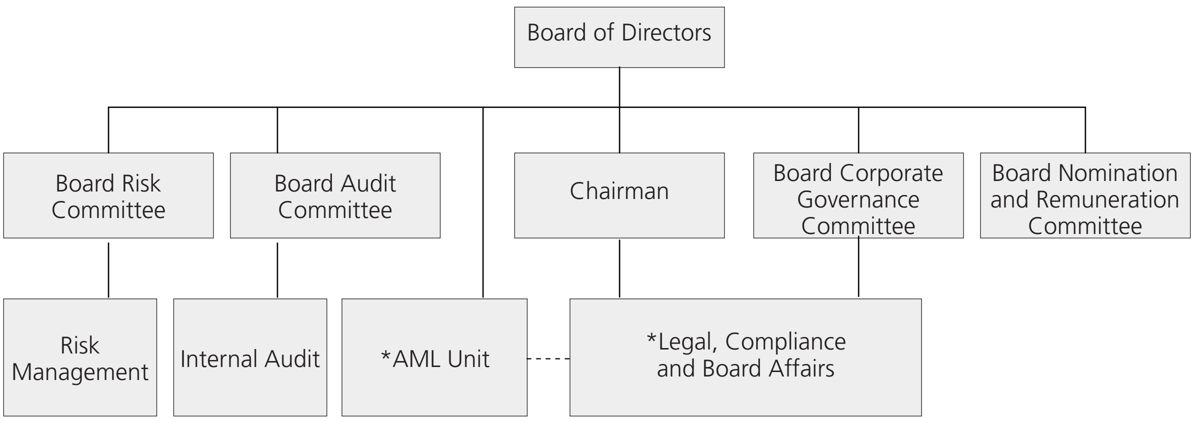
1. Board Corporate Governance Committee
2. Board Audit Committee
3. Board Risk Committee
4. Board Nomination and Remuneration Committee



Each of the above committees has its own by-laws, Chairman, Vice Chairman, Members and Secretary.

The Bank has a comprehensive Corporate Governance Manual in place. An abridged version thereof is posted on the Bank's web page.

Governance Organization



* Reports administratively to GM - Legal, Compliance and Board Affairs

Board of Directors

The Board is comprised of elected members with diverse academic and professional backgrounds. Board members are properly and continuously trained to be able to pre-empt and tackle all the challenges that the Bank may face.

Board Overall Responsibilities

The Board of Directors assumes a comprehensive responsibility for the Bank's activity, including setting, overseeing, and monitoring the implementation of the Bank's strategic objectives, risk strategy and corporate governance. The Board is also responsible for overseeing the Executive Management's performance.

The Board's core responsibilities include the following:

- Monitor the Bank's business, financial soundness, and compliance with regulatory and legal requirements;
- Preserve the interests of shareholders, depositors, creditors, employees, and other stakeholders;
- Set out the Bank's strategic objectives and oversee the performance of the Executive Management;
- Approve the internal control framework and ensure its proper implementation;
- Ensure that transactions with related parties are properly reviewed and vetted prior to being implemented;
- Ensure that the Bank has adequate policies and processes in place for all the areas of its activity;
- Disclose reliable and timely information to the shareholders with regard to the Bank's performance and forecasts;
- Set the criteria for the evaluation, compensation and succession for key management roles.

The Board members take part in a series of training and continuing education programs. In addition to a formal induction program, the Board members receive regular bulletins designed to keep them abreast of matters relating to their duties and responsibilities as Board members.

The Chairman of the Board of Directors plays a key role in the proper functioning of the Board and the maintenance of mutual trust among its members. He carries out the following:

- Ensure that Board decisions are taken on a sound and well-informed basis.

- Build a constructive relationship between the Board and Executive Management.

- Create a culture during Board meetings that promotes constructive critique in case of divergent views among Board members and encourages discussion and voting in such cases.

Organization of the Board's Business

The Chairman, in consultation with Executive Management, proposes the matters to be included in the agenda of the Board meeting. Board members are provided with all relevant information and details before Board meetings. The Board meets at least 6 times annually and at least once every quarter.

The Board Secretary takes note of the Board's discussions, suggestions and the results of any vote which takes place during the meeting. The Board Secretary, under the supervision of the Chairman, is responsible for the follow-up on the implementation of the Board's resolutions.

I. Board Corporate Governance Committee

a. Committee's Scope of Activity

The Board Corporate Governance Committee oversees the overall process of Corporate Governance in the Bank and ensures compliance with the relevant CBK instructions on Corporate Governance. The Committee ensures that the depositors and shareholders' interests are protected and the shareholders' obligations are met, taking into account the interest of the other stakeholders, by implementing and monitoring processes to report any conflict of interest and related party transactions.

b. Composition of the Committee

- Omar Kutayba Yusuf Alghanim, Chairman
- Bader Nasser Mohammed Al-Kharafi, Deputy Chairman
- Sayer Bader Al Sayer, Member
- Nabil Abdel-Malek, Secretary

c. Committee Meetings

The Board Corporate Governance Committee convenes not less than twice a year. The presence of two members is required to hold a meeting.

d. Key achievements in 2015

- Discussed and approved the related party transactions policy.
- Discussed and approved the conflict of interest policy.
- Reviewed and approved the AML Unit activity.
- Reviewed and approved the Compliance and Disclosure Unit's activity.
- Reviewed the process of monitoring and reporting under the Whistle Blowing policy.

e. Changes during the year

Mr. Nabil Abdel-Malek, GM- Legal, Compliance and Board Affairs was appointed as Secretary of the Committee in April 2015.

II. Board Audit Committee

a. Committee's Scope of Activity

The Board Audit Committee carries out its duties within the framework of governance principles and practices established by the Board of Directors. The Committee promotes accountability of the key players, and ensures that they work in the best interest of the Bank and its shareholders to enhance shareholder value, while taking into account the legitimate interests of other stakeholders. The Committee's role is to ensure the adequacy of the Bank's internal and external audit, highlight the accounting issues of material impact on the financial statements, review the Bank's internal control systems, the efficiency and adequacy of the Bank's internal control and risk management system, the Bank's processes for monitoring compliance with laws, regulations and code of conduct, and ensure sufficiency of all resources provided for the control functions. Furthermore, the Committee appraises the performance of the Internal Audit General Manager and recommends to the Board of Directors the nomination, termination, appointment and remuneration of the external auditors. Since its effectiveness is directly linked to that of the Board of Directors, the Committee works closely with Executive Management to obtain any information required.

b. Composition of the Committee

- Farouk Ali Akbar Abdullah Bastaki, Chairman
- Omar Hamad Yousef Al-Essa, Deputy Chairman
- Khalid Faisal Al Mutawa, Member
- Sadeq Al Saraf, Secretary

c. Committee Meetings

The Board Audit Committee convenes once every three months or as needed, or at the request of its Chairman or any two members. The presence of two members is required to hold a meeting.

d. Key achievements in 2015

- Supervised the activities of the Internal Audit Division, including a review of its plans, strategies, procedures, follow-up activities, organisational structure, and financial and staffing budgets.
- Revised its by-laws as part of the regular assessment of its role and aligned the same with best practice, CBK guidelines and Internal Audit Standards.
- Approved the Internal Audit Three-Year Risk Based Plan for 2015-2017 and reviewed the issues, action plans and recommendations in the Internal Audit reports.
- Held a meeting with the Bank's Compliance Officer without the presence of the Bank's Executive Management.
- Reviewed the scope and approach of External Auditor's audit plans for the year ended 31 December 2015.
- Reviewed and recommended the annual and quarterly financial statements to the Board of Directors.
- Reviewed the issues, action plan and recommendations set forth in the CBK mandated Internal Control report.
- Approved the Internal Audit revised organization structure.
- Held a joint meeting with the Board Risk Committee during the year to discuss issues of common interest.

e. Changes during the year

Subsequent to the Board of Directors election in March, 2015, Mr. Ahmad Abdullatif Al Hamad left the Committee. His role as Deputy Chairman was assumed by Mr. Omar Hamad Al-Essa. Mr. Khaled Faisal Al Mutawa joined the Committee as new member.

III. Board Risk Committee

a. Committee's Scope of Activity

The Board Risk Committee's main duties are to assist the Board of Directors in assessing and identifying the financial and other types of risk to which the Bank is exposed. The Committee contributes to enhancing the effectiveness of the Board of Directors, monitoring the risk issues facing the Bank, submitting periodical reports to the Board of Directors and an update on the Bank's current and future risk strategy and appetite, and overseeing the Executive Management's implementation of the strategy. The Committee evaluates the risk exposure, concentration and tolerance limits and approves the aggregate transactional and trading limits for extraordinary and new risks. Furthermore, the Committee reviews quarterly credit risks rated 6 or worse and which constitute more than 10% of the Bank's capital. In addition, the Committee reviews any specific transaction or risk position it deems relevant for the management of the risks facing the Bank.

b. Composition of the Committee

- Bader Abdulmohsen El-Jeaan, Chairman
- Ali Morad Yusuf Behbehani, Deputy Chairman
- Bader Nasser Mohammed Al-Kharafi, Member
- Sadeq Al Saraf, Secretary

c. Committee Meetings

The Board Risk Committee convenes not less than four times a year. The presence of two members is required to hold a meeting.

d. Key achievements in 2015

- Reviewed and recommended the risk policies and structures for approval and ratification by the Board
- Reviewed and discussed the macroeconomic environment, and especially the decline in oil prices and the potential impact on the Bank under different scenarios
- Held a joint meeting with the Board Audit Committee to review internal controls
- Reviewed and discussed the detailed Capital Plan of the Bank
- Reviewed and updated the Risk Appetite document prior to approval
- Reviewed performance of structured workout and remedial names
- Reviewed status and action plan on large concentration credits
- Reviewed the status of significant legal cases
- Reviewed the structure and framework of Compliance Risk Management in the Bank

e. Changes during the year

Mr. Sadeq Al Saraf, Assistant Genera Manager, Board Affairs, was appointed Secretary of the Board Risk Committee on April 2015.

IV. Board Nomination and Remuneration Committee

a. Committee's Scope of Activity

The Board Nomination and Remuneration Committee submits recommendations to the Board of Directors on the nomination of the Board members, and reviews their skills, capabilities and qualifications in accordance with the Bank's approved policies and standards as per CBK instructions. The Committee conducts an annual review of the Board of Directors structure and draws recommendations on the changes that can be made in line with the best interest of the Bank.

The Committee reviews with the Risk Committee the compensation and benefits of all or some of the members of the Executive Management, including the principles and criteria used for their annual performance evaluation. In conducting its role, the Committee prepares and reviews annually a Remuneration Grading Policy to be submitted to the Board of Directors.

The BNRC may consult BRC and professional independent remuneration advisors, if necessary, who use remuneration practices in the market and from comparable banks to provide advice and assist BNRC to:

- Conduct a periodic review of the remuneration granting policy, or when recommended by the board of directors, and recommend to the board to amend/update such policy.
- Conduct a periodic assessment of the adequacy and effectiveness of remuneration granting policy to ensure achievement of its announced objectives.
- Ensure that the Remuneration Policy shall be fully compliant with regulatory requirements including application of "claw back" regulations that will allow the Bank to withhold payout of a part of the deferred compensation of key executives due to certain performance conditions not being met including misconduct, negligence, misstatement, exceeding credit approval and/or risk limits, and any other dubious business practices.
- Draw recommendations to the Board regarding the level and components of the remuneration of the CEO and his assistants, as well as any other Group/Functional Heads.
- Ensure that remuneration and compensation of Bank's governance functions appropriately include Risk, Compliance and Internal Audit in an independent advisory capacity.
- Ensure the remuneration granting system is consistent with the principles of sound corporate governance practices.
- Ensure the incentive payments are risk sensitive and risk based measures are aligned with the time horizon of the risk taken and are continuously governed by prudent risk-taking practices and subject to a thorough review for Risk Ratings, Risk Adjusted Return on Capital, Risk Adjusted Profit, Audit Rating and/or Operational Losses, etc.

b. Composition of the Committee

- Jassim Mustafa Boodai ,Chairman
- Bader Abdulmohsen El-Jeaan, Deputy Chairman
- Omar Hamad Yousef Al-Essa, Member
- Sadeq Al Saraf, Secretary

c. Committee Meetings

The Board Nomination and Remuneration Committee convenes not less than twice a year. The presence of two members is required to hold a meeting.

d. Key achievements in 2015

- Reviewed and monitored the Kuwaitization plan for the Bank
- Successfully oversaw the launch and completion of Ajyal Graduate Development Program
- Supported the development of Middle Management Modular Program for Kuwaitis to build a leadership pipeline
- Approved the Long Term Incentive Payouts for senior management

- Approved the training plan for the Board of Directors
- Approved the plan for Board Effectiveness Assessment

e. Changes during the year

Subsequent to the Board of Directors election in March, 2015, Mr. Ahmad Abdullatif Al Hamad left the Board. His role as Chairman of the Committee was assumed by Mr. Jassim Mustafa Boodai. Mr. Omar Hamad Yousef Al-Essa joined the Committee as member. Mr. Sadeq Al Saraf (AGM, Board Affairs) was appointed Secretary of the Board Nomination and Remuneration Committee on April 2015.

Major Shareholders

The major shareholder(s) who own or have control over 5% or more of the Bank's share capital as at 31st December 2015 are:

- Kuwait Investment Authority 18.3%
- Alghanim Industries 14.0%
- Alghanim Trading Company 13.2%
- Behbehani Investment Company 6.1%

The Bank also confirms that, to the Bank's knowledge, there is no arrangement which may at a subsequent date result in a change of control threat.

Remuneration Policy

Philosophy

The Bank's Executive Remuneration is designed to aid in attracting, motivating and retaining leadership talent responsible for the strategic growth of the Bank and ensuring a sustained shareholder value. Executive remuneration is intended to be based on a philosophy of 'Differentiation' to establish an ethos of 'Meritocracy', create a strong alignment between business performance and executive payout as well as compliance with CBK and CMA guidelines. These fixed and variable rewards are an integral part of the Bank's total reward framework that:

- Is fully integrated into the Bank's strategic objectives and supports Bank's core values;
- Enables the attraction of the desired profiles of potential employees, retention of talent, internal mobility and differentiation based on performance; and
- Ensures the right mix of fixed and variable rewards aimed at securing fairness and equity at different levels of seniority

Salary Structure

The Bank seeks to recruit and retain staff in a way, which is externally competitive and internally fair. The Bank's remuneration policy applies consistently to all grades.

The Bank's salary structure is designed to ensure internal and external salary equity, whilst providing flexibility to recognise different degrees of individual performance and levels of responsibility.

Annual Merit Increment

The Bank reviews the performance of all employees annually and may award eligible employees a merit increment as agreed by the Management, effective January 1st of each calendar year.

HAY Job Evaluation

The Bank has introduced the renowned HAY Job Evaluation system that helps establish the relative worth of jobs in the organization to ensure a fair and equitable remuneration to incumbents in different positions based on a structured methodology of job evaluation.

Promotion Increment

The Bank promotes competent and experienced employees to higher positions whenever a position becomes available. The promotion shall place the employee in the grade of the new job that will warrant an increase in basic salary and a change in allowances and benefits applicable to the new position.

The Remuneration Policy is fully compliant with regulatory requirements, including application of "claw-back" regulations that allow the Bank to withhold payment of a part of the deferred compensation of key executives due to failing to meet certain performance conditions, including misconduct, negligence, misstatement, exceeding credit approval and/or risk limits, and any other dubious business practices.

Employee Benefits

The Bank provides a range of employment related benefits. An employee may be eligible for certain benefits according to the eligibility criteria and job conditions. These include both Gulf Bank products/services at preferential terms, and non-Banking benefits in line with business needs and market practice. The Bank also provides employees with a range of Bank services either free of charge or at reduced rates.

The Bank has a Shadow Equity Plan, which presents an opportunity for those executives who contribute to the Bank's success and growth to benefit from the organization's long-term growth. These shadow shares reflect the market value of the Bank's ordinary shares and will be redeemed for cash by the Bank upon vesting at a price equal to the Bank's ordinary shares market price at vesting date, in accordance with the plan's terms and provided all the conditions of the plan are met.

The shadow shares are not constitutional ordinary shares of Gulf Bank and, as such, they do not entitle the holder to any right to ownership or equity of the Bank.

Expenses incurred* for key management including executive management:

(KD Thousands)	**2015**		2014	
Total value of remuneration awards for the current fiscal year	**Unrestricted**	**Deferred**	Unrestricted	Deferred
Fixed remuneration				
- Cash - based	**4,595**	**-**	3,648	-
- Shares and share-linked instruments	**-**	**-**	-	-
-Other	**-**	**-**	-	-
Variable remuneration				
- Cash - based	**2,410**	**-**	2,209	-
- Shares and share-linked instruments	**463**	**410**	452	360
- Other	**330**	**-**	223	-

(KD Thousands)	**2015**		2014	
Employee categories	**Number of employees in the category**	**Expenses incurred**	Number of employees in the category	Expenses incurred
Senior Management	**13**	**4,826**	11	4,247
Material risk takers	**8**	**1,193**	6	827
Risk Management	**4**	**375**	3	494
Financial and Control functions	**11**	**1,814**	8	1,324

* Includes actual cash paid plus estimated variable compensation

All personnel included in each of the above categories form part of the management team at the Bank. The management team encompasses all key decision makers and their assistants.

The key management and executive team includes CEO, Dy CEO, CFO, CRO, Chief Legal Counsel and also other business heads. Material risk takers are those executives whose activities have a material impact on the risk profile of the group.

The total expenses incurred for the five senior executives was KD 2,913 thousand (2014: KD 2,874 thousand).The total expenses incurred for the CEO, Deputy CEO, CFO, CRO and CIA was KD 2,519 thousand (2014: KD 2,425 thousand).

Disclosure and Transparency

Gulf Bank aims to provide equity through the administration of its remuneration policy. Gulf Bank Executive Remuneration is designed to aid in the attraction, motivation and retention of leadership talent responsible for the strategic growth of the bank and ensuring a sustained shareholder value.

Executive remuneration is based on a philosophy of 'Differentiation' to establish an ethos of meritocracy, create a strong alignment between business performance and executive payout as well as compliance with CBK and CMA guidelines.

Gulf Bank shall in general have a variable compensation based on 'At-Risk' approach for the senior executives whereby enough incentives are built-in to encourage outstanding performance not withstanding that the variable remuneration pool encourages strengthening the capital base of the Bank yet prevents said executives from taking undue and excessive risks.

Remuneration policy is based on ensuring that the disclosure of payouts are clear, comprehensive and timely to facilitate constructive engagement of all stakeholders and allow them to assess performance against clear targets, achievement of bank's strategy and risk posture. The Nomination and Remuneration Committee nominated by the Board is:

- Typically responsible for oversight of remuneration granting policy including establishment of performance reward system
- Assessing the practices by which the remuneration is granted against future income of uncertain timing and potential risks
- To ensure remuneration attracts and maintains employees of proven experience, knowledge, skills, and expertise necessary to perform and achieve Bank's strategic goals

Moreover, the Bank's remuneration policy is based on the premise that its annual report covers qualitative and quantitative information about its remuneration practices and policies such as appropriate oversight; approval of method of payment; direct linkage to overall performance; sufficient deferral and claw-back mechanism and risk adjustment methodologies.

Insider Information

In line with the instructions issued by the regulatory authorities, Gulf Bank initiated clear board-approved policies and procedures on dealing with insider information preventing employees, members of the Board and the Executive Management from exploiting such information for personal benefit. These procedures have been circulated to everyone, and a declaration has been obtained from Gulf Bank insiders acknowledging that they are aware of the legal implications and the penalties against misuse of such insider information.

Board meetings and attendance

During 2015, the Board of Directors met regularly and Directors received information between meetings about the Bank's activity and that of its Management Committees. The Board and Board Committees convened during 2015, as follows:

	Board Meeting	Audit Committee	Corporate Governance Committee	Risk Committee	Nomination and Remuneration Committee
Number of Meetings in 2015	6	7	2	4	2
Omar Kutayba Alghanim	6	*	1	*	*
Ali Morad Behbehani	4	*	*	2	*
Bader Abdulmohsen El-Jeaan	4	*	*	4	2
Bader Nasser Al-Kharafi	5	*	1	3	*
Jassem Mustafa Boodai	6	*	*	*	2
Khalid Faisal Ali Al Mutawa**	4	4	*	*	*
Sayer Bader Al Sayer	3	*	2	*	*
Omar Hamad Yousef Al Essa	6	7	*	*	1
Farouk Ali Bastaki	4	6	*	*	*

* Not a member of the Committee.

**New Board Member joined the Board in March 2015 to replace Mr. Ahmad Al Hamad.

The minutes of each meeting are part of the Bank's records.

All Board Committees have submitted quarterly updates on their respective activity to the Chairman. The Board of Directors was assessed by an external agency and rated relatively to their peers.

Whistle Blowing Policy

In compliance with CBK instructions and further to the Bank's commitment to the shareholders and third parties, and in pursuance of the highest ethical standards, and business integrity requirements, the Bank has set forth a "Whistle Blowing Policy". The policy encourages positive communication between the Board, Executive Management and staff for the purpose of achieving and maintaining the highest standards of professionalism, transparency and integrity. The policy aims at detecting any practices that fall out of the scope of laws, regulations and sound professional behavior, so as to be remedied on a timely basis. It also provides confidentiality and ensures full protection to the whistle blower.

Board Affairs Division

The Board Affairs Division oversees and manages all matters related to the Board of Directors and its committees. The Division is in charge of preparing the agenda, scheduling and drafting the minutes of meetings of the Board of Directors and its committees and the Annual General Assembly of Shareholders. It also advises and updates the Board of Directors on corporate governance issues and new laws and regulations issued by the regulatory authorities with regard to corporate governance.

The Division has a liaison and coordination role between the Board of Directors and Executive Management in matters related to the implementation of the policies and resolutions approved by the Board.

The Board Affairs Division further coordinates with the Disclosure and Compliance Unit in order to ensure compliance with the relevant instructions issued by the CBK, Capital Market Authority (CMA), Kuwait Stock Exchange and Ministry of Commerce.

The Board Affairs Division is also in charge of the shareholders' and investors' affairs. It addresses and responds to all queries from the shareholders and investors and liaises between the Bank and the community where it operates.

Compliance and Disclosure Unit

The Unit supervises the compliance process to ensure that all regulations and instructions issued by regulators such as CBK, CMA, KSE, and the Ministry of Commerce. The Unit informs the Board in advance about the degree of conformity of their planned resolutions with the regulatory authorities' instructions.

The Unit also enhances the Bank's compliance, at all times, with the organizational and legal/regulatory requirements related to disclosure and transparency, and ensures that all shareholders, investors and stakeholders are provided, in an accurate and timely manner, with all material information related to the Bank, including its financial position, performance, business results, any changes in the ownership or management of the Bank, and any other matters required under the rules and regulations issued in this regard, mainly under CBK Instructions on Corporate Governance related to Disclosure and Transparency, in addition to Law No. 7 of 2010 on the Establishment of Capital Markets Authority and the Regulating the Securities Activity.

Customer Complaints Unit

Keen to find proper solutions for the complaints raised by customers (individuals), Gulf Bank set up an independent unit specialized in handling customer complaints in 2011, reporting directly to the CEO. This Unit has been established with its own policies and procedures, along with the mechanism needed to handle customer complaints in accordance with CBK instructions issued in this regard. Gulf Bank has successfully enhanced customer satisfaction, trust and loyalty thanks to the transparency and trust adopted by this Unit.

Adequacy of Internal Control Systems

The Board of Directors, further to CBK Rules and Instructions issued in June 2012, declares and certifies that it has reviewed the internal control systems in place and confirmed their efficiency and adequacy. Internal controls form an integral part of the Bank's processes in conducting its business. The Board of Directors has the overall responsibility to maintain sound internal controls and provides a broad oversight to the Executive Management. Executive Management is responsible for the establishment and maintenance of Internal Control Systems. Executive Management is also responsible for the ongoing improvements of Internal Controls through constant evaluation, to meet the emerging needs and activities of the Bank and to ensure that the Bank is in compliance with applicable regulations and policies.

The key elements which ensure the adequacy of Internal Control systems in the Bank, include the following:

- Existence of appropriate Board approved policies and Executive Management approved procedures, which are subject to regular reviews and updates to validate applicability and sufficiency.

- Existence of several Board level and Management level Committees (such as Board Risk Committee, Board Audit Committee, Board Corporate Governance Committee, Board Nomination and Remuneration Committee, ALCO, Credit Committees, etc) which provide governance and oversight in all significant areas. They also ensure that key objectives are monitored and supervised.

- Existence of specialized control functions such as Compliance, Risk Management and Internal Audit. Processes consistent with the "Three lines of Defense" principle are in place to ensure weaknesses are identified and reported to Executive Management and the Board.

- Existence of independent review process by Internal Audit Group, which assesses the Bank's Operations, processes and systems, as per the approved annual Audit Plan. Internal Audit focuses on the areas of significant risk, verifies and assesses the adequacy and effectiveness of the internal control systems and reports significant issues and control gaps with the Management agreed actions, to the Board Audit Committee and the Board of Directors.

- Existence of independent control reviews of financial accounting records and statements by External Auditors as per the requirements of local laws and regulations, and submission of the audit reports in the form of Management letters to Board of Directors and CBK.

- Existence of a comprehensive independent Internal Control Review process, performed annually through an international audit firm (other than the external auditors), as per the requirement of CBK, which identifies and reports any internal control deficiencies along with a Management action plan, to address such issues.

- The Board Audit Committee provides an oversight and strengthens the independence of Internal and External auditors. The Committee reviews the Internal Audit reports, Management Letters and Internal Control Review reports and monitors periodically the status of such issues through a sound follow-up process to ensure appropriate implementation of controls in addressing identified issues.

The Bank also conducts an Internal Control Review by an external audit firm, as required by CBK regulations. The latest report was issued in June 2015 and included no significant findings (Annexure-A). A summary of ICR report for the year ended 31 Dec 2014 was presented to the Board of Directors during 2015 and was reviewed and approved by the latter.

Annexure-A

Report on Accounting and Other Records and Internal Control Systems

28 June 2015

PricewaterhouseCoopers
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The Board of Directors
Gulf Bank K.S.C.
State of Kuwait

Dear Sirs,

In accordance with our letter of engagement dated 22 March 2015, we have examined your accounting and other records and have also examined and evaluated the internal control systems, which were applied during the year ended 31 December 2014 with regard to the following areas of your bank:

I. Corporate Governance
2. Consumer Banking
3. Corporate Banking
4. Treasury
5. Investments
6. International Banking
7. Anti-money Laundering
8. Risk Management
9. Operations
10. Information Technology
11. Human Resources
12. Finance
13. Legal Affairs
14. Facilities Management
15. Customer Complaints
16. Internal Audit
17. Compliance
18. Preservation of Confidentiality of Customer Information and Data
19. Securities Activities

The examination was conducted in accordance with International Auditing Standards and the requirements stated in the:

- Central Bank of Kuwait's (CBK) General Guidelines Manual dated 14 November 1996;
- CBK instructions on Corporate Governance (Instruction No. 2/BS/IBS/284/2012) dated 20 June 2012, including Pillar 4 of the instructions related to Risk Management and Internal Control Systems;
- CBK Instructions No. (2/BS/IBS/308/2013) dated 23 July 2013 on Combating Money Laundering Operations and the Financing of Terrorism;

- CBK Instructions No. (2/BS/IBS/278/2012) concerning "Preservation of the Confidentiality of their Customer Information and Data" issued on 9 February 2012.

The report includes the follow-up on observations raised in the previous internal controls review report for the year ended 31 December 2013 and our opinion on the adequacy of the actions taken by the bank in that regard.

As members of the Board of Directors of Gulf Bank K.S.C, you are responsible for establishing and maintaining adequate accounting and other records and internal control systems. In fulfilling that responsibility, estimates and judgments must be made to assess the expected benefits and related costs of management information and of control procedures. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that risks are properly monitored and evaluated, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent manner.

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

In our opinion, having regard to the nature and scale of its business, during the year ended 31 December 2014, the accounting and other records and internal control systems in the areas examined by us were established and maintained satisfactorily in accordance with the requirements of the General Guidelines Manual issued by the Central Bank of Kuwait on dated 14 November 1996; CBK instructions on Corporate Governance (Instruction No. 2/BS/IBS/284/2012) dated on 20 June 2012 including Pillar 4 of the instructions related to Risk Management and Internal Control Systems; CBK Instructions No. (2/BS/IBS/308/2013) issued on 23 July 2013 on Combating Money Laundering Operations and the Financing of Terrorism; CBK Instructions No. (2/BS/IBS/278/2012) concerning Preservation of the Confidentiality of their Customer Information and Data dated 9 February 2012 and in accordance with International Auditing Standards, with the exception of the matters set out in Appendices 3 and 4 attached to this report. These exceptions do not have a material impact on the fairness of the financial statements for the year ended 31 December 2014.

Furthermore, the Bank has established a process of quarterly follow -up on reported exceptions to ensure that corrective actions are being taken to rectify the exceptions identified during the course of the Internal Control Review.

Yours faithfully,

Khalid Ebrahim Al-Shatti
License No. 175A
PricewaterhouseCoopers (Al-Shatti and Co.)

28 June 2015

Capital Adequacy

Capital Adequacy Ratio (CAR)

In accordance with CBK guidelines (CBK circular No.2/RB,RBA/336/2014),the Kuwaiti banks must maintain a minimum capital adequacy ratio of 12% by 2014 and 12.5%,13% by 2015 and 2016 respectively. Tier1 capital comprising Common Equity Tier1 (CET1) and Additional Tier1 (AT1) capital. CET1 comprising paid up share capital and reserves including property revaluation reserve and fair valuation reserve less treasury shares and Tier2 comprising allowed portion of general provisions (1.25% of the risk weighted assets). Gulf Bank has been identified as a Domestic Systemically Important bank(D-SIB) and is required to hold additional Common Equity Tier1 capital (CET1) of 1%.The additional requirement is to be met by 2016.

The table below details the regulatory capital for Gulf Bank (the "Bank") as at 31 December 2015 and 31 December 2014:

(KD Million)

Composition of Capital	31-Dec-15	31-Dec-14	Variance
Common Equity Tier 1 Capital : instruments and reserves			
Directly issued qualifying common share capital plus stock surplus	457.8	457.8	(0.0)
Retained earnings	94.0	54.9	39.1
Accumulated other comprehensive income (and other reserves)	57.2	65.1	(7.9)
Common Equity Tier 1 capital before regulatory adjustments	**609.0**	577.8	31.2
Common Equity Tier 1 Capital : regulatory adjustments	-	-	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	(70.7)	(66.5)	(4.2)
Total regulatory adjustments to Common equity Tier 1	**(70.7)**	(66.5)	(4.2)
Common Equity Tier 1 capital (CET1)	**538.3**	511.3	27.0
Additional Tier 1 capital : instruments	-	-	-
Additional Tier 1 capital : regulatory adjustments	-	-	-
Additional Tier 1 capital (AT1)	-	-	-
Tier 1 capital (T1=CET1+AT1)	**538.3**	511.3	27.0
Tier 2 capital : instruments and provisions			
General provisions included in Tier 2 capital	**44.9**	42.9	2.0
Tier 2 capital before regulatory adjustments	**44.9**	42.9	2.0
Tier 2 capital : regulatory adjustments	-	-	-
Tier 2 capital	**44.9**	42.9	2.0
Total capital (TC= T1+T2)	**583.2**	554.2	29.0
Total risk weighted assets	**3,748.3**	3,587.7	160.6

			(KD Million)
	31-Dec-15	31-Dec-14	Variance
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk weighted assets)	**14.4%**	14.3%	0.1%
Tier 1 (as a percentage of risk weighted assets)	**14.4%**	14.3%	0.1%
Total capital (as a percentage of risk weighted assets)	**15.6%**	15.4%	0.2%
Institution specific buffer requirement(minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)			
of which : capital conservation buffer requirement	2.5%	2.5%	0.0%
of which : bank specific countercyclical buffer requirement	-	-	-
of which : D-SIB buffer requirement	-	-	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.5%	2.5%	0.0%
National minima	-	-	-
National Common Equity Tier 1 minimum ratio	9.0%	8.5%	0.5%
National Tier 1 minimum ratio	10.5%	10.0%	0.5%
National total capital minimum ratio excluding CCY and DSIB buffers	12.5%	12.0%	0.5%
Amounts below the thresholds for deduction (before risk weighting)	-	-	-
Non-significant investments in the capital of other financials	-	-	-
Significant investments in the common stock of financials	-	-	-
Mortgage servicing rights(net of related tax liability)	-	-	-
Applicable caps on the inclusion of provisions in Tier 2	-	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-	-
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
Cap on inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

The Bank's regulatory capital as at 31 December 2015 is **KD 583.2 million** (2014: KD 554.2 million), translating to a capital adequacy ratio of 15.6% (2014: 15.4%).

Regulatory Capital Requirement

The Bank's capital management policy is to ensure and maintain an adequate capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of loan growth expectations for each business group, expected growth in off-balance-sheet facilities and trading (i.e. market risk) activities, future sources and uses of funds, and the Bank's future dividend policy. Capital is allocated to different business groups and stress testing is done to ensure that the Bank's internal capital targets are consistent with the approved risk appetite of the Bank.

The Bank seeks to maintain a prudent balance between the different components of its capital, particularly the relative mix of Tier 1 and Tier 2 capital.

The following table below details the risk-weighted exposures, regulatory capital requirements and regulatory capital ratios for the Bank as at 31 December 2015 and 31 December 2014:

(KD Million)

Credit Risk Exposures	**31-Dec-15**	31-Dec-14	Variance
Credit risk weighted assets	**3,591.6**	3,433.1	158.5
Less: Excess general provision	**(139.7)**	(133.8)	(5.9)
Net credit risk weighted exposures	**3,451.9**	3,299.3	152.6
Market risk weighted assets	**1.7**	2.2	(0.5)
Operational risk weighted exposures	**294.6**	286.2	8.4
Total Risk Weighted exposures	**3,748.2**	3,587.7	160.5

Regulatory Capital Requirements *(KD Million)*

Credit Risk	**31-Dec-15**	31-Dec-14	Variance
Cash items	**-**	-	-
Claims on sovereigns	**-**	-	-
Claims on public sector entities (PSEs)	**4.7**	4.9	(0.2)
Claims on banks	**22.9**	20.1	2.8
Claims on corporates	**223.3**	180.3	43.0
Credit derivative claims (protection seller)	**2.7**	2.5	0.2
Regulatory retail exposures	**137.7**	118.2	19.5
Past due exposures	**4.7**	6.2	(1.5)
Other exposures	**53.0**	79.8	(26.8)
Credit risk capital requirement	**448.9**	412.0	36.9
Less : Excess general provision	**(17.5)**	(16.1)	(1.4)
Net Credit Risk Capital Requirement	**431.5**	395.9	35.6

(KD Million)

Market Risk	**31-Dec-15**	31-Dec-14	Variance
Interest rate position risk	**-**	-	-
Foreign exchange risk	**0.2**	0.3	(0.1)
Capital requirement for market risk	**0.2**	0.3	(0.1)
Capital requirement for operational risk	**36.8**	34.3	2.5
TOTAL CAPITAL REQUIREMENT	**468.5**	430.5	38.0

The total risk-weighted exposure as at 31 December 2015 is **KD 3,748.2 million** (2014: KD 3,587.7 million), requiring a regulatory capital at **12.5%** (2014: 12%), of **KD 468.5 million** (2014: KD 430.5 million).

Risk Management

Organization of Governance and Risk Management

The Risk Management Policy document, approved by the Board on 8th July 2015 provides the necessary information on risk management philosophy, objectives, management and organization structure. The risk management policies and procedures are constantly reviewed and where necessary, modified and enhanced to reflect changes in products and the market. Enterprise Risk Management (ERM) System encompassing all areas of Risk Management further strengthens the Risk Management system in the Bank.

The Bank has constituted a Board Risk Committee (BRC) to enhance the effectiveness of the Board's monitoring of risk issues facing the Bank and submit periodic reports to the Board as appropriate. The BRC provides oversight of the Bank's Risk Management on a holistic basis and ensure the autonomy and independence of the Risk function at the Bank. BRC reviews high risk credit which are more than 10% of the Bank's capital or as deemed appropriate by the Committee. The Risk Management of the Bank provides regular reports to the BRC so that the Committee members are well informed of all risk taking activities of the Bank. The Board of Directors has delegated all authority (except credit facilities) to the Board of Directors and the credit decisions to ECC within CBK guidelines.

The organisation of risk management, roles and responsibilities of the various committees are included in Note 24 of the financial statements.

Corporate Governance

Gulf Bank under the leadership of its Chairman and Board of Directors has implemented the new rules on Corporate Governance 2012 as announced by CBK. The Bank also endeavors to adopt global best practices which are vital to its financial and communal well being. The Bank has constituted four major committees - Board Risk Committee, Board Audit Committee, Board Corporate Governance Committee and Board Nomination and Remuneration Committee for implementation of Corporate Governance at the Bank. Broad roles and responsibilities of the Committees are separately covered in Note 24 to the financial statements.

Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lending, trade finance and treasury activities. The Bank has comprehensive policies and procedures to control and monitor all such risks. Note 24 (A) to the financial statements explains credit risk in detail and also outlines Bank's policy and framework to manage it.

The Bank uses the Moody's Risk Rating system for risk rating its credit exposures. Note 24 to the financial statements explains Bank's internal grading process in detail.

Risk Appetite and Portfolio Strategy

The Bank maintains a strong risk management culture and manage the risk/reward relationship within and across each of the Bank's major risk based lines of business. The Bank continuously reviews its risk management policies and practices to ensure that the Bank is not subject to large asset valuation and earnings volatility.

The Bank has a Risk Appetite document, which enables close monitoring of various risks on an ongoing basis against the internally set thresholds. On a quarterly basis, the risk dashboard is presented and discussed with the Board of Directors.

The Risk Appetite document is periodically reviewed and amended in line with market and economic factors. The Bank has a detailed credit policy approved by the Board and periodically revised in response to changes in risk and market conditions.

The Credit Policy Manual sets out the guiding principles and credit risk philosophy governing extension of credit to provide a structure around which the banking business must be based and ensure a consistent approach to all its lending activities. It also defines the policy on acceptable country credit risk exposure, and evaluating and controlling cross border risk. The individual country limits are approved and reviewed by the Executive Credit Committee (ECC) which is the highest credit approving committee delegated by the Board of Directors within CBK guidelines.

The Bank classifies its exposure as per North American Industry Classification System (NAICS) Code. Such classification is in addition to the classification based on purpose codes as defined by CBK.

This allows the Bank to classify its portfolio into various sub-segments so as to facilitate analysis and improve management of concentrations, if any. The Bank has also introduced a Portfolio Risk Rating process through which the overall portfolio quality is assessed at regular intervals and deliberated upon in the Executive Risk Committee (ERC). Portfolio Risk Rating has been extended up to the relationship manager level and risk measures are introduced for business performance appraisal. This will lead to further improvement in asset quality.

The Bank has also introduced a RAROC (Risk Adjusted Return on Capital) model as a pricing tool for credit facilities granted to corporate clients. It is based on the premise that pricing is to be aligned with the risk embedded in the proposal. The model helps to make informed decisions, create shareholder value and allow proper pricing to Bank's clients. The RAROC Model has been fully automated and integrated into the decision making process. The Bank has introduced the RAROC in the Balanced Scorecard of the Business Heads to measure the risk adjusted returns across the various business groups.

The Internal Capital Adequacy Assessment Process ('ICAAP')

The Internal Capital Adequacy Assessment Process ('ICAAP') and the Risk Appetite and Portfolio Strategy guidelines are the two pillars to identify, measure, aggregate and monitor the Bank's risks and maintain an appropriate level of internal capital in relation to the Bank's overall risk profile and business plan.

The Bank carries out an assessment of material risks such as Credit, Market, Operational, Credit Concentration (sector and name concentration) risk, Interest Rate risk, Liquidity risk, Legal risk, Reputational risk etc, as part of the ICAAP process. The Bank also runs a Stress Testing analysis to measure the impact on the value of collateral, income streams, downgrades of lending portfolio etc. over a one year horizon for three plausible stress scenarios (mild, medium and severe).

The capital allocation for each of the risks and stress testing results are reviewed and discussed at the Board Risk Committee meetings to ensure sufficient capital is allocated for each risk, keeping in view both macro and micro economic factors.

The Capital Adequacy Ratio under Pillar 1 (Basel III) as on 31st December 2015 was 15.56 % and the corresponding Capital Adequacy Ratio under ICAAP was 14.36%.

Market Risk

Market risk is the risk that movements in market rates, including currency rates, interest rates and credit spreads will reduce the Bank's income or the value of its portfolios.

The Bank is exposed to market risk through its trading activities, which are carried out both for customers and on a proprietary basis. The treasury group manages the Bank's foreign exchange and interest rate risk. The Investments group monitors the equity market risk for proprietary investment portfolio. Individual dealer position and trading limits are set for each portfolio, product and risk types to ensure that the Bank's market risk is managed within the overall CBK regulatory guidelines and the market risk profile set by Asset and Liability Committee (ALCO). Interest rate, currency and liquidity mismatches are monitored constantly by the treasury group and regularly reviewed by ALCO. The degrees of mismatch permitted by ALCO are minimal.

The Bank's primary treasury business involves foreign exchange transactions on behalf of corporate customers. Customer transactions are undertaken on a back-to-back basis. The treasury group undertakes a limited amount of proprietary foreign exchange trading, mainly in the G7 currencies but also in the regional and other minor currencies. The risks are limited since the open foreign exchange positions are very small and in strict adherence to the open currency position limits set by CBK. The Bank does not trade in fixed income or equity securities.

Money Market trading is restricted to meeting the funding requirements of the Bank's domestic and international foreign currency assets and investing any surpluses. As a matter of general policy, these positions do not contain any material element of interest rate risk.

Bank's treasury group also maintains a portfolio of Kuwait Government treasury bonds and CBK bonds to meet CBK statutory liquidity requirements as well as a portfolio of mostly GCC sovereign bonds denominated in USD to manage surplus liquidity.

The Kuwaiti Dinar is the Bank's functional currency and almost all of the Bank's assets and liabilities are denominated in either KD or USD and are match funded in the same currency. As a result, there is limited structural cross currency foreign exchange exposure.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Note 24 (C) to the financial statements explains currency risk in detail.

Interest Rate Risk (Banking Book)

Interest rate risk for the Bank arises from the possibility that changes in the interest rates will affect the fair value or future cash flows of the financial instruments. Note 24 (B) to the financial statements explains interest rate risk in detail and outlines Bank's policy and framework to manage it.

Equity Risk (Banking Book)

The Investments group is responsible for managing the proprietary investment securities portfolio in the Banking (i.e. non-trading) book. CBK sets a maximum limit of 50% of the Bank's capital for investment in securities.

In accordance with IAS 39, the equity investments are classified as 'available-for-sale'. The accounting classifications and fair value measurements are disclosed in the significant accounting policies Note to the financials. The types and accounting classifications of investments are disclosed in Note 13 to the financial statements.

Liquidity Risk

Liquidity risk is the risk arising from the inability of the Bank to meet its obligations on time without incurring unacceptable losses. Liquidity risk arises in the general funding of a bank's activities. The Bank has maintained a balance of liquid assets over and above CBK's minimum requirements. Note 24 (D) to the financial statements explains liquidity risk in detail and also outlines Bank's policy and framework to manage it.

Operational Risk

Operational risk is the risk of loss arising out of policy or procedural breaches or process breakdown. It also includes fraud, unauthorised activities, errors, omissions, inefficiencies, system failures and external events. Note 24 (E) to the financial statements explains operational risk in detail and outlines the Bank's policy and framework to manage it.

The Bank's Operational Risk Management framework is intended to identify, assess, monitor, mitigate and control operational risk effectively and consistently and in the long run, to ensure that the Bank gets compensated for the risks assumed.

The Bank's Operational Risk Management framework encompasses Risk and Control Self Assessment (RCSA) and Key Risk Indicators (KRIs). The framework is being implemented in each business unit of the Bank. Besides, the Bank has an Incident reporting mechanism, whereby any deviations from the standard operation are internally reported and appropriate remedial measures are implemented in a timely manner. Also, the Bank collects internal operational loss information. The collected data enables the Bank to put in place appropriate remedial measures to prevent future losses. The Bank uses the SunGard Operational Risk solution for the purpose of monitoring operational risk.

Credit Risk Exposure

The summary of the Bank's gross credit risk exposure (before credit risk mitigation) as of 31 December 2015 and 31 December 2014 are shown below. The unfunded (i.e. off-balance-sheet) amounts represent the gross credit risk exposure before the credit conversion factor ('CCF') adjustments, since the gross amounts reflect the Bank's ultimate credit risk in the event of default by the counterparties.

(KD Million)

Gross Credit Risk Exposure	**31-Dec-15**	31-Dec-14	Variance
Funded Gross Credit Exposure	**5,616.6**	5,497.4	119.2
Unfunded Gross Credit Exposure	**1,577.1**	1,492.9	84.2
Total Gross Credit Risk Exposure	**7,193.7**	6,990.3	203.4

Funded gross credit risk exposure for 2015 is **78.1%** (2014: 78.6%) of the total gross credit risk exposure.

Gross credit risk exposure divided between "funded" and "unfunded" on the basis of standard portfolio is detailed in the credit risk exposure section.

Average Credit Risk Exposure

Average credit risk exposure as at 31 December 2015 and 31 December 2014 are detailed below:

Funded and Unfunded credit facilities (Average) as at 31 December

	2015			2014		
(KD Thousands)	**Funded**	**Unfunded**	**Total**	Funded	Unfunded	Total
Cash items	**49,328**	**-**	**49,328**	57,807	-	57,807
Claims on sovereigns	**1,095,528**	**31**	**1,095,559**	1,047,565	16	1,047,581
Claims on public sector entities (PSEs)	**147,990**	**1,223**	**149,213**	119,859	270	120,129
Claims on banks	**398,563**	**276,147**	**674,710**	394,845	266,305	661,150
Claims on corporates	**1,849,698**	**1,124,212**	**2,973,910**	1,579,332	1,011,853	2,591,185
Credit derivative claims (Protection seller)	**-**	**88,653**	**88,653**	-	99,784	99,784
Retail exposures	**1,162,462**	**41,202**	**1,203,664**	1,001,255	44,980	1,046,235
Past due exposures	**105,960**	**346**	**106,306**	191,048	1,308	192,356
Other exposures	**680,665**	**9,143**	**689,808**	999,893	11,127	1,011,020
Total	**5,490,194**	**1,540,957**	**7,031,151**	5,391,604	1,435,643	6,827,247

Average funded gross credit risk exposure for 2015 is **78.08%** (2014: 78.97%) of the total average gross credit risk exposure. The full year average amounts are calculated using a 13-point average of the month end figures from 31 December 2014 to 31 December 2015 inclusive.

Geographical Distribution of Gross Credit Risk Exposures

The geographical distribution of the total gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio as at 31 December 2015 and 31 December 2014 are shown below. The geographical distribution is based on the primary purpose of the credit facilities.

Total gross credit risk exposures as at 31 December 2015 - Region wise

(KD Thousands)	**Kuwait**	**Other Middle East**	**Western Europe**	**USA and Canada**	**Asia Pacific**	**Rest of World**	**Total**
Cash items	**62,131**	**-**	**-**	**-**	**-**	**-**	**62,131**
Claims on sovereigns	**1,100,753**	**62,781**	**-**	**-**	**-**	**-**	**1,163,534**
Claims on public sector entities (PSEs)	**127,555**	**40,559**	**-**	**-**	**5,084**	**-**	**173,198**
Claims on banks	**20,261**	**265,855**	**205,043**	**37,697**	**228,614**	**554**	**758,024**
Claims on corporates	**2,691,802**	**235,730**	**6,551**	**9,870**	**99,926**	**-**	**3,043,879**
Credit derivative claims (Protection seller)	**-**	**89,532**	**-**	**-**	**-**	**-**	**89,532**
Retail exposures	**1,259,473**	**165**	**687**	**217**	**293**	**-**	**1,260,835**
Past due exposures	**89,732**	**-**	**-**	**-**	**-**	**-**	**89,732**
Other exposures	**544,810**	**4,226**	**774**	**2,879**	**-**	**167**	**552,856**
Total	**5,896,517**	**698,848**	**213,055**	**50,663**	**333,917**	**721**	**7,193,721**
Percentage of gross credit risk exposure by geographical region	**82.0%**	**9.7%**	**3.0%**	**0.7%**	**4.6%**	**0.0%**	**100.0%**

Total gross credit risk exposures as at 31 December 2014 - Region wise

(KD Thousands)	Kuwait	Other Middle East	Western Europe	USA and Canada	Asia Pacific	Rest of World	Total
Cash items	49,511	-	-	-	-	-	49,511
Claims on sovereigns	1,112,077	20,869	-	-	-	-	1,132,946
Claims on public sector entities (PSEs)	85,881	38,956	-	-	21,155	-	145,992
Claims on banks	9,576	269,278	150,686	22,381	171,805	545	624,271
Claims on corporates	2,397,281	158,002	-	7,313	121,897	-	2,684,493
Credit derivative claims (Protection seller)	-	86,376	-	-	-	-	86,376
Retail exposures	1,136,785	226	586	242	473	-	1,138,312
Past due exposures	111,266	-	-	-	-	-	111,266
Other exposures	1,006,104	3,882	1,200	5,488	-	476	1,017,150
Total	5,908,481	577,589	152,472	35,424	315,330	1,021	6,990,317
Percentage of gross credit risk exposure by geographical region	84.5%	8.3%	2.2%	0.5%	4.5%	0.0%	100.0%

The majority of the Bank's credit exposure is in Kuwait which comprises **KD 5.90 billion** (82% of total gross credit exposure) at 31 December 2015, compared with KD 5.91 billion (84.5% of total gross credit exposure) at 31 December 2014.

Geographical Distribution of Average Credit Risk Exposures

The average gross credit risk exposure for 2015 and 2014, broken down by geographical region and standard credit risk portfolio are shown below:

Total gross credit risk exposures as at 31 December 2015 (Average) - Region wise

(KD Thousands)	Kuwait	Other Middle East	Western Europe	USA and Canada	Asia Pacific	Rest of World	Total
Cash items	**49,328**	**-**	**-**	**-**	**-**	**-**	**49,328**
Claims on sovereigns	**1,044,684**	**50,643**	**-**	**232**	**-**	**-**	**1,095,559**
Claims on public sector entities (PSEs)	**99,075**	**40,631**	**-**	**-**	**9,507**	**-**	**149,213**
Claims on banks	**19,168**	**214,695**	**174,891**	**65,700**	**199,707**	**549**	**674,710**
Claims on corporates	**2,705,593**	**140,256**	**4,510**	**5,220**	**118,331**	**-**	**2,973,910**
Credit derivative claims (Protection seller)	**6,878**	**81,775**	**-**	**-**	**-**	**-**	**88,653**
Regulatory retail exposures	**1,201,663**	**209**	**919**	**233**	**442**	**198**	**1,203,664**
Past due exposures	**106,306**	**-**	**-**	**-**	**-**	**-**	**106,306**
Other exposures	**677,023**	**4,403**	**1,021**	**7,035**	**-**	**326**	**689,808**
Total	**5,909,718**	**532,612**	**181,341**	**78,420**	**327,987**	**1,073**	**7,031,151**
Percentage of gross credit risk exposure by geographical region	**84.1%**	**7.5%**	**2.6%**	**1.1%**	**4.7%**	**0.0%**	**100%**

Total gross credit risk exposures as at 31 December 2014 (Average) - Region wise

(KD Thousands)	Kuwait	Other Middle East	Western Europe	USA and Canada	Asia Pacific	Rest of World	Total
Cash items	57,807	-	-	-	-	-	57,807
Claims on sovereigns	1,024,798	22,235	-	-	548	-	1,047,581
Claims on public sector entities (PSEs)	62,090	40,067	-	-	17,972	-	120,129
Claims on banks	15,518	193,914	193,755	52,579	204,871	513	661,150
Claims on corporates	2,380,748	109,500	231	4,942	95,712	52	2,591,185
Credit derivative claims (Protection seller)	-	99,784	-	-	-	-	99,784
Regulatory retail exposures	1,044,777	186	572	245	265	190	1,046,235
Past due exposures	192,356	-	-	-	-	-	192,356
Other exposures	994,100	4,760	694	4,944	-	6,522	1,011,020
Total	5,772,194	470,446	195,252	62,710	319,368	7,277	6,827,247
Percentage of gross credit risk exposure by geographical region	84.5%	6.9%	2.9%	0.9%	4.7%	0.1%	100%

Industry Segment Distribution of Gross Credit Risk Exposures

The industry segment split of the gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio, as at 31 December 2015 and 31 December 2014 are shown below:

Total gross credit risk exposures as at 31 December 2015 - Industry wise

(KD Thousands)	**Personal**	**Financial**	**Trade and commerce**	**Crude oil and gas**	**Constru-ction**	**Manufac-turing**	**Real Estate**	**Other Services**	**Total**
Cash items	**-**	**62,131**	**-**	**-**	**-**	**-**	**-**	**-**	**62,131**
Claims on sovereigns	**-**	**233,907**	**-**	**-**	**35**	**-**	**-**	**929,592**	**1,163,534**
Claims on public sector entities (PSEs)	**-**	**-**	**6,785**	**84,024**	**-**	**-**	**-**	**82,389**	**173,198**
Claims on banks	**-**	**660,595**	**4,129**	**40,897**	**13,805**	**62**	**2,076**	**36,460**	**758,024**
Claims on corporate	**2,540**	**360,083**	**442,675**	**88,100**	**945,479**	**354,286**	**366,313**	**484,403**	**3,043,879**
Credit derivative claims (Protection seller)	**-**	**89,532**	**-**	**-**	**-**	**-**	**-**	**-**	**89,532**
Regulatory retail exposures	**1,204,057**	**-**	**22,521**	**194**	**21,957**	**4,926**	**-**	**7,180**	**1,260,835**
Past due exposures	**15,346**	**-**	**16,197**	**-**	**106**	**34**	**50,985**	**7,064**	**89,732**
Other exposures	**118,094**	**6,097**	**-**	**-**	**-**	**-**	**268,203**	**160,462**	**552,856**
Total	**1,340,037**	**1,412,345**	**492,307**	**213,215**	**981,382**	**359,308**	**687,577**	**1,707,550**	**7,193,721**
Percentage of gross credit risk exposure by industry segment	**18.6%**	**19.7%**	**6.8%**	**3.0%**	**13.6%**	**5.0%**	**9.6%**	**23.7%**	**100%**

Total gross credit risk exposures as at 31 December 2014- Industry wise

(KD Thousands)	Personal	Financial	Trade and commerce	Crude oil and gas	Constru-ction	Manufac-turing	Real Estate	Other Services	Total
Cash items	-	-	-	-	-	-	-	49,511	49,511
Claims on sovereigns	-	132,318	-	-	22	-	-	1,000,606	1,132,946
Claims on public sector entities (PSEs)	-	-	8,513	41,468	-	-	-	96,011	145,992
Claims on banks	-	611,367	289	-	12,615	-	-	-	624,271
Claims on corporate	6,279	376,196	421,118	114,963	970,690	372,706	-	422,541	2,684,493
Credit derivative claims (Protection seller)	-	86,376	-	-	-	-	-	-	86,376
Regulatory retail exposures	1,078,753	139	24,244	77	23,089	3,368	-	8,642	1,138,312
Past due exposures	6,406	-	17,929	-	7,245	-	76,327	3,359	111,266
Other exposures	123,251	-	-	-	-	-	713,285	180,614	1,017,150
Total	1,214,689	1,206,396	472,093	156,508	1,013,661	376,074	789,612	1,761,284	6,990,317
Percentage of gross credit risk exposure by industry segment	17.4%	17.3%	6.8%	2.2%	14.5%	5.4%	11.3%	25.1%	100%

Residual Maturity Distribution of Gross Credit Risk Exposures

The residual maturity of the gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio, as at 31 December 2015 and 31 December 2014 is shown below:

Total gross credit risk exposures as at 31 December 2015

(KD Thousands)	**Upto 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 years**	**Over 3 years**	**Total**
Cash items	**62,131**	**-**	**-**	**-**	**-**	**-**	**62,131**
Claims on sovereigns	**573,958**	**213,012**	**172,351**	**76,379**	**99,829**	**28,005**	**1,163,534**
Claims on public sector entities (PSEs)	**125**	**4,750**	**41**	**155**	**22,204**	**145,923**	**173,198**
Claims on banks	**328,006**	**95,141**	**34,069**	**118,595**	**92,110**	**90,103**	**758,024**
Claims on corporates	**228,904**	**842,694**	**411,354**	**213,978**	**650,523**	**696,426**	**3,043,879**
Credit derivative claims (Protection seller)	**-**	**-**	**-**	**30,350**	**59,182**	**-**	**89,532**
Regulatory retail exposures	**132,544**	**16,832**	**15,119**	**21,248**	**105,482**	**969,610**	**1,260,835**
Past due exposures	**76,810**	**205**	**44**	**148**	**1,265**	**11,260**	**89,732**
Other exposures	**118,303**	**345,379**	**20,222**	**18,500**	**11,619**	**38,833**	**552,856**
Total	**1,520,781**	**1,518,013**	**653,200**	**479,353**	**1,042,214**	**1,980,160**	**7,193,721**
Percentage of gross credit risk exposure by residual maturity	**21.1%**	**21.1%**	**9.1%**	**6.7%**	**14.5%**	**27.5%**	**100.0%**

Total gross credit risk exposures as at 31 December 2014

(KD Thousands)	Upto 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Total
Cash items	49,511	-	-	-	-	-	49,511
Claims on sovereigns	476,842	416,339	135,308	74,644	22,302	7,511	1,132,946
Claims on public sector entities (PSEs)	-	3	10,015	5,520	13,312	117,142	145,992
Claims on banks	173,208	29,577	71,420	45,694	171,517	132,855	624,271
Claims on corporates	101,158	893,571	359,173	358,811	461,594	510,186	2,684,493
Credit derivative claims (Protection seller)	-	-	-	-	86,376	-	86,376
Regulatory retail exposures	142,186	18,025	15,281	17,170	101,543	844,107	1,138,312
Past due exposures	-	-	-	-	-	111,266	111,266
Other exposures	60,918	482,160	156,188	48,560	86,426	182,898	1,017,150
Total	1,003,823	1,839,675	747,385	550,399	943,070	1,905,965	6,990,317
Percentage of gross credit risk exposure by residual maturity	14.4%	26.3%	10.7%	7.9%	13.5%	27.2%	100.0%

Impaired Loans and Provisions by Industry Segments

The industry segments split of impaired loans (past due portion and balance outstanding) and the associated provisions (specific and general) as at 31 December 2015 and 31 December 2014 are shown below:

Impaired loans and provisions (by industry segment) as at 31 December 2015

	Impaired Loans (NPLs)			
(KD Thousands)	**Past due portion**	**Balance outstanding**	**Specific Provision Cash and Non cash**	**Specific Provision Cover**
Personal	**15,346**	**29,302**	**13,957**	**47.6%**
Financial	**-**	**-**	**10**	**0.0%**
Trade and commerce	**16,195**	**17,347**	**1,163**	**6.7%**
Crude oil and gas	**-**	**-**	**-**	**0.0%**
Construction	**47**	**169**	**2,791**	**1651.5%**
Manufacturing	**20**	**31**	**11**	**0.0%**
Real estate	**50,985**	**50,985**	**-**	**0.0%**
Others	**7,060**	**7,802**	**752**	**9.6%**
Total	**89,653**	**105,636**	**18,684**	**17.7%**

Impaired loans and provisions (by industry segment) as at 31 December 2014

(KD Thousands)	Impaired Loans (NPLs)			
	Past due portion	Balance outstanding	Specific Provision Cash and Non cash	Specific Provision Cover
Personal	9,125	20,560	11,435	55.6%
Financial	-	-	-	0.0%
Trade and commerce	17,878	21,137	3,313	15.7%
Crude oil and gas	-	-	-	0.0%
Construction	5,022	5,044	3,729	73.9%
Manufacturing	-	-	-	0.0%
Real estate	70,847	70,847	-	0.0%
Others	7,113	8,337	1,268	15.2%
Total	109,985	125,925	19,745	15.7%

Non-performing loans (‘NPL’s’) have decreased by KD 20.3 million in 2015 (for details refer Note 12 and 24 (A) of the financial statements and the following table).

Provision Charge by Industry Segments

The industry segments split of the provision charges and write-offs are shown below:

Provision Charges and Write - offs during 2015 (by Industry Segments)

	Charge/(Release) for impairment provision		
(KD Thousands)	**Specific Charge**	**General Charge**	**Total Charge**
Personal	**2,522**	**4,503**	**7,025**
Financial	**10**	**(1,597)**	**(1,587)**
Trade and commerce	**(48)**	**296**	**248**
Crude oil and gas	**-**	**581**	**581**
Construction	**235**	**(149)**	**86**
Manufacturing	**11**	**8,451**	**8,462**
Real estate	**20,000**	**32,079**	**52,079**
Others	**1,984**	**9,385**	**11,369**
Total	**24,714**	**53,549**	**78,263**

Provision Charges and Write - offs during 2014 (by Industry Segments)

	Charge/(Release) for impairment provision		
(KD Thousands)	Specific Charge	General Charge	Total Charge
Personal	4,485	2,744	7,229
Financial	13,963	4,815	18,778
Trade and commerce	5,236	(111)	5,125
Crude oil and gas	-	367	367
Construction	(151)	476	325
Manufacturing	-	16,490	16,490
Real estate	65,525	364	65,889
Others	1,792	(18,655)	(16,863)
Total	90,850	6,490	97,340

Specific charge mentioned above excludes **KD 25.8 million** (2014: KD 85.9 million) amounts written off during the year.

Impaired Loans and Provisions by Geographical Segments

The geographical split of impaired (i.e. non-performing) loans and the associated provisions cover as at 31 December 2015 and 31 December 2014 are shown below:

Impaired loans and provisions (by Geographical Region) as at 31 December 2015

	Impaired Loans (NPLs)			
(KD Thousands)	**Past due portion**	**Balance outstanding**	**Specific Provision Cash and Non cash**	**Specific Provision Cover**
Kuwait	**89,653**	**105,636**	**18,684**	**17.7%**
Other Middle East	**-**	**-**	**-**	**0.0%**
Western Europe	**-**	**-**	**-**	**0.0%**
USA and Canada	**-**	**-**	**-**	**0.0%**
Asia Pacific	**-**	**-**	**-**	**0.0%**
Rest of World	**-**	**-**	**-**	**0.0%**
Total	**89,653**	**105,636**	**18,684**	**17.7%**

Impaired loans and provisions (by Geographical Region) as at 31 December 2014

	Impaired Loans (NPLs)			
(KD Thousands)	Past due portion	Balance outstanding	Specific Provision Cash and Non cash	Specific Provision Cover
Kuwait	109,985	125,925	19,745	15.7%
Other Middle East	-	-	-	0.0%
Western Europe	-	-	-	0.0%
USA and Canada	-	-	-	0.0%
Asia Pacific	-	-	-	0.0%
Rest of World	-	-	-	0.0%
Total	109,985	125,925	19,745	15.7%

The total credit exposure after applying the relevant Basel III standardised approach credit conversion factor ('CCF') but before CRM as at 31 December 2015 and 31 December 2014, broken down by standard credit risk portfolio, are shown below:

Gross credit risk exposure before CRM as at 31 December 2015

	Gross credit exposure			Credit exposure before CRM			
(KD Thousands)	**Funded**	**Unfunded**	**Total**	**Funded Credit Exposure**	**Unfunded Credit After CCF**	**FX Contracts After CCF**	**Total Before CRM**
Cash items	**62,131**	**-**	**62,131**	**62,131**	**-**	**-**	**62,131**
Claims on sovereigns	**1,163,499**	**35**	**1,163,534**	**1,163,499**	**17**	**159**	**1,163,675**
Claims on PSEs	**171,516**	**1,682**	**173,198**	**171,516**	**902**	**-**	**172,418**
Claims on banks	**454,626**	**303,398**	**758,024**	**454,626**	**149,721**	**1,481**	**605,828**
Claims on corporates	**1,909,772**	**1,134,107**	**3,043,879**	**1,909,772**	**515,519**	**1,542**	**2,426,833**
Credit derivative claims(protection seller)	**-**	**89,532**	**89,532**	**-**	**89,532**	**-**	**89,532**
Retail exposures	**1,221,610**	**39,225**	**1,260,835**	**1,221,610**	**17,260**	**-**	**1,238,870**
Past due exposures	**89,655**	**77**	**89,732**	**89,655**	**38**	**-**	**89,693**
Other exposures	**543,821**	**9,035**	**552,856**	**543,821**	**8,817**	**-**	**552,638**
Total	**5,616,630**	**1,577,091**	**7,193,721**	**5,616,630**	**781,806**	**3,182**	**6,401,618**

Gross credit risk exposure before CRM as at 31 December 2014

	Gross credit exposure			Credit exposure before CRM			
(KD Thousands)	Funded	Unfunded	Total	Funded Credit Exposure	Unfunded Credit After CCF	FX Contracts After CCF	Total Before CRM
Cash items	49,511	-	49,511	49,511	-	-	49,511
Claims on sovereigns	1,132,924	22	1,132,946	1,132,924	11	311	1,133,246
Claims on PSEs	145,719	273	145,992	145,719	195	-	145,914
Claims on banks	378,337	245,934	624,271	378,337	120,842	404	499,583
Claims on corporates	1,576,814	1,107,679	2,684,493	1,576,814	500,286	287	2,077,387
Credit derivative claims(protection seller)	-	86,376	86,376	-	86,376	-	86,376
Retail exposures	1,096,519	41,793	1,138,312	1,096,519	18,153	-	1,114,672
Past due exposures	109,985	1,281	111,266	109,985	641	-	110,626
Other exposures	1,007,586	9,564	1,017,150	1,007,586	8,930	-	1,016,516
Total	5,497,395	1,492,922	6,990,317	5,497,395	735,433	1,002	6,233,831

Credit Risk Mitigation and Credit Risk-Weighted Assets

Under the Basel III standardised approach for credit risk, CRM techniques are used to reduce the risk-weighted amount of credit risk exposures for capital adequacy purposes. Note 24 (A) to the financial statements explains credit risk in detail and outlines the Bank's policy and framework to manage it. As per Basel III real estate as collateral will be derecognized in five years with effect from 31 December 2014, with additional hair cut of 10% in each year. At 31 December 2015, 70% (2014: 60%) hair cut has been applied on real estate collateral.

The Bank's credit policy requires very conservative minimum collateral coverage ratios, supported by top-up ratios. When the value of the collateral held in respect of a particular loan falls below the initial prescribed collateral coverage ratio and reaches the top up ratio threshold, the customer is requested to provide additional collateral in order to restore the prescribed collateral coverage ratio. Real estate collateral is valued once a year by two independent real estate valuers (the lower of the two valuations being taken) and quoted shares are valued daily using current stock exchange prices for direct pledge and monthly if held through a portfolio manager.

In certain cases, personal/corporate guarantees from high net worth individuals or companies are also used to help secure credit facilities. The personal/corporate guarantees do not constitute eligible CRM techniques for capital adequacy purposes under the Basel III standardised approach.

Consumer loans are generally not secured, but the credit risk is minimised by the 'assignment of salary' condition that requires the customer's employer (normally a Government Ministry) to pay their salary directly to their Gulf Bank account. Collateral or security, normally in the form of a blocked customer deposit with the Bank, the assignment of an employment 'End of Service Benefit' or a personal guarantee, is taken on rare occasions when consumer loans are granted without an assignment of salary.

Total Credit Exposure after Credit Risk Mitigation and Resulting Credit Risk Weighted Assets

The exposure after CRM, as at 31 December 2015 and 31 December 2014 and the resulting credit risk-weighted assets are further divided into rated and unrated exposures as set forth below:

Credit Risk Exposure after CRM; risk-weighted assets ('RWAs) as at 31 December 2015

		Credit Exposure/CRM				Risk - Weighted Assets		
(KD Thousands)	**Exposure before CRM**	**Eligible Real Estate**	**Eligible Financial Collateral**	**Eligible Guarantees**	**Exposure after CRM**	**Rated**	**Unrated**	**Total**
Cash items	**62,131**	**-**	**-**	**-**	**62,131**	**-**	**-**	**-**
Claims on sovereigns	**1,163,675**	**-**	**17**	**-**	**1,163,658**	**-**	**-**	**-**
Claims on PSEs	**172,418**	**-**	**4,160**	**-**	**168,258**	**32,635**	**5,084**	**37,719**
Claims on banks	**605,828**	**-**	**713**	**-**	**605,115**	**172,006**	**10,934**	**182,940**
Claims on corporates	**2,426,833**	**142,175**	**487,286**	**-**	**1,797,372**	**11,062**	**1,775,249**	**1,786,311**
Credit derivative claims(protection seller)	**89,532**	**-**	**-**	**-**	**89,532**	**21,548**	**-**	**21,548**
Retail exposures	**1,238,870**	**218**	**131,070**	**-**	**1,107,582**	**-**	**1,101,571**	**1,101,571**
Past due exposures	**89,693**	**29,498**	**21,303**	**-**	**38,892**	**-**	**37,341**	**37,341**
Other exposures	**552,638**	**15,557**	**200,429**	**-**	**336,652**	**-**	**424,191**	**424,191**
Total	**6,401,618**	**187,448**	**844,978**	**-**	**5,369,192**	**237,251**	**3,354,370**	**3,591,621**

Credit Risk Exposure after CRM; risk-weighted assets ('RWAs) as at 31 December 2014

		Credit Exposure/CRM				Risk - Weighted Assets		
(KD Thousands)	Exposure before CRM	Eligible Real Estate	Eligible Financial Collateral	Eligible Guarantees	Exposure after CRM	Rated	Unrated	Total
Cash items	49,511	-	-	-	49,511	-	-	-
Claims on sovereigns	1,133,246	-	11	-	1,133,235	-	-	-
Claims on PSEs	145,914	-	14,395	-	131,519	41,226	-	41,226
Claims on banks	499,583	-	929	-	498,654	166,125	1,666	167,791
Claims on corporates	2,077,387	80,042	494,984	-	1,502,361	-	1,502,362	1,502,362
Credit derivative claims(protection seller)	86,376	-	-	-	86,376	20,789	-	20,789
Retail exposures	1,114,672	126	124,066	-	990,480	-	984,746	984,746
Past due exposures	110,626	56,498	1,211	-	52,917	-	51,672	51,672
Other exposures	1,016,516	188,921	325,313	-	502,282	-	664,558	664,558
Total	6,233,831	325,587	960,909	-	4,947,335	228,140	3,205,004	3,433,144

Most of the CRM takes the form of eligible financial collateral, mainly equities listed on the Kuwait stock exchange and cash deposits.

Trading Portfolio and Market Risk-Weighted Assets

Trading portfolio is limited to a modest amount of open currency position in the course of Bank's Balance Sheet management.

The Bank uses a standardised approach for determining the capital required for market risk. The trading book is marked to market on a daily basis and the Bank uses a structure of limits to manage and control the market risk exposures from trading activities. The Bank also uses trading Value at Risk (VAR) to track and observe foreign exchange risks. As per Basel III, total market risk weighted assets is determined by multiplying the market risk capital charge by 12.5.

The details of the market risk capital charge for the Bank as at 31 December 2015 and 31 December 2014 are shown in the following table:

(KD thousands)

Market Risk	**31-Dec-15**	31-Dec-14	Variance
Interest rate position risk	**-**	-	-
Foreign exchange risk	**135**	173	(38)
Total Capital requirement for market risk	**135**	173	(38)
Market risk - weighted assets	**1,688**	2,163	(475)

On 31 December, 2015 total market risk capital charge of **KD 135 thousand** (2014: KD 173 thousand) was equivalent to market risk-weighted assets of **KD 1.7 million** (2014: KD 2.2 million).

Operational Risk-Weighted Assets

The Bank's business activities are mapped into the following three business lines: trading and sales, commercial Banking and retail Banking. The Bank's internal funds transfer pricing methodology is used to allocate interest income and interest expense between the above business lines.

The details of the operational risk capital charge for the Bank as at 31 December 2015 and 31 December 2014 are shown in the following table:

Operational Risk as at 31 December 2015

(KD Thousands)	**3 year average gross income**	**Beta factor**	**Operational risk capital charge**
Trading and sales	**24,915**	**18%**	**4,485**
Commercial banking	**76,369**	**15%**	**11,455**
Retail banking	**63,594**	**12%**	**7,631**
Total	**164,878**		**23,571**
Total operational risk weighted exposure			**294,638**

Operational Risk as at 31 December 2014

(KD Thousands)	3 year average gross income	Beta factor	Operational risk capital charge
Trading and sales	21,477	18%	3,866
Commercial banking	79,580	15%	11,937
Retail banking	59,113	12%	7,094
Total	160,170		22,897
Total operational risk weighted exposure			286,213

As per Basel III, the total operational risk capital charge is calculated by multiplying the three year average gross income of the business lines by a pre-defined beta factor. The total operational risk weighted exposure is determined by multiplying the operational risk capital charge by 12.5. Gross income includes net interest income and net non-interest income, but excludes realised profits from the sale of securities in the banking book. The 31 December 2015 total operational risk capital charge of **KD 23.6 million** (2014: KD 22.9 million) was equivalent to operational risk-weighted exposure of **KD 294.6 million** (2014: KD 286.2 million).

Other Risks (Equity, Interest Rate, Counter Party)

The Bank does not trade in equities. All of the Bank's equity investments are held in the Banking (i.e. non-trading) Book and are classified as 'available-for-sale' financial assets, i.e. they represent assets 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, exchange rates or equity prices. The fair values of quoted instruments are based on the quoted closing bid prices or by using the current market rate for the instrument. The fair values of unquoted instruments require significant estimation. The fair values of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price.

The fair value of the investment securities-equity held at 31 December 2015 and 31 December 2014 is shown below, along with the cumulative unrealised gains in the fair valuation reserve in equity and the regulatory capital implications.

Information related to the licensed Bank's equity position in the Banking Book as at 31 December 2015

(KD Thousands)	Publicly traded	Privately traded	Total investment securities
Total fair value of equity securities- available for sale	19,624	27,209	46,833
Unrealised gains in equity securities (part of CET1)	(3,713)	4,965	1,252
Regulatory capital details			
Regulatory capital requirement	2,453	3,401	5,854
Income statement details			
Income from disposal of investment securities			6,910

Information related to the licensed Bank's equity position in the Banking Book as at 31 December 2014

(KD Thousands)	Publicly traded	Privately traded	Total investment securities
Total fair value of equity securities- available for sale	28,727	28,173	56,900
Unrealised gains in equity securities (part of CET1)	4,645	4,427	9,072
Regulatory capital details			
Regulatory capital requirement	3,447	3,381	6,828
Income statement details			
Income from disposal of investment securities			6,108

The Bank has a significant investment in a financial institution which is classified as Investments in Financial Institutions below the deduction threshold.

Interest Rate Risk in the Banking Book

Future net interest income is affected by movements in interest rates and a principal part of the Bank's management of market risk in the banking (i.e. non-trading) book is to manage the sensitivity of the Bank's net interest income to changes in market interest rates.

The sensitivity of net interest income to interest rate changes is provided in note 24 (B) to the financial statements.

Counter Party Credit Risk

The Bank has put in place risk policies and processes to identify, measure, monitor and report on counter party credit risk. These policies are integrated into credit risk management and have been applied in determining the internal house limits for maximum exposures based on the counterparty's credit rating. High grade counter parties will attract higher limits exposures while low credit grade customers will be restricted to lower level exposures. These limits have been determined based on the probability of default associated with each risk grade of borrowers. Based on the probability of default, the bank seeks to minimize unexpected losses.

Leverage ratio

In accordance with the CBK guidelines (CBK circular No.2/BS/342/2014, Kuwait banks must maintain minimum leverage ratio of 3% effective from 31 December 2014. Leverage ratio is calculated as a ratio of Tier 1 capital as per Basel III to the total exposure. Total exposure is the sum of on balance sheet exposures and off balance sheet exposures after adjusting the credit conversion factor.

(KD thousands)

	Leverage ratio framework	31-Dec-15	31-Dec-14	Variance
	On-balance sheet exposures			
1.	On-balance sheet items (excluding derivatives and SFTs, but including collaterals)	**5,437,716**	5,330,878	106,838
2.	(Asset amounts deducted in determining Basel III Tier 1 capital)	**-**	-	-
3.	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**5,437,716**	5,330,878	106,838
	Derivative exposures			
4.	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**-**	-	-
5.	Add-on amounts for PFE associated with all derivatives transactions	**-**	-	-
6.	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**-**	-	-
7.	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**-**	-	-
8.	(Exempted CCP leg of client-cleared trade exposures)	**-**	-	-
9.	Adjusted effective notional amount of written credit derivatives	**89,532**	86,376	3,156
10.	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**-**	-	-
11.	**Total derivative exposures (sum of lines 4 to 10)**	**89,532**	86,376	3,156
	Securities financing transaction exposures -			
12.	Gross SFT assets (with no recognition of netting)	**-**	-	-
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**-**	-	-
14.	CCR exposure for SFT assets	**-**	-	-
15.	Agent transaction exposures	**-**	-	-
16.	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**	-	-
	Other off-balance sheet exposures			
17.	Off-balance sheet exposure (before implementation of CCF)	**2,179,559**	2,257,317	(77,758)
18.	(Adjustments for conversion to credit equivalent amounts)	**(1,341,352)**	(1,477,278)	135,926
19.	**Off-balance sheet items (sum of lines 17 and 18)**	**838,207**	780,039	58,168
	Capital and total exposures			
20.	Tier 1 capital	**538,256**	511,361	26,895
21.	Total exposures (sum of lines 3, 11, 16 and 19)	**6,365,455**	6,197,293	168,162
	Leverage ratio			
22.	**Basel III leverage ratio (Tier 1 capital (20) /Total exposures (21))**	**8.46%**	8.25%	0.20%

Following is the reconciliation of on balance sheet assets as per the published financial statements along with the total exposure amount in the leverage ratio measure.

SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

	(KD thousands)	**31-Dec-15**	31-Dec-14	Variance
1.	Total consolidated assets as per published financial statements	**5,437,716**	5,330,878	106,838
2.	Adjustment for investments in banking,financial,insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**-**	-	-
3.	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**-**	-	-
4.	Adjustments for derivative financial instruments	**89,532**	86,376	3,156
5.	Adjustment for securities financing transactions (i.e. repo and similar secured lending)	**-**	-	-
6.	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures	**838,207**	780,039	58,168
7.	Other adjustments	**-**	-	-
8.	**Leverage ratio exposure**	**6,365,455**	**6,197,293**	168,162

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Financial Statements

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF BANK K.S.C.P.

Report on the Financial Statements

We have audited the accompanying financial statements of Gulf Bank K.S.C.P. (the "Bank"), which comprise the statement of financial position as at 31 December 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of 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 financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 financial statements.

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

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Opinion

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

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2015 that might have had a material effect on the business of the Bank or on its financial position.

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

BADER A. AL-WAZZAN
LICENCE NO. 62 A
DELOITTE and TOUCHE
(AL WAZZAN and CO.)

12 January 2016
Kuwait

Income Statement

Year Ended 31 December 2015

	NOTES	**2015 KD 000's**	2014 KD 000's
Interest income	3	**167,348**	166,409
Interest expense	4	**(48,453)**	(48,718)
Net interest income		**118,895**	117,691
Net fees and commissions	6	**30,093**	27,852
Net gains from dealing in foreign currencies and derivatives	7	**8,503**	8,617
Realised gains from disposal of investment securities		**6,910**	6,108
Dividend income		**2,020**	1,529
Other income		**2,035**	986
Operating income		**168,456**	162,783
Staff expenses		**40,986**	41,260
Occupancy costs		**3,874**	3,693
Depreciation		**2,318**	2,552
Other expenses	29	**13,061**	8,494
Operating expenses		**60,239**	55,999
OPERATING PROFIT BEFORE PROVISIONS/ IMPAIRMENT LOSSES		**108,217**	106,784
Charge (release) of provisions:			
- specific	5	**70,446**	114,047
- general	12,18	**7,817**	(16,707)
Loan recoveries net of write-off	12	**(14,455)**	(32,413)
Impairment loss on investment securities		**3,424**	4,590
		67,232	69,517
OPERATING PROFIT		**40,985**	37,267
Directors' remuneration	22	**135**	135
Contribution to Kuwait Foundation for the Advancement of Sciences		**415**	378
National Labour Support Tax		**1,018**	916
Zakat		**415**	378
PROFIT FOR THE YEAR		**39,002**	35,460
EARNINGS PER SHARE			
Basic and diluted earnings per share (Fils)	8	**13**	12

The attached notes 1 to 30 form part of these financial statements.

Statement of Comprehensive Income

Year Ended 31 December 2015

	2015 KD 000's	2014 KD 000's
Profit for the year	**39,002**	35,460
Other comprehensive income		
Other comprehensive income reclassified to income statement:		
Investment securities:		
- Net realised gain on disposal	**(6,995)**	(4,564)
- Impairment loss	**3,424**	4,590
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Net unrealised losses on investment securities	**(4,473)**	(4,965)
Other comprehensive income not to be reclassified to income statement in subsequent periods:		
Revaluation of premises and equipment	**127**	1,239
Other comprehensive income for the year	**(7,917)**	(3,700)
Total comprehensive income for the year	**31,085**	31,760

The attached notes 1 to 30 form part of these financial statements.

Statement of Financial Position

As at 31 December 2015

	NOTES	**2015 KD 000's**	2014 KD 000's
ASSETS			
Cash and cash equivalents	9	**837,048**	607,367
Treasury bills and bonds	10	**245,609**	188,086
Central Bank of Kuwait bonds	11	**361,425**	588,216
Deposits with banks and other financial institutions		**34,107**	22,000
Loans and advances to banks	12	**80,858**	127,596
Loans and advances to customers	12	**3,633,591**	3,583,103
Investment securities	13	**115,117**	82,339
Other assets	14	**101,439**	104,444
Premises and equipment		**28,522**	27,727
TOTAL ASSETS		**5,437,716**	5,330,878
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	15	**261,384**	354,677
Deposits from financial institutions	15	**726,032**	678,669
Customer deposits	16	**3,837,422**	3,661,724
Subordinated loan	17	**-**	43,920
Other liabilities	18	**74,622**	80,527
TOTAL LIABILITIES		**4,899,460**	4,819,517
EQUITY			
Share capital	19	**304,813**	290,298
Proposed bonus shares	22	**-**	14,515
Statutory reserve	20	**16,923**	12,824
Share premium	20	**153,024**	153,024
Property revaluation reserve	20	**19,001**	18,874
Treasury shares reserve	21	**24,246**	24,246
Fair valuation reserve		**1,130**	9,174
Retained earnings		**89,777**	54,874
		608,914	577,829
Treasury shares	21	**(70,658)**	(66,468)
		538,256	511,361
TOTAL LIABILITIES AND EQUITY		**5,437,716**	5,330,878

Omar Kutayba Alghanim
(Chairman)

César González-Bueno Mayer
(Chief General Manager and Chief Executive Officer)

The attached notes 1 to 30 form part of these financial statements.

Statement of Cash Flows

Year Ended 31 December 2015

	NOTES	2015 KD 000's	2014 KD 000's
OPERATING ACTIVITIES			
Profit for the year		**39,002**	35,460
Adjustments:			
Effective interest rate adjustment		**(1,445)**	(347)
Unrealised fair value (losses) gains on credit default swaps	7	**369**	(276)
Realised gains from disposal of investment securities		**(6,910)**	(6,108)
Dividend income		**(2,020)**	(1,529)
Depreciation		**2,318**	2,552
Loan loss provisions	5,12,18	**78,263**	97,340
Impairment loss on investment securities		**3,424**	4,590
Foreign exchange movement on subordinated loans		**120**	1,688
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**113,121**	133,370
(Increase)/decrease in operating assets:			
Treasury bills and bonds		**(57,523)**	(10,944)
Central Bank of Kuwait bonds		**226,791**	(48,695)
Deposits with banks and other financial institutions		**(12,107)**	(7,898)
Loans and advances to banks		**47,132**	(2,215)
Loans and advances to customers		**(128,389)**	(317,263)
Other assets		**3,005**	59,659
Increase /(decrease) in operating liabilities:			
Due to banks		**(93,293)**	46,837
Deposits from financial institutions		**47,363**	(81,134)
Customer deposits		**175,698**	335,473
Other liabilities		**(5,585)**	(23,878)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**316,213**	83,312
INVESTING ACTIVITIES			
Purchase of investment securities		**(95,969)**	(824)
Proceeds from sale of investment securities		**58,633**	39,046
Purchase of premises and equipment		**(2,986)**	(3,201)
Dividends received		**2,020**	1,529
NET CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		**(38,302)**	36,550
FINANCING ACTIVITIES			
Repayment of subordinated loans		**(44,040)**	(42,383)
Purchase of treasury shares		**(4,190)**	(3,533)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(48,230)**	(45,916)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**229,681**	73,946
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**607,367**	533,421
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**837,048**	607,367
Additional cash flow information			
Interest received		**171,035**	167,101
Interest paid		**49,886**	44,835

The attached notes 1 to 30 form part of these financial statements.

Statement of Changes in Equity

Year Ended 31 December 2015

			RESERVES								
	"Share capital"	Proposed bonus shares	Statutory reserve	Share premium	Property revaluation reserve	Treasury shares reserve	Fair valuation reserve	Retained earnings	Subtotal reserves	Treasury shares	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
At 1 January 2014	276,474	13,824	9,097	153,024	17,635	24,246	14,113	37,656	255,771	(62,935)	483,134
Profit for the year	-	-	-	-	-	-	-	35,460	35,460	-	35,460
Other comprehensive income for the year	-	-	-	-	1,239	-	(4,939)	-	(3,700)	-	(3,700)
Total comprehensive income for the year	-	-	-	-	1,239	-	(4,939)	35,460	31,760	-	31,760
Issue of bonus shares (Note 19)	13,824	(13,824)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(3,533)	(3,533)
Transfer to reserve	-	-	3,727	-	-	-	-	(3,727)	-	-	-
Proposed bonus shares (Note 22)	-	14,515	-	-	-	-	-	(14,515)	(14,515)	-	-
At 31 December 2014	290,298	14,515	12,824	153,024	18,874	24,246	9,174	54,874	273,016	(66,468)	511,361
At 1 January 2015	**290,298**	**14,515**	**12,824**	**153,024**	**18,874**	**24,246**	**9,174**	**54,874**	**273,016**	**(66,468)**	**511,361**
Profit for the year	-	-	-	-	-	-	-	39,002	39,002	-	39,002
Other comprehensive income for the year	-	-	-	-	127	-	(8,044)	-	(7,917)	-	(7,917)
Total comprehensive income for the year	-	-	-	-	127	-	(8,044)	39,002	31,085	-	31,085
Issue of bonus shares (Note 19)	14,515	(14,515)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(4,190)	(4,190)
Transfer to reserve	-	-	4,099	-	-	-	-	(4,099)	-	-	-
At 31 December 2015	**304,813**	**-**	**16,923**	**153,024**	**19,001**	**24,246**	**1,130**	**89,777**	**304,101**	**(70,658)**	**538,256**

The attached notes 1 to 30 form part of these financial statements

Notes to the Financial Statements

31 December 2015

1. INCORPORATION AND REGISTRATION

Gulf Bank K.S.C.P. (the "Bank") is a public shareholding company incorporated in Kuwait on 29 October 1960 and is registered as a bank with the Central Bank of Kuwait. The Bank's shares are listed on Kuwait Stock Exchange. Its registered office is at Mubarak Al Kabir Street, P.O. Box 3200, 13032 Safat, Kuwait City.

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 12 January 2016. The Annual General Assembly of the shareholders has the power to amend these financial statements after issuance.

The principal activities of the Bank are described in Note 27.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets classified as "available-for-sale", derivative contracts and freehold land and buildings.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Bank's functional currency, rounded off to the nearest thousand (KD 000), except when otherwise indicated.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all IFRS except for the International Accounting Standards ("IAS") 39: Financial Instruments: Recognition and Measurement requirement for a collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described under the accounting policy for impairment and uncollectibility of financial assets.

Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement is presented in note 24(D).

2.2 Changes in accounting policies and disclosures

The accounting policies applied are consistent with those used in previous year, except that the Bank has adopted the following standards effective for the annual periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or financial position of the Bank.

IFRS 8: Operating Segments

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2015 and clarify that:

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics

(e.g., sales and gross margins) used to assess whether the segments are 'similar'

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities The Bank has not applied the aggregation criteria in IFRS 8.12 and, thus, this amendment did not impact the Bank's accounting policy.

The Bank has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 27 in this period's financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of its decision making.

IAS 24: Related Party Disclosures

The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Bank as it does not receive any management services from other entities.

IFRS 13: Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Bank does not apply the portfolio exception in IFRS 13.

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

2.3 Summary of significant accounting policies

a. Financial instruments

Classification of financial instruments

The Bank classifies its financial assets as "at fair value through income statement", "loans and receivables", "held to maturity" or as "available-for-sale"; and its financial liabilities as "non-trading financial liabilities''.

Financial assets classified as "at fair value through income statement" are divided into two sub categories: financial assets held for trading, and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if managed and the performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy. Derivatives are also classified as "held for trading" unless they are designated as hedges and are effective hedging instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

Held to maturity investments are investments with fixed or determinable payments and fixed maturity that the Bank has the intention and ability to hold to maturity.

Available for sale investments are those investments which are designated as available for sale or investments that do not qualify to be classified as at fair value through statement of income, held to maturity, or loans and receivables.

Financial liabilities, which are not held for trading are classified as "non-trading financial liabilities".

Management determines the classification of these financial instruments at the time of acquisition.

Recognition/de-recognition

A financial asset or a financial liability is recognised when the Bank becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised using settlement date accounting i.e. the date that the Bank receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the income statement, or in statement of comprehensive income in accordance with the policy applicable to the related instrument. 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 (in whole or in part) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired, or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially

  all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability and the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

Measurement

All financial instruments are initially recognised at fair value. Transaction costs are included only for those financial instruments that are not measured at fair value through the income statement.

On subsequent re-measurement, financial assets classified as "at fair value through income statement" are carried at fair value with resultant unrealised gains or losses arising from changes in fair value included in the income statement. "Loans and receivables" are carried at amortised cost using the effective yield method less any provision for impairment. Held to maturity investments are measured at amortised cost, less provision for impairment in value, if any. The losses arising from impairment of such investments are recognised in the income statement. Those classified as "available-for-sale" are subsequently measured and carried at fair values. Unrealised gains and losses arising from changes in fair value of those classified as "available-for-sale" are taken to the statement of comprehensive income.

When the "available-for-sale" asset is disposed of or impaired, the related accumulated fair value adjustments previously recognised in equity are transferred to the income statement as gains or losses.

Cash and cash equivalents, treasury bills and bonds, Central Bank of Kuwait bonds, deposits with banks and other financial institutions, loans and advances to banks and customers and certain other assets are classified as "loans and receivables".

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted instruments are measured at cost less impairment loss, if any. "Non-trading financial liabilities" are carried at amortised cost using the effective interest method.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of reporting date to determine whether there is objective evidence that a specific financial asset or a group of similar financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the income statement.

Impairment is determined as follows:

a. for financial assets with fixed interest rates, carried at amortised cost, impairment is the difference between the carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate; and for financial assets with variable interest rates, carried at amortised cost, discounted at the current effective interest rate as determined under the contract. 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 respective account where impairment was recognised. The amount of the reversal is recognised in the income statement;

b. for financial assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;

For available-for-sale equity investments, impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

For available-for-sale debt investments, the Bank assesses the instruments at an individual level to determine whether any objective evidence for impairment exists. When there is objective evidence of impairment, the amount of loss is measured as the difference between the instrument's carrying value and the present value of the future cash flows. If in a subsequent year, the fair value of a debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In addition, in accordance with Central Bank of Kuwait (CBK) instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision.

Financial assets are written off when there is no realistic prospect of recovery.

Fair values measurement

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.

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:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable ;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair values of quoted instruments are based on quoted closing bid prices or net asset values provided by the administrators of the fund or using the current market rate of interest for that instrument.

Fair values of unquoted instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future cash flows at the current rates for similar financial instruments.

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

Day 1 profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective yield method.

Assets purchased with a corresponding commitment to resell at a specified future date at an agreed price (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are treated as interest earning assets and the difference between the purchase and resale price is treated as interest income using the effective yield method.

Offsetting

Financial assets and financial liabilities are offset and the net amounts reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether the loan remains past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

b. Derivative financial instruments and hedging

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. Derivatives with positive fair values (unrealised gains) are included in 'Other assets' and derivatives with negative fair values (unrealised losses) are included in 'Other liabilities' in the statement of financial position.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the income statement.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. Any changes in the fair value of derivatives that are held for trading are taken directly to the income statement and are disclosed under operating income. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting described below.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction.

In order to qualify for hedge accounting, the hedge is expected to be highly effective and should be reliably measurable. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the year for which the hedge is designated are expected to offset in a range of 80 per cent to 125 per cent. At the inception of the hedge, the risk management objective and strategy is documented, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in ‘Other assets’ or ‘Other liabilities’ and the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in the statement of comprehensive income and the ineffective portion is recognised in the income statement. For cash flow hedges affecting future transactions that subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses which are recognised in the statement of comprehensive income are re-classified into the income statement in the same period or periods during which the financial asset or financial liability affects the income statement.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for hedge accounting or the forecast transaction is no longer expected to occur or the designation is revoked. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept there until the forecast transaction occurs. In cases where the forecast transaction is no longer expected to occur or the designation is revoked, the net cumulative gain or loss recognised in equity is transferred to the income statement. In the case of fair value hedges of interest-bearing financial instruments, any adjustment to its carrying value relating to the discontinued hedge is amortized over the remaining term to maturity.

c. Collateral pending sale

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

d. Provisions

Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. The expense relating to any provision is presented in the income statement net of any reimbursement.

e. End of service indemnity

The Bank provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees’ final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Bank makes contributions to a government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due.

f. Treasury shares

Treasury shares consist of the Bank's own issued shares that have been reacquired by the Bank and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are sold, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

g. Premises and equipment

Land and buildings are initially recognised at cost. After initial recognition land is carried at revalued amount, which is the fair value at the date of revaluation. The revaluation is carried out periodically by professional property valuers. The resultant revaluation surplus or deficit is recognised in the statement of comprehensive income to the extent the deficit does not exceed the previously recognised surplus. The portion of the revaluation deficit that exceeds a previously recognised revaluation surplus is recognised in the income statement. To the extent that a revaluation surplus reverses a revaluation loss previously recognised in the income statement, the increase is recognised in the income statement. Upon disposal the revaluation reserve relating to land sold is transferred directly to retained earnings.

Equipment are stated at cost, less accumulated depreciation and impairment losses if any. Land is not depreciated. Depreciation of buildings and equipment is provided on a straight-line basis over their estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	5 to 10 years
Equipment	3 to 5 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

h. Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, external valuations or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Impairment losses relating to goodwill cannot be reversed in future periods.

i. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Other fees and commission income are recognised as the services are provided. Dividend income is recognised when the right to receive payment is established.

j. Interest income and expenses

Interest income and expense are recognised in the income statement for all interest bearing instruments using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows 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 paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses.

k. Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat

KFAS, NLST and Zakat are provided for in accordance with the fiscal regulations in Kuwait.

l. Leases

Operating lease payments are recognized as an operating expense in the income statement on a straight line basis over the lease term.

m. Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in the statement of financial position.

n. Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into Kuwaiti Dinars at the rates of exchange ruling at the reporting date. Forward exchange contracts are valued at the forward rates ruling at the statement of reporting date. Any resultant gains or losses are taken to the income statement.

In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign 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 exchange differences are recognised in the income statement.

o. Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand and deposits with banks and other financial institutions (including Central Bank of Kuwait) having original maturities not exceeding thirty days from the date of deposit.

p. Segment reporting

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

r. Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received, in 'Other liabilities'. The premium received is recognized in the income statement in 'net fees and commission' on a straight-line basis over the life of the guarantee. The guarantee liability is subsequently measured as a higher of the amount initially recognized less amortisation or the value of any financial obligation that may arise there from. Any increase in liability relating to financial guarantee is recorded in the income statement.

2.4 Significant accounting judgements, estimates and assumptions

In the process of applying the Bank's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows:

Classification of financial instruments

Management has to decide on acquisition of a financial instrument, whether it should be classified as carried at fair value through income statement, held to maturity, available-for-sale or as loans and receivables. In making that judgement, the Bank considers the primary purpose for which it is acquired and how it intends to manage and report its performance liquidity requirements and the intent and ability to hold these instruments to maturity. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and whether the changes in fair value of instruments are reported in the income statement or statement of comprehensive income.

Impairment losses on loans and advances

The Bank reviews loans and advances on an ongoing basis to assess whether a provision for impairment should be recorded in the income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. In estimating these cash flows the Bank makes judgements about the borrower’s financial conditions and the net realisable value of collaterals. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

The Bank records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgement. In making this judgement, the bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Valuation of unquoted financial instruments

Valuation of unquoted financial instruments is normally based on one of the following:

- Recent arm’s length market transactions;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Current fair value of another instrument that is substantially the same; or
- Valuation models.

The Bank calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

These values are computed based on significant assumptions including foreign exchange rates, interest rates and volatilities etc. The extent of changes to these rates and volatilities are dependent on market movements, which cannot be predicted with certainty.

2.5 Standards issued but not effective

The relevant standards and interpretations issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Bank intends to adopt those standards, if applicable, when they become effective.

IFRS 9: Financial Instruments:

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

IFRS 15 Revenue from Contracts with Customers

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

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 July 2014 are not expected to have a material impact on the Bank.

Additional disclosures will be made in the financial statements when these standards, revisions and amendments become effective. The Bank, however, expects no material impact from the adoption of the amendments on its financial position or performance.

3. INTEREST INCOME

	2015 KD 000's	2014 KD 000's
Treasury bills, bonds and Central Bank of Kuwait Bonds	**7,438**	6,668
Placements with banks	**1,657**	1,812
Loans and advances to banks and customers	**158,253**	157,929
	167,348	166,409

4. INTEREST EXPENSE

	2015 KD 000's	2014 KD 000's
Sight and savings accounts	**4,332**	4,686
Time deposits	**39,413**	39,068
Bank borrowings	**4,708**	4,964
	48,453	48,718

5. SPECIFIC PROVISIONS

	2015 KD 000's	2014 KD 000's
Loans and advances to customers		
– Cash (Note 12)	**71,391**	113,871
– Non-cash (Note 18)	**(945)**	176
	70,446	114,047

6. NET FEES AND COMMISSIONS

	2015 KD 000's	2014 KD 000's
Total fees and commission income	**37,327**	34,077
Total fees and commission expense	**(7,234)**	(6,225)
	30,093	27,852

Total fees and commission income includes **KD 284 thousand** (2014: KD 330 thousand) from fiduciary activities.

7. NET GAINS FROM DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

	2015 KD 000's	2014 KD 000's
Unrealised fair value (losses) gains on credit default swaps (Note 28)	**(369)**	276
Income from credit default swaps	**324**	401
Net trading (expenses) income	**(45)**	677
Foreign exchange operations	**8,548**	7,940
	8,503	8,617

8. BASIC AND DILUTED EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. The Bank does not have outstanding dilutive potential shares as at 31 December 2015.

	2015 KD 000's	2014 KD 000's
Profit for the year	**39,002**	35,460
	Shares	Shares
Weighted average number of shares outstanding during the period, net of treasury shares	**2,916,064,162**	2,934,926,440
	Fils	Fils
Basic and diluted earnings per share	**13**	12

Earnings per share calculations for the year ended 31 December 2014 have been adjusted to take account of the bonus shares issued in 2015. Earnings per share for the year ended 31 December 2014 was 13 fils per share before retroactive adjustment to the number of shares following the bonus issue.

9. CASH AND CASH EQUIVALENTS

	2015 KD 000's	2014 KD 000's
Balances with the Central Bank of Kuwait	**246,626**	199,155
Cash in hand and in current accounts with other banks and other financial institutions	**183,591**	164,004
Deposits with banks and other financial institutions maturing with in 30 days	**406,831**	244,208
	837,048	607,367

10. TREASURY BILLS AND BONDS

The Central Bank of Kuwait on behalf of the Ministry of Finance issues these financial instruments.

	2015 KD 000's	2014 KD 000's
Maturing within one year	**193,132**	161,769
Maturing after one year	**52,477**	26,317
	245,609	188,086

11. CENTRAL BANK OF KUWAIT BONDS

These financial instruments are issued by the Central Bank of Kuwait. They mature within a period not exceeding one year.

	2015 KD 000's	2014 KD 000's
Central Bank of Kuwait Bonds	**361,425**	588,216

12. LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Loans and advances represent amounts paid to banks and customers. The Bank's assessment of the credit risk concentration, based on the primary purpose of the loans and advances given, is provided below.

At 31 December 2015

A. Loans and advances to customers	**Kuwait** KD 000's	**Other Middle East** KD 000's	**Western Europe** KD 000's	**Asia Pacific** KD 000's	**Total** KD 000's
Personal	**1,359,353**	**-**	**-**	**-**	**1,359,353**
Financial	**214,447**	**65,415**	**-**	**-**	**279,862**
Trade and commerce	**349,450**	**6,785**	**-**	**-**	**356,235**
Crude oil and gas	**103,407**	**29,338**	**-**	**45,980**	**178,725**
Construction	**252,714**	**53,113**	**-**	**-**	**305,827**
Manufacturing	**352,998**	**6,374**	**-**	**-**	**359,372**
Real estate	**713,927**	**-**	**-**	**-**	**713,927**
Others	**264,423**	**107,865**	**-**	**-**	**372,288**
Gross loans and advances to customers	**3,610,719**	**268,890**	**-**	**45,980**	**3,925,589**
Less: Provision for impairment					**(291,998)**
Loans and advances to customers					**3,633,591**
B. Loans and advances to banks					
Gross loans and advances to banks	**-**	**30,815**	**46,283**	**4,553**	**81,651**
Less: Provision for impairment					**(793)**
Loans and advances to banks					**80,858**

At 31 December 2014

A. Loans and advances to customers	Kuwait KD 000's	Other Middle East KD 000's	Western Europe KD 000's	Asia Pacific KD 000's	Total KD 000's
Personal	1,226,102	-	-	-	1,226,102
Financial	239,024	51,254	-	-	290,278
Trade and commerce	330,584	8,513	-	-	339,097
Crude oil and gas	65,548	-	-	56,219	121,767
Construction	272,773	51,240	-	-	324,013
Manufacturing	362,800	-	-	-	362,800
Real estate	781,963	-	-	-	781,963
Others	293,883	81,627	-	-	375,510
Gross loans and advances to customers	3,572,677	192,634	-	56,219	3,821,530
Less: Provision for impairment					(238,427)
Loans and advances to customers					3,583,103
B. Loans and advances to banks					
Gross loans and advances to banks	110	32,048	77,592	19,033	128,783
Less: Provision for impairment					(1,187)
Loans and advances to banks					127,596

Movement in provision for impairment

	2015 KD 000's	2014 KD 000's
At 1 January	**239,614**	229,704
Amounts written-off	**(25,775)**	(85,865)
Charge to the income statement	**78,952**	95,775
At 31 December	**292,791**	239,614

The specific and general provisions are based on the requirements of the CBK and IFRS. According to the CBK instructions, minimum general provision of 1% is provided on regular cash facilities and 0.5% on regular non-cash facilities, (net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision).

The general provisions were **KD 178,340 thousand** (2014: KD 170,779 thousand).

Loan recoveries represent the net difference between loans written off during the year of **KD 14,723 thousand** (2014: KD 11,132 thousand) and realizations of **KD 29,178 thousand** (2014: KD 43,545 thousand) from loans written off.

The Bank has initiated legal proceedings against a customer in connection with structured derivative transactions and is awaiting a final outcome.

	2015 KD 000's			2014 KD 000's		
Movement in provisions for impairment of loans and advances by class is as follows:	**Corporate lending**	**Consumer lending**	**Total**	Corporate lending	Consumer lending	Total
At 1 January	**217,380**	**22,234**	**239,614**	214,026	15,678	229,704
Amounts written-off	**(25,775)**	**-**	**(25,775)**	(85,865)	-	(85,865)
Charge to income statement	**75,632**	**3,320**	**78,952**	89,219	6,556	95,775
At 31 December	**267,237**	**25,554**	**292,791**	217,380	22,234	239,614

Refer note 24A for financial assets by class individually impaired.

Provision for non-cash facilities of **KD 9,967 thousand** (2014: KD 10,656 thousand) is included under other liabilities (Note 18).

13. INVESTMENT SECURITIES

	2015 KD 000's	2014 KD 000's
Equity securities- available for sale		
Quoted	**19,624**	28,727
Unquoted	**27,209**	28,173
Debt securities- available for sale		
Quoted	**23,251**	25,439
Unquoted	**1,504**	-
Held to maturity securities		
Quoted	**43,529**	-
	115,117	82,339

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are certain investments where this estimation cannot be reliably determined, and are carried at cost net of impairment with a carrying amount of **KD 20,684 thousand** (2014: KD 21,820 thousand).

14. OTHER ASSETS

	2015 KD 000's	2014 KD 000's
Accrued interest receivable	**24,833**	28,520
Sundry debtors and others (Note 29)	**22,016**	12,241
Repossessed collaterals*	**54,590**	63,683
	101,439	104,444

*The Bank obtained possession of investment securities valued at **KD Nil** (2014: KD 11,889 thousand) and real estate properties valued at **KD 10,895 thousand** (2014: KD 12,293 thousand) (Note 21) held as collaterals in settlement of debts from customers. The legal formalities to transfer the ownership of the real estate properties repossessed during the year are currently in progress. These repossessed collaterals will be disposed within the stipulated time limit prescribed by the CBK. Investment securities amounting to **KD 1,918 thousand** (2014: KD 16,706 thousand) are accounted for as investments available for sale and are consequently fair valued using quoted market prices (Level 1) and the balance amounting to **KD 13,566 thousand** (2014: KD 18,766 thousand) is fair valued using observable market data (Level 2).The fair values of the real estate properties are not materially different from their carrying values.

The Bank is compliant with the CBK regulations to dispose these within the stipulated time limit except on investment securities amounting to **KD 10,064 thousand** (2014: KD Nil).

15. DUE TO BANKS AND DEPOSITS FROM FINANCIAL INSTITUTIONS

	2015 KD 000's	2014 KD 000's
Due to banks		
Current accounts and demand deposits	**3,250**	7,379
Time deposits	**258,134**	347,298
	261,384	354,677
Deposits from financial institutions		
Current accounts and demand deposits	**66,793**	56,571
Time deposits	**659,239**	622,098
	726,032	678,669

16. CUSTOMER DEPOSITS

	2015 KD 000's	2014 KD 000's
Current accounts	**1,160,563**	1,154,550
Savings accounts	**357,430**	346,965
Time deposits	**2,319,429**	2,160,209
	3,837,422	3,661,724

Customer deposits include **KD 12,394 thousand** (2014: KD 12,952 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees. (refer to Note 26).

17. SUBORDINATED LOAN

As at 31 December 2015, the Bank has subordinated loan of **KD Nil** (2014: KD 43,920 thousand). This comprised of one 10 year subordinated loan: USD 150 million due in October 2016 with effective interest rate of 2.46% per annum The loan was repayable at maturity, with an option for early pre-payment with the prior approval of CBK. The Bank prepaid the subordinated loan on 5 January 2015 with the approval of CBK.

18. OTHER LIABILITIES

	2015 KD 000's	2014 KD 000's
Accrued interest payable	**15,374**	16,807
Deferred income	**7,895**	9,744
Provisions for non-cash facilities (refer movement below)	**9,967**	10,656
Fair value loss provision on credit default swaps (Note 28)	**513**	144
Staff related provisions	**13,222**	11,636
Others	**27,651**	31,540
	74,622	80,527

Movement in provisions for non-cash facilities:

	2015 KD 000's	2014 KD 000's
At 1 January	**10,656**	9,091
(Write-back)/charge to the income statement	**(689)**	1,565
At 31 December	**9,967**	10,656

19. SHARE CAPITAL

	2015 KD 000's	2014 KD 000's
Authorised, issued and fully paid shares	**304,813**	290,298

The number of authorised, issued and fully paid shares of KD 100 fils each as at 31 December 2015 is 3,048,127,898 (2014: 2,902,978,951). Bonus of 5% on the outstanding shares proposed as at 31 December 2014 was approved at the 2014 Annual General Meeting and was issued in 2015 following that approval (Note 22).

20. RESERVES

a. Statutory reserve

In accordance with the Companies Law and the Bank's Articles of Association, 10 percent of the profit for the year before directors' remuneration, contribution to KFAS, NLST and Zakat has been transferred to statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50 percent of paid up share capital.

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

b. Share premium

The balance in the share premium account is not available for distribution but can be utilised for capital restructuring to offset the accumulated losses.

c. Property revaluation reserve

The property revaluation reserve represents the surplus of market value over carrying value of the land owned by the Bank. The balance in this reserve is taken directly to retained earnings when the underlying assets are disposed off.

21. TREASURY SHARES AND TREASURY SHARES RESERVE

	2015 KD 000's	2014 KD 000's
Number of treasury shares	**137,687,846**	116,816,493
Percentage of treasury shares	**4.52%**	4.02%
Cost of treasury shares (KD 000's)	**70,658**	66,468
Weighted average market value of treasury shares as at 31 December (KD 000's)	**38,277**	40,652

Movement in treasury shares was as follows:

	No. of shares	
	2015	2014
Balance as at 1 January	**116,816,493**	100,194,952
Purchases	**14,785,407**	11,551,645
Bonus shares	**6,085,946**	5,069,896
Balance as at 31 December	**137,687,846**	116,816,493

This includes 13,641,280 treasury shares costing KD 5,488 thousand, which represent collaterals repossessed in settlement of debts from customers. The balance in the treasury share reserve of **KD 24,246 thousand** (2014: KD 24,246 thousand) is not available for distribution. An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve, share premium, treasury shares reserve and retained earnings throughout the holding period of treasury shares.

22. PROPOSED DIVIDEND AND DIRECTORS' REMUNERATION

The Board of Directors have recommended distribution of a cash dividend of 4 fils per share (2014: Nil) and bonus shares of Nil (2014: 5%) on the outstanding issued share capital as at 31 December 2015. The Cash dividend, if approved by the shareholders' assembly, shall be payable to the shareholders registered in the records of the Bank as of the date the Annual General Meeting.

During the year, the shareholders at the Annual General Meeting (AGM) held on 9 March 2015 approved the distribution of bonus shares of 5% on the outstanding issued share capital as at 31 December 2014 amounting to **KD 14,515 thousand** (2014: KD 13,824 thousand) representing 145,148,947 shares of 100 fils each.

Directors' remuneration of **KD 135 thousand** (2014: KD 135 thousand) is in accordance with local regulations and is subject to approval of the shareholders at the Annual General Meeting.

23. RELATED PARTY TRANSACTIONS

Certain related parties (Major shareholders, Board members and officers of the Bank, their families and companies of which they are the principal owners) were customers of the Bank in the ordinary course of business. The terms of these transactions were approved as per the Bank's policies.

The transaction and balances included in the statement of financial position are as follows:

Board members	Number of Board Members or executive management members 2015	2014	Number of related parties 2015	2014	2015 KD 000's	2014 KD 000's
Balances						
Loans and advances	**-**	-	**4**	4	**49,781**	60,209
Investment securities	**-**	-	**-**	1	**-**	31
Deposits	**6**	6	**19**	20	**435,194**	375,326
Commitments						
Guarantees /letters of credit	**1**	-	**6**	7	**4,422**	7,593
Transactions						
Interest income	**-**	-	**9**	10	**1,626**	1,959
Interest expense	**1**	2	**7**	7	**3,310**	2,677
Executive management						
Balances						
Loans and advances	**2**	2	**-**	-	**64**	98
Deposits	**13**	10	**-**	-	**764**	1,279
Commitments						
Guarantees /letters of credit	**1**	1	**-**	-	**1**	1
Transactions						
Interest income	**2**	2	**-**	-	**4**	3
Interest expense	**13**	11	**-**	-	**16**	15

The loans issued to directors and key management personnel are repayable within CBK regulatory limits and have interest rates of **2% to 5%** (2014: 2 % to 5%) per annum. Some of the loans advanced to Board members and their related parties during the year are collateralised. The fair value of these collaterals as of 31 December 2015 was **KD 48,264 thousand** (2014: KD 56,528 thousand).

Compensation for key management, including executive management, comprises the following:

	2015 KD 000's	2014 KD 000's
Salaries and other short-term benefits	**3,656**	3,418
End of service/termination benefits	**149**	108
	3,805	3,526

24. FINANCIAL INSTRUMENTS

Strategy in using financial instruments

As a commercial bank, the Bank's activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. It also seeks to increase these margins by consolidating short term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that may fall due.

With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Risk management

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

The strategy of the Bank is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Bank's major risk-based lines of business. The Bank continuously reviews its risk management policies and practices to ensure that the Bank is not subject to large asset valuation volatility and earnings volatility.

The following sections describe the several risks inherent in the banking process, their nature and how they are managed.

A. 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. It arises principally from lending, trade finance and treasury activities.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

A brief description of the risk management framework is given below:

The Bank has comprehensive policies and procedures to control and monitor all such risks. Credit risk is minimised by monitoring credit exposures, limiting transactions with individual counterparties and continually assessing collateral coverage/quality and the creditworthiness of counterparties.

Individual customer, industry segment and cross-border limits are used to diversify lending and avoid undue concentrations. Credit exposure relating to trading activities is controlled by the use of strict counterparty limits, master netting agreements and collateral arrangements (where appropriate), and by limiting the duration of exposures.

Risk Management function is headed by Chief Risk Officer (CRO) who reports to the Board Risk Committee. An independent Credit Department, reporting to Chief Risk Officer, is responsible for providing centralised management of credit risk. The responsibilities of this team include: monitoring adherence to credit policies and procedures; establishing and maintaining large credit exposure policies covering the maximum exposure to customers, groups and other risk concentrations; undertaking independent and objective credit reviews to assess the credit risk for both new facilities and renewals; controlling exposures to banks and other financial institutions; controlling cross-border exposures; controlling exposures to specific industry groups; maintaining and developing the Bank's facility rating process in order to categorize exposures into meaningful segments; and preparing regular reports to senior management on areas such as customer/industry risk concentrations, country limits and cross-border exposures and non-performing accounts and provisions.

The Bank also has detailed credit approval guidelines for each of its individual retail loan products. The eligibility criteria vary according to the specific loan product, but include items such as minimum length of employment, minimum salary, etc. Applicants must also provide a reference from their employer, specifying salary and length of service, and a commitment from the employer to pay their salary directly to their current account with the Bank. In accordance with CBK regulations, the applicant's total monthly debt repayment to income ratio must not exceed the limits stipulated.

The Bank has constituted a Board Risk Committee (BRC) for enhancing the effectiveness of the Board's monitoring of risk issues facing the bank and submit periodic reports to the Board as appropriate. The BRC provides oversight of the Bank's Risk Management on a holistic basis and ensure the autonomy and independence of Risk function of the Bank. BRC reviews high risk credit which are more than 10% of the Bank's capital or as deemed appropriate by the Committee. The Risk Management of the Bank provides regular reports to the BRC so that the committee members are well informed of all risk taking activities of the Bank.

Other than BRC, the Bank has six credit committees: the Executive Credit Committee ('ECC'), the Management Credit Committee ('MCC'), Business Banking Credit Committee ('BBCC) the Consumer Banking Credit Committee ('CBCC'), Remedial Credit Committee and the Classification and Provisions Committee ('CPC').

The Board of Directors has delegated all authority (except credit facilities to Board of Directors and related names) for credit decisions to the ECC within the Central Bank of Kuwait guidelines. The responsibilities of the ECC are to review and approve, reject, modify or conditionally approve credit proposals up to the legal lending limit of the bank in compliance with the credit policies of the Bank. The ECC has also the authority to approve credit criteria, credit programs and treasury limits within the approved risk appetite of the Bank.

The MCC with lower delegated authority meets regularly to approve, reject or modify credit applications submitted to it. Applications that fall outside the delegated authority limits of the MCC are referred to the ECC.

Business Banking Credit Committee ('BBCC') has the responsibility for facilitating asset creation and monitoring exposure management up to the approved limit in Small and Medium Enterprise ('SME') segment. BBCC has the sole authority to approve, reject or modify business banking credit applications submitted to it up to the limit of its delegated authority. There is a well defined organisational structure and risk management mechanism for business banking which offers specific products to the SME segment based on turnover and its priority for the Bank.

The CBCC meets as required and has the authority to approve, reject or modify credit applications from retail customers submitted to it within its delegated authority levels. An independent, centralised quality assurance function ensures the completeness and accuracy of the loan application documentation, undertakes credit and "black list" checks and monitors standing order commitments and other loan repayment obligations. Loan applications are subject to an evaluation process involving 'Score Card' based decisioning which is revalidated periodically. In addition, all consumer credit applications are subject to a credit check by the industry-owned Credit Information Network ('Ci-Net') credit reference agency to assess the creditworthiness and indebtedness of the applicant.

Remedial Credit Committee reviews all remedial management credits and/or approves or recommends for ECC's approval, all proposals to settle, restructure, reschedule, abandon recovery efforts or write-off debts applications that fall outside the delegated authority limits of the Remedial Credit Committee may be referred to the ECC as well.

Depending on the amount and risk profile of the client, credit applications for corporate and international lending may be reviewed by the BRC, ECC, MCC and Remedial Credit Committee and typically include the following information: executive summary, customer profile, summary of limits, amounts outstanding; risk rating and credit memorandum prepared by the Bank's independent credit review unit; customer profitability analysis; financial and cash flow analysis; details of purpose of loan, collateral, repayment source and details of guarantors, if applicable; and audited financial statements and/or personal net worth statements, as appropriate.

The Bank has legal lending limits, country limits and industry sector limits that must be adhered to when lending approval is being considered in respect of relevant applications or participations.

The Bank has a detailed credit policy approved by the Board and is periodically revised. The Credit Policy Manual sets out the guiding principles and credit risk philosophy governing extension of credit, provide a structure around which banking business must be based and ensure a consistent approach to all its lending activities. It also defines the policy on acceptable country credit risk exposure, and evaluating and controlling cross border risk. The individual country limits are approved and reviewed by the ECC. This approval is based on the country analysis and assessment of business requirements undertaken by the Bank's international banking division and recommended by the MCC.

The International Banking division regularly reviews the Bank's overall cross border limits and exposure risk ratings. The review focuses on the overall spread of cross border risk and recommendations to alter individual country risk limits are made where necessary.

Risk appetite document approved by Board provides a consistent framework for understanding risk through the organization and provide a means to ensure that risk considerations are ingrained in the day-to-day operation of the Bank. The risk appetite set by the bank is monitored and mitigation, if any, carried out at the appropriate time. The risk appetite threshold at a macro level is defined for Corporate, International, Treasury and Consumer Banking. Risk appetite is further drilled down into industry segments which are important for our business.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk net of provision for the components of the statement of financial position, including positive fair value of derivatives without taking into account any collateral and other credit enhancements. Maximum concentration of credit risk to a single or group of related counterparties is limited to 15 per cent of the Bank's comprehensive capital as determined by the regulatory guidelines.

BY CLASS OF FINANCIAL ASSETS	**2015 Maximum exposure KD 000's**	2014 Maximum exposure KD 000's
Cash and cash equivalents (excluding cash in hand)	**774,917**	557,856
Treasury bills and bonds	**245,609**	188,086
Central Bank of Kuwait bonds	**361,425**	588,216
Deposits with banks and other financial institutions	**34,107**	22,000
Loans and advances to banks	**80,858**	127,596
Loans and advances to customers:		
Corporate lending	**2,419,925**	2,499,409
Consumer lending	**1,213,666**	1,083,694
Debt investment securities (Note 13)	**68,284**	25,439
Other assets	**46,849**	40,761
Total	**5,245,640**	5,133,057
Contingent liabilities and commitments	**1,648,460**	1,577,606
Credit default swaps	**89,532**	86,376
Foreign exchange contracts (including spot contracts)	**85,257**	51,005
Total	**1,823,249**	1,714,987
Total credit risk exposure	**7,068,889**	6,848,044

Credit risk can also arise due to a significant concentration of Bank's assets to any single counterparty, this risk is managed by diversification of the portfolio. The 20 largest gross loan exposures outstanding as a percentage of total credit risk exposures as at 31 December 2015 is **16%** (2014: 17%).

Collateral and other credit enhancements

The Bank employs a range of policies and practices to reduce credit risk. The Bank seeks collateral coverage, assignment of contract proceeds and other forms of protection to secure lending and minimize credit risks wherever possible. The Bank's borrowing agreements also include legally enforceable netting arrangements for loans and deposits enabling the Bank to consolidate the customer's various accounts with the Bank and either transfer credit balances to cover any outstanding borrowings or freeze the credit balances until the customer settles their outstanding obligations to the Bank.

The Bank's credit facilities are largely secured by collateral, consisting primarily of: equities listed on the Kuwait Stock Exchange; unquoted equities, real estate (land and buildings); fixed term deposits and cash balances with the Bank that are blocked and legally pledged in its favor; and direct, explicit, irrevocable and unconditional bank guarantees.

As of 31 December 2015, **36%** (2014: 42%) of the total outstanding loans and advances to customers were partially or fully secured by collaterals.

The Bank has procedures to ensure that there is no excessive concentration of any particular asset class within the collaterals.

Internal credit quality rating

The Bank's policy is to assess the credit risk in Commercial banking through a risk rating process. The process is based on international best practices, and provides transparency and consistency to enable comparison between obligors.

The Bank uses Moody's Risk Rating tool for rating its corporate borrowers. Under the Moody's Risk rating framework all the borrowers are rated based on financial and business assessments. Financial assessment takes into account operations, liquidity, capital structure and debt coverage while business assessment is based on industry risk, management quality and company standing.

The Risk Rating Process derives the Obligor Risk Ratings (ORRs) and Facility Risk Ratings (FRRs). The rating methodology focuses on factors such as: operating performance, liquidity, debt service and capital structure. The ratio analysis includes assessment of each ratio's trend across multiple periods, both in terms of rate change and the volatility of the trend. It also compares the value of the ratio for the most recent period with the values of the comparable peer group. Qualitative assessment of the operations, liquidity and capital structure are also included in the assessment.

For new ventures or project finance transactions, Obligor Risk Ratings are generated through the use of projections covering the period of the loan.

Obligor Risk Rating (ORR) reflects the probability of default for an obligor (irrespective of facility type or collateral) over the next 12 months for a senior unsecured facility.

The Obligor Risk Ratings of performing assets are broadly classified into 3 categories: 'High', 'Standard' and 'Acceptable'. Credit exposures classified as 'High' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. Credit exposures classified as 'Standard' quality comprise facilities whose financial condition, and risk indicators and repayment capacity are satisfactory. Credit exposures classified as 'Acceptable' quality are performing accounts, and payment performance is fully compliant with contractual conditions. The ultimate risk of financial loss on 'Acceptable' quality is assessed to be higher than that for the exposures classified within 'High' and 'Standard' quality range.

Facility Risk Rating

The Bank also has an approved framework for Facility Risk Ratings (FRR). While Obligor Risk Rating does not take into consideration factors like availability of collateral and support, FRR is a measure of the quality of the credit exposure based on the expected loss in the event of default after considering collateral and support. The availability of eligible collateral or support substantially reduces the extent of the loss in the event of default and such risk mitigating factors are reflected in FRR.

North American Industry Classification System (NAICS) Code:

The Bank classifies the Bank's exposure as per NAICS Code. Such classifications are in addition to the classification based on purpose codes as defined by Central Bank of Kuwait. This allows the Bank to classify its portfolio into various sub- segments so as to facilitate analysis and improve management of concentrations, if any.

Portfolio Risk Rating

The Bank has also introduced a Portfolio Risk Rating process through which the overall portfolio quality is being assessed at regular intervals and deliberated upon in Executive Risk Committee (ERC). Portfolio Risk Rating has been extended up to the relationship manager level and risk measures are introduced for business performance appraisal that will lead to further improvement in asset quality.

RAROC Model

The Bank also introduced a RAROC (Risk Adjusted Return on Capital) model as a pricing tool for credit facilities granted to corporate clients. It is based on the premise that pricing is to be aligned with risk embedded in the proposal. After having satisfied that all the prerequisites (such as good and consistent Obligor Risk Ratings, system of Facility Risk Ratings based on collateral mitigation, estimation of Probability of Defaults, Calculation of Loss Norms by each facility rating and Reasonable Validation & Calibration) are in place, RAROC Model has been introduced in the Bank and this will help to make the right decisions, create shareholder value and allow proper pricing to customers. RAROC Model has been fully automated and integrated to the decision making process.

Credit Infrastructure:

Bank has a specialized unit with core objective of supporting the development, approval and monitoring of credit or product programmes, manage credit risk infrastructure and MIS Reporting. The unit supports management of credit/risk systems, Credit Application System, Risk Rating Models, RAROC Model and credit related policies of the Bank. The Bank has a system for real time electronic dissemination of credit packages to credit committee members thereby improving the efficiency of credit approval process.

	Neither past due nor impaired				
2015	**High KD 000's**	**Standard KD 000's**	**Acceptable KD 000's**	**Past due but not impaired KD 000's**	**Total KD 000's**
Cash and cash equivalents (excluding cash in hand)	**774,917**	**-**	**-**	**-**	**774,917**
Treasury bills and bonds	**245,609**	**-**	**-**	**-**	**245,609**
Central Bank of Kuwait bonds	**361,425**	**-**	**-**	**-**	**361,425**
Deposits with banks and other financial institutions	**34,107**	**-**	**-**	**-**	**34,107**
Loans and advances to banks	**81,651**	**-**	**-**	**-**	**81,651**
Loans and advances to customers:					**-**
- Corporate lending	**1,063,736**	**1,074,763**	**429,683**	**41,677**	**2,609,859**
- Consumer lending	**1,138,646**	**-**	**-**	**71,448**	**1,210,094**
Debt investment securities (Note 13)	**68,284**	**-**	**-**	**-**	**68,284**
Other assets	**46,849**	**-**	**-**	**-**	**46,849**
	3,815,224	**1,074,763**	**429,683**	**113,125**	**5,432,795**

2014	Neither past due nor impaired High KD 000's	Standard KD 000's	Acceptable KD 000's	Past due but not impaired KD 000's	Total KD 000's
Cash and cash equivalents (excluding cash in hand)	557,856	-	-	-	557,856
Treasury bills and bonds	188,086	-	-	-	188,086
Central Bank of Kuwait bonds	588,216	-	-	-	588,216
Deposits with banks and other financial institutions	22,000	-	-	-	22,000
Loans and advances to banks	128,783	-	-	-	128,783
Loans and advances to customers:					
- Corporate lending	982,657	1,318,947	280,188	28,253	2,610,045
- Consumer lending	1,023,852	-	-	61,708	1,085,560
Debt investment securities (Note 13)	25,439	-	-	-	25,439
Other assets	40,761	-			40,761
	3,557,650	1,318,947	280,188	89,961	5,246,746

89% (2014: 93%) of the past due but not impaired category is below 60 days and **11%** (2014: 7%) is between 60-90 days.

Financial assets by class individually impaired

	Gross exposure KD 000's	**Impairment provision KD 000's**	**Fair value of collateral KD 000's**
Loans and advances to customers:			
- Corporate lending	**76,510**	**2,331**	**75,169**
- Consumer lending	**29,126**	**13,652**	**170**
	105,636	**15,983**	**75,339**

	Gross exposure KD 000's	Impairment provision KD 000's	Fair value of collateral KD 000's
Loans and advances to customers:			
- Corporate lending	105,389	4,459	101,154
- Consumer lending	20,536	11,480	-
	125,925	15,939	101,154

	2015		2014	
	Assets KD 000's	**Off balance sheet items KD 000's**	Assets KD 000's	Off balance sheet items KD 000's
Geographic region:				
Domestic (Kuwait)	**4,456,600**	**1,275,238**	4,484,085	1,268,558
Other Middle East	**555,891**	**160,919**	458,100	115,961
Europe	**140,075**	**98,007**	98,116	77,739
USA and Canada	**27,201**	**20,583**	17,642	12,294
Asia Pacific	**65,872**	**267,949**	75,103	239,900
Rest of world	**1**	**553**	11	535
	5,245,640	**1,823,249**	5,133,057	1,714,987
Industry sector:				
Personal	**1,328,175**	**-**	1,202,721	3,156
Financial	**906,706**	**615,546**	778,364	496,409
Trade and Commerce	**345,151**	**214,436**	324,418	232,954
Crude Oil and Gas	**94,273**	**36,485**	79,884	36,586
Construction	**302,789**	**691,887**	321,000	707,080
Government	**1,087,488**	**1,035**	1,138,407	-
Manufacturing	**321,936**	**45,454**	333,850	45,094
Real Estate	**673,303**	**16,805**	773,420	25,808
Others	**185,819**	**201,601**	180,993	167,900
	5,245,640	**1,823,249**	5,133,057	1,714,987

Contingent liabilities and commitments are financial instruments with contractual amounts representing credit risk

The primary purpose of these instruments is to ensure that funds are available to a customer as required. 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. These instruments are disclosed in Note 26.

Derivative financial instruments with contractual or notional amounts that are subject to credit risk

These derivative financial instruments, comprising foreign exchange and interest rate contracts, allow the Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

This amount is subject to credit risk and is limited to the current replacement value of instruments that are favorable to the Bank, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding. This credit risk exposure is managed as part of the overall borrowing limits granted to customers. These instruments are disclosed in Note 28.

B. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or cash flows of the financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance-sheet instruments that mature or reprice in a given period. The Bank manages this risk by matching the repricing of assets and liabilities through risk management strategies. A majority of the interest bearing assets and liabilities reprice within one year. Accordingly there is a limited exposure to interest rate risk.

The interest rate sensitivity of the income statement measures the effect of assumed changes in interest rates on the net interest income for one year, based on the interest bearing financial assets and liabilities held at year end. The interest rate sensitivity on equity is the impact of changes in interest rates on the fair value of available for sale fixed rate bonds held at year end.

The following table reflects the effects of 25 basis points change in interest rates on the income statement and equity, with all other variables held constant:

	2015			2014		
Currency	**Change in currency rate in %**	**Impact on income statement KD 000's**	**Impact on statement of comprehensive income KD 000's**	Change in currency rate in %	Impact on income statement KD 000's	Impact on statement of comprehensive income KD 000's
KWD	**(+) 25**	**2,362**	**-**	(+) 25	2,654	-
USD	**(+) 25**	**217**	**(53)**	(+) 25	267	(17)

C. CURRENCY RISK

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank views itself as a Kuwaiti entity with Kuwaiti Dinars as its functional currency. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Based on the Bank's financial assets and liabilities held at the statement of financial position date, in case of a change in currency movements with all other variables held constant, the effect on the Bank's profit and other comprehensive income is as follows:

	2015			2014		
Currency	**Change in currency rate in %**	**Impact on income statement KD 000's**	**Impact on statement of comprehensive income KD 000's**	Change in currency rate in %	Impact on income statement KD 000's	Impact on statement of comprehensive income KD 000's
USD	**+5**	**(339)**	**364**	+5	(821)	717

Bank's investments are held in well diversified portfolio of equity, debt instruments and hedge funds which invest in a variety of securities and products which are denominated in different currencies whose performance cannot necessarily be measured with relation to movement in any particular currency rate. Only the impact on the carrying amount of these securities has been considered in the sensitivity analysis.

D. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a sufficient balance of cash, cash equivalents and readily marketable securities.

Liquidity risk arises in the general funding of the Bank's activities. Under the guidance of the Asset Liability Committee (ALCO), the Treasury group manages the liquidity and funding of the Bank to ensure that sufficient funds are available to meet the

Bank's known cash funding requirements and any unanticipated needs that may arise. At all times, the Bank holds what it considers to be adequate levels of liquidity to meet deposit withdrawals, repay borrowings and fund new loans, even under stressed conditions.

The liquidity and funding management process includes: projecting cash flows by major currency; monitoring financial position, liquidity ratios against internal and regulatory requirements; maintaining a diverse range of funding sources with adequate back-up facilities; monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and managing debt financing needs. The Bank maintains a diversified and stable funding base of core retail and corporate deposits, and the treasury group maintains liquidity and funding contingency plans to cope with potential difficulties that may arise from local or regional markets or geopolitical events.

Liquidity risk is further minimized by adherence to the strict CBK liquidity requirements, namely: maturity ladder mismatch limits for specific time periods: 10% for 7 days or less; 20% for 1 month or less; 30% for 3 months or less; 40% for 6 months or less; and the requirement to hold 18% of KD customer deposits in Kuwait Government treasury bills and bonds, current account/deposit balances with CBK and/or any other financial instruments issued by CBK.

The table below summarizes the maturity profile of the assets and liabilities at the yearend based on residual contractual repayment arrangements (assets and liabilities without a contractual maturity are based on management expectation):

At 31 December 2015	Up to 1 month KD 000's	1 to 3 months KD 000's	3 to 6 months KD 000's	6 to 12 months KD 000's	1 to 3 years KD 000's	Over 3 years KD 000's	Total KD 000's
Assets:							
Cash and cash equivalents	837,048	-	-	-	-	-	837,048
Treasury bills and bonds	-	43,142	73,621	76,369	52,477	-	245,609
Central Bank of Kuwait bonds	92,850	169,850	98,725	-	-	-	361,425
Deposits with banks and other financial institutions	-	24,107	-	10,000	-	-	34,107
Loans and advances to banks	-	19,728	11,381	31,109	18,640	-	80,858
Loans and advances to customers	126,423	480,728	769,312	296,809	473,224	1,487,095	3,633,591
Investment securities	-	4,593	-	-	34,182	76,342	115,117
Other assets	54,256	13,134	-	-	34,049	-	101,439
Premises and equipment	-	-	-	-	-	28,522	28,522
Total assets	**1,110,577**	**755,282**	**953,039**	**414,287**	**612,572**	**1,591,959**	**5,437,716**
Liabilities:							
Due to banks	72,189	55,542	69,198	64,455	-	-	261,384
Deposits from financial institutions	152,363	174,042	135,688	263,565	374	-	726,032
Customer deposits	2,054,886	668,224	510,019	460,607	143,686	-	3,837,422
Other liabilities	35,254	13,886	11,057	12,197	2,228	-	74,622
Total liabilities	**2,314,692**	**911,694**	**725,962**	**800,824**	**146,288**	**-**	**4,899,460**

At 31 December 2014	Up to 1 month KD 000's	1 to 3 months KD 000's	3 to 6 months KD 000's	6 to 12 months KD 000's	1 to 3 years KD 000's	Over 3 years KD 000's	Total KD 000's
Assets:							
Cash and cash equivalents	607,367	-	-	-	-	-	607,367
Treasury bills and bonds	-	27,829	59,296	74,644	26,317	-	188,086
Central Bank of Kuwait bonds	133,716	388,500	66,000	-	-	-	588,216
Deposits with banks and other financial institutions	-	12,000	10,000	-	-	-	22,000
Loans and advances to banks	10	100	43,920	11,712	71,854	-	127,596
Loans and advances to customers	96,405	1,115,434	184,680	321,621	731,068	1,133,895	3,583,103
Investment securities	20,869	-	-	-	4,570	56,900	82,339
Other assets	27,640	3,992	-	-	72,812	-	104,444
Premises and equipment	-	-	-	-	-	27,727	27,727
Total assets	886,007	1,547,855	363,896	407,977	906,621	1,218,522	5,330,878
Liabilities:							
Due to banks	71,677	85,064	111,560	86,376	-	-	354,677
Deposits from financial institutions	102,769	164,370	215,140	191,784	4,606	-	678,669
Customer deposits	1,932,671	706,965	665,616	339,797	16,675	-	3,661,724
Subordinated loan	43,920	-	-	-	-	-	43,920
Other liabilities	36,551	16,252	16,862	10,501	361	-	80,527
Total liabilities	2,187,588	972,651	1,009,178	628,458	21,642	-	4,819,517

The tables below summarize the maturity profile of the Bank's financial liabilities and contingent liabilities, commitments and non-derivative financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

At 31 December 2015

Financial liabilities:	**Less than 1 month KD 000's**	**1 to 3 months KD 000's**	**3 to 12 months KD 000's**	**1 to 5 years KD 000's**	**Over 5 years KD 000's**	**Total KD 000's**
Due to banks	**10,838**	**-**	**215,099**	**37,854**	**-**	**263,791**
Deposits from financial institutions	**88,107**	**17,671**	**205,584**	**424,374**	**-**	**735,736**
Customer deposits	**1,633,477**	**216,966**	**1,338,379**	**682,054**	**-**	**3,870,876**
Other liabilities*	**26,543**	**3,595**	**26,952**	**17,532**	**-**	**74,622**
Total undiscounted liabilities	**1,758,965**	**238,232**	**1,786,014**	**1,161,814**	**-**	**4,945,025**

At 31 December 2014

Financial liabilities:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Due to banks	7,379	46,984	302,795	-	-	357,158
Deposits from financial institutions	67,019	8,420	419,071	196,358	-	690,868
Customer deposits	1,509,605	178,855	1,849,845	145,491	-	3,683,796
Subordinated loan	43,953	-	-	-	-	43,953
Other liabilities*	27,450	3,950	43,363	5,764	-	80,527
Total undiscounted liabilities	1,655,406	238,209	2,615,074	347,613	-	4,856,302

* Other liabilities includes negative fair value of derivative financial instruments (note 18).

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities:

At 31 December 2015

	Less than 1 month KD 000's	**1 to 3 months KD 000's**	**3 to 12 months KD 000's**	**1 to 5 years KD 000's**	**Over 5 years KD 000's**	**Total KD 000's**
Contingent liabilities	**34,158**	**43,998**	**168,039**	**798,341**	**446,754**	**1,491,290**
Commitments	**140**	**35,473**	**120,157**	**-**	**1,400**	**157,170**
	34,298	**79,471**	**288,196**	**798,341**	**448,154**	**1,648,460**

At 31 December 2014

	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Contingent liabilities	39,455	71,774	171,469	748,185	380,318	1,411,201
Commitments	50	46,232	120,123	-	-	166,405
	39,505	118,006	291,592	748,185	380,318	1,577,606

The table below shows the contractual expiry by maturity of the Bank's gross settled derivatives positions:

Derivatives	**Less than 1 month KD 000's**	**1 to 3 months KD 000's**	**3 to 12 months KD 000's**	**Total KD 000's**
At 31 December 2015				
Gross settled derivatives	**573**	**23,941**	**25,112**	**49,626**
At 31 December 2014				
Gross settled derivatives	**540**	**5,408**	**-**	**5,948**

E. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal controls, human error, systems failure or from external events. The Bank has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Bank.

The operational risks are managed through the Risk Management Department in line with the Central Bank of Kuwait instructions dated 14 November 1996, concerning the general guidelines for internal controls and the instructions dated 13 October 2003, regarding the sound practices for managing and supervising operational risks in banks. The department ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall risk management.

F. EQUITY PRICE RISK

This is a risk that the value of equity investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Bank manages this risk through diversification of investments.

A portion of the Bank's investments are held in well diversified portfolio of hedge funds which invest in a variety of securities whose performance cannot necessarily be measured in relation to movement in any specific equity index.

The effect on equity (as a result of change in the fair value of equity instruments held as available for sale) at the yearend due to an assumed 5% change in the market indices, with all other variable held constant, is as follows:

Market indices	% Change in equity price	**2015 Effect on equity KD 000's**	2014 Effect on equity KD 000's
Kuwait Stock Exchange	+5%	**881**	969
New York Stock Exchange	+5%	**144**	358

G. PREPAYMENT RISK

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans when interest rates fall.

Most of the Bank's interest bearing financial assets are at floating rates. In addition, majority of the interest bearing financial liabilities where the repayment option is with the Bank, have a maturity of less than one year and accordingly, the Bank is not exposed to significant prepayment risk.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value and this applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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

2015	**Level 1 KD 000's**	**Level 2 KD 000's**	**Level 3 KD 000's**	**Total KD 000's**
Financial assets available for sale :				
Equity securities	19,527	8,126	-	27,653
Debt securities	23,251	-	-	23,251
	42,778	**8,126**	**-**	**50,904**

2014	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Financial assets available for sale :				
Equity securities	28,034	7,046	-	35,080
Debt securities	25,439	-	-	25,439
	53,473	7,046	-	60,519

The fair value of the above investment securities classified under Level 1 and level 2 is categorised as per the policy on fair value measurement in Note 2. During the year, there were no transfers between any of the fair value hierarchy levels.

The positive and negative fair values of forward foreign exchange contracts and credit default swaps, which are valued using significant inputs of observable market data (Level 2). Refer Note 28.

The amortized cost and fair value of investment securities held to maturity as at 31 December 2015 were **KD 43,529 thousand** (2014: KD Nil) and **KD 43,388 thousand** (Level: 1) (2014: KD Nil) respectively. The fair values of other financial assets and liabilities which are carried at amortised cost are estimated using the valuation models that incorporate a range of input assumptions. These assumptions may include estimates using credit spreads, forward looking discounted cash flow models using the assumptions which the management believes are consistent with those which would be used by market participants in valuing such financial assets and liabilities. The management has also performed a sensitivity analysis by varying these assumptions to a reasonable margin and there is no material impact. The fair values of these financial assets and liabilities are not materially different from their carrying values at the reporting date. The interest rates on these financial assets and liabilities are repriced immediately based on market movements. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

26. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Bank enters into various contingent liabilities and irrevocable commitments. Even though these obligations may not be reflected in the statement of financial position, they do contain credit risk and therefore form part of the overall risk of the Bank.

The total outstanding contingent liabilities and commitments are as follows:

	2015 KD 000's	2014 KD 000's
Guarantees	**1,299,019**	1,211,756
Letters of credit	**192,271**	199,445
	1,491,290	1,411,201

As at the reporting date the Bank had undrawn commitments to extend overdraft facilities to customers amounting to **KD 157,170 thousand** (2014: KD 166,405 thousand). The contractual terms entitle the Bank to withdraw these facilities at any time.

27. SEGMENTAL ANALYSIS

a. By Business Unit

Commercial Banking	Acceptance of deposits from individuals, corporate and institutional customers and providing consumer loans, overdrafts, credit card facilities and funds transfer facilities to individuals; and other credit facilities of corporate and institutional customers.
Treasury and Investments	Providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities, placements and acceptances with other banks. The proprietary investments of the Bank are managed by the Investments unit.

Segmental information for the year ended 31 December

	Commercial Banking		**Treasury and Investments**		**Total**	
	2015 KD 000's	2014 KD 000's	**2015 KD 000's**	2014 KD 000's	**2015 KD 000's**	2014 KD 000's
Operating income	**136,885**	137,625	**14,338**	8,366	**151,223**	145,991
Segment result	**50,099**	75,760	**9,593**	3,780	**59,692**	79,540
Unallocated income					**17,233**	16,792
Unallocated expense					**(37,923)**	(60,872)
Profit for the year					**39,002**	35,460
Segment assets	**3,797,144**	3,782,216	**1,510,611**	1,416,491	**5,307,755**	5,198,707
Unallocated assets					**129,961**	132,171
Total Assets					**5,437,716**	5,330,878
Segment liabilities	**3,142,049**	2,999,050	**1,637,377**	1,675,105	**4,779,426**	4,674,155
Unallocated liabilities and equity					**658,290**	656,723
Total Liabilities and Equity					**5,437,716**	5,330,878

ف. Geographic segment information relating to location of assets, liabilities and off balance sheet are given in Note 24A.

Revenue from transactions with a single external customer or counter party did not result in 10% or more of the Bank's total revenue in 2015 or 2014.

28. DERIVATIVES

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. 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. All derivative contracts are fair valued based on observable market data.

At 31 December 2015:

			Notional amounts by term to maturity			
	Positive fair value KD 000's	Negative fair value KD 000's	total Notional amount KD 000's	Within 3 months KD 000's	3-12 months KD 000's	Over 1 year KD 000's
Derivatives instruments held as:						
Trading (and non qualifying hedges)						
Forward foreign exchange contracts	**264**	**(427)**	**49,626**	**24,514**	**25,112**	**-**
Credit default swaps (Note 18)	**-**	**(513)**	**89,532**	**-**	**30,350**	**59,182**
	264	**(940)**	**139,158**	**24,514**	**55,462**	**59,182**

At 31 December 2014:

			Notional amounts by term to maturity			
	Positive fair value KD 000's	Negative fair value KD 000's	total Notional amount KD 000's	Within 3 months KD 000's	3-12 months KD 000's	Over 1 year KD 000's
Derivatives instruments held as:						
Trading (and non qualifying hedges)						
Forward foreign exchange contracts	82	(56)	5,948	5,948	-	-
Credit default swaps (Note 18)	202	(346)	86,376	-	-	86,376
	284	(402)	92,324	5,948	-	86,376

Derivative product types

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount or to transfer third party credit risk based on an agreed principal and related outstanding interest. For currency swaps, fixed or floating interest payments as well as notional amounts are exchanged in different currencies. For credit default swaps, fee is earned based on the amount of credit risk swapped.

Derivatives held or issued for trading purposes

Most of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and expected risks. Positioning involves managing positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. Also included under this heading are any derivatives which do not meet IAS 39 hedging requirements.

29. OTHER EXPENSES

Other expenses for the year ended 31 December 2014 included KD 7,352 thousand relating to reversal of a legal provision which was no longer required.

30. CAPITAL ADEQUACY & CAPITAL MANAGEMENT

Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with regulatory capital requirements, maintains a strong and healthy capital ratio in order to support its operations and to maximize shareholders' value.

The Bank actively manages its capital base in order to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Kuwait in supervising the Bank.

The disclosures relating to the Capital Adequacy Regulations issued by CBK as stipulated in its Circular number 2/RB,RBA/336/2014 are included under the 'Capital Management and Allocation' section of the annual report.

The Bank's regulatory capital and capital adequacy ratios for the year ended 31 December 2015 and 31 December 2014 are calculated in accordance with CBK circular number 2/RB,RBA/336/2014 dated 24 June 2014 are shown below:

	2015 **KD 000's**	2014 KD 000's
Risk weighted assets	**3,748,264**	3,587,676
Capital required	**468,533**	430,521
Capital available		
Tier 1 capital	**538,256**	511,361
Tier 2 capital	**44,895**	42,914
Total capital	**583,151**	554,275
Tier 1 capital adequacy ratio	**14.36%**	14.25%
Total capital adequacy ratio	**15.56%**	15.45%

Financial leverage ratio

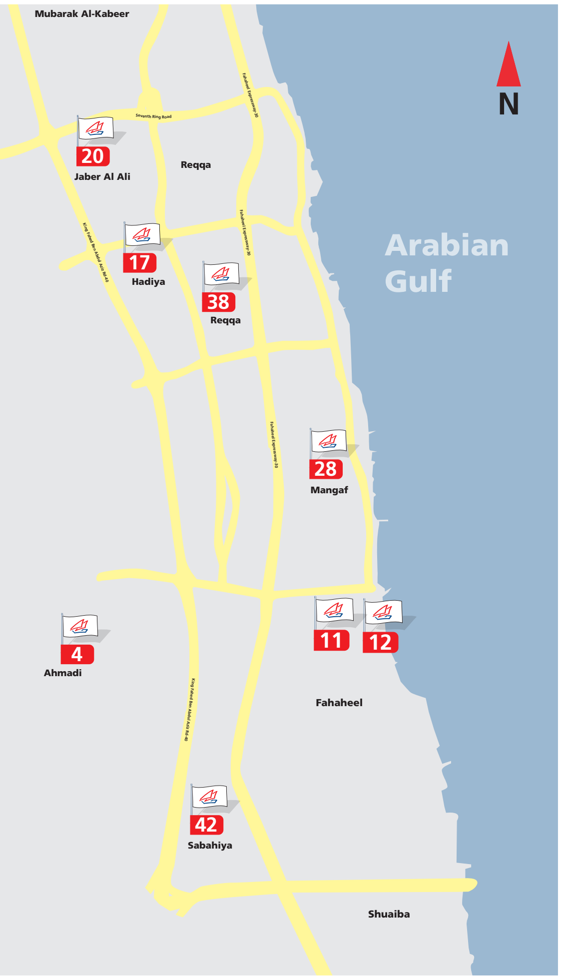
The Bank's financial leverage ratio for the year ended 31 December 2015 and 31 December 2014 are calculated in accordance with CBK circular number 2/BS/ 342/2014 dated 21 October 2014 are shown below:

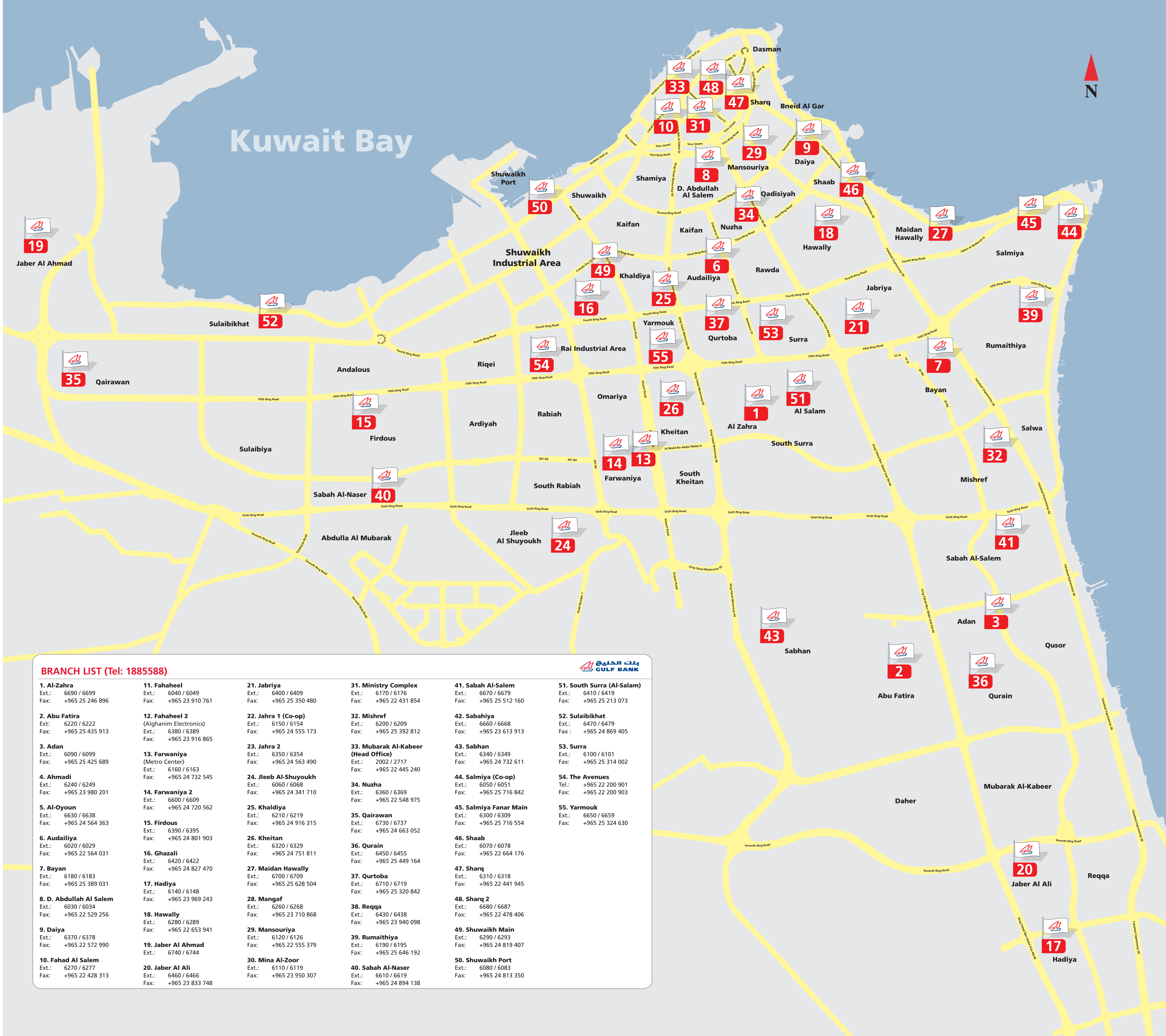
	2015 **KD 000's**	2014 KD 000's
Tier 1 capital	**538,256**	511,361
Total Exposure	**6,365,455**	6,197,293
Financial leverage ratio	**8.46%**	8.25%

The disclosures relating to the capital adequacy regulations issued by CBK as stipulated in CBK circular number 2/RB, RBA/336/2014 dated 24 June 2014 and disclosures related to financial leverage ratio as stipulated in CBK circular number 2/ BS/ 342/2014 dated 21 October 2014 for the year ended 31 December 2015 and 31 December 2014 are included under the 'Capital Adequacy' and 'Risk Management' sections of the annual report.

55 BRANCHES

Our network of branches are recognized for their excellence in service.





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