In the Name of

Allah

The most gracious
The most merciful

H.H. Sheikh Sabah Al-Ahmad Al- Jaber Al-Sabah

Amir of the State of Kuwait

H.H. Sheikh Nawaf Al-Ahmad Al- Jaber Al-Sabah

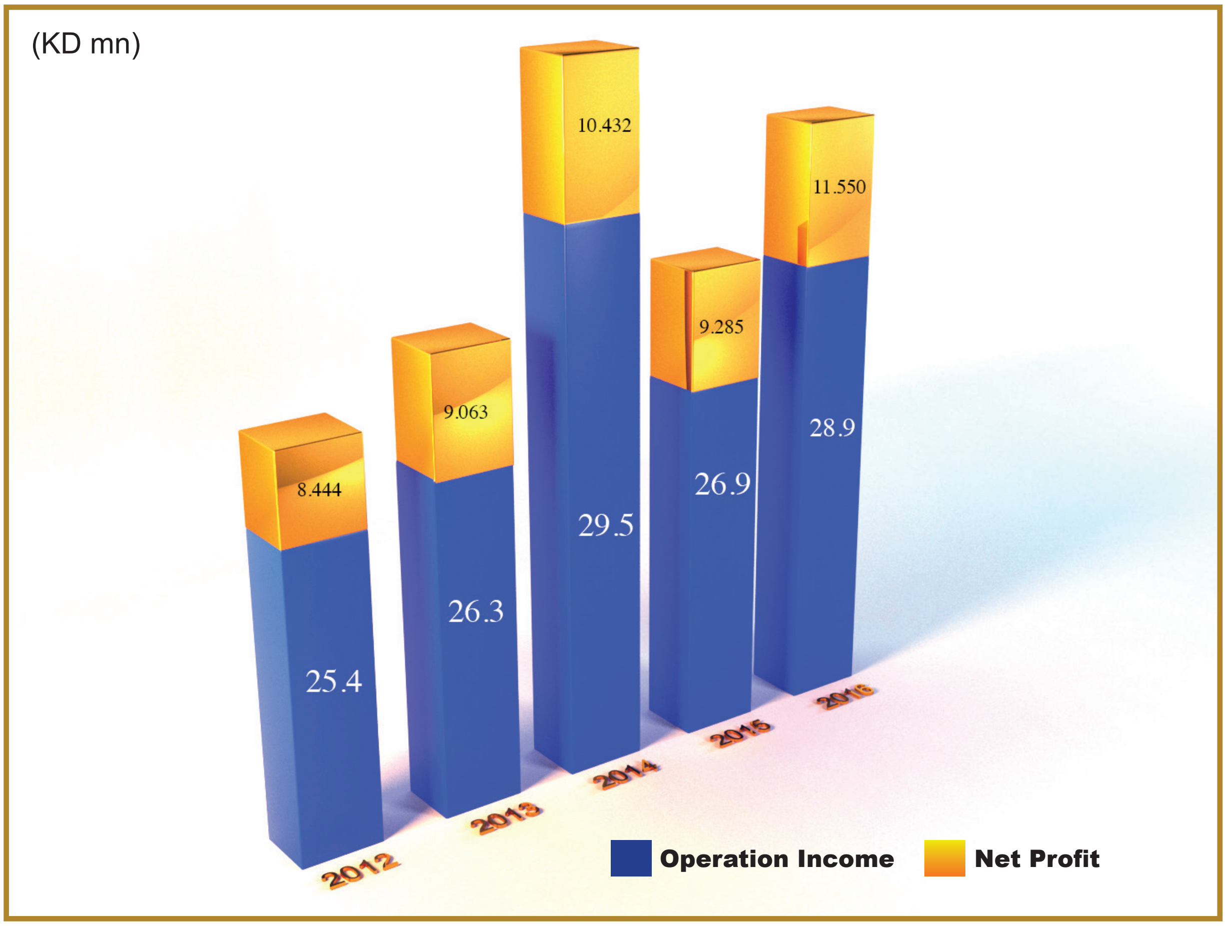
Crown Prince of the State of Kuwait

H.H. Sheikh Jaber Mubarak Al Hamad Al-Sabah

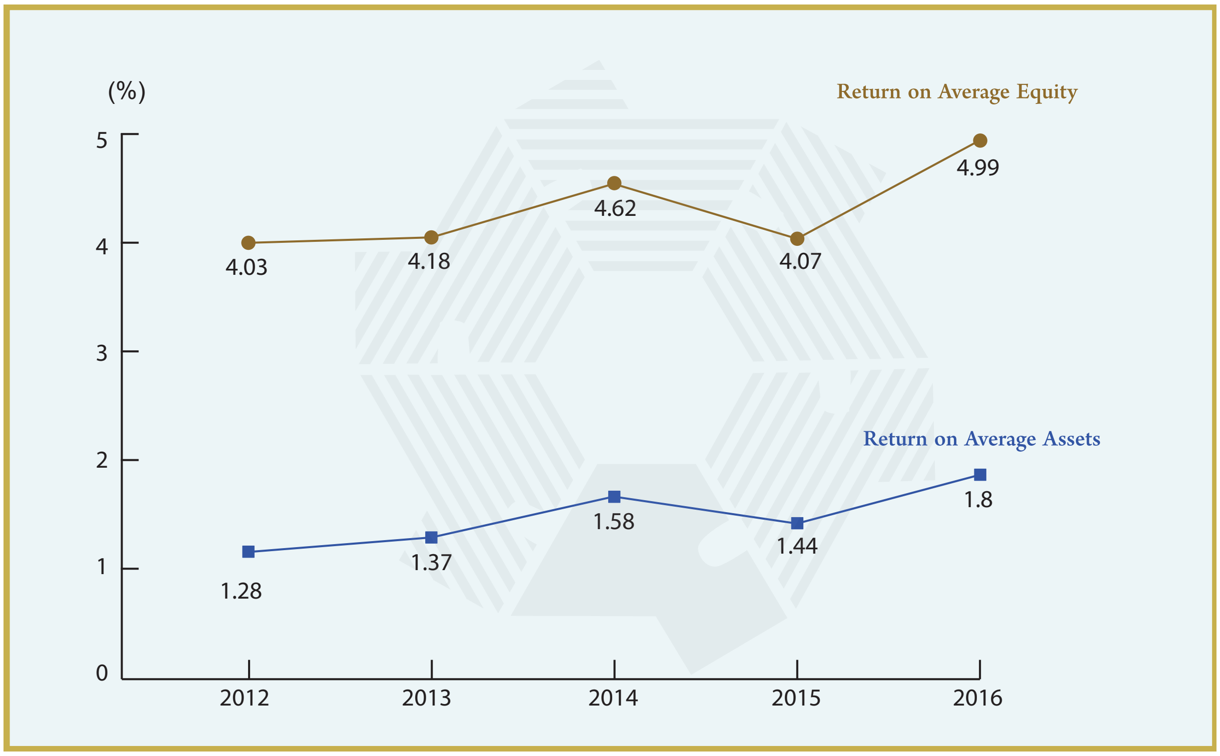
Prime Minister of State of Kuwait

Contents

The Industrial Bank of Kuwait was established in 1973 by the initiative of the Government of Kuwait and the private sector. It is a specialized bank dedicated to supporting industry in Kuwait, providing medium and long term financing for the establishment, expansion and modernization of industrial firms in the country. It also offers a full range of commercial banking facilities to meet the working capital needs of its industrial customers.



(KD mn)
10.432
11.550
9.285
9.063
8.444
28.9
26.9
29.5
26.3
25.4
2012
2013
2014
2015
2016
Operation Income
Net Profit



(%)
Return on Average Equity
5
4
3
2
1
0
4.03
4.18
4.62
4.07
4.99
Return on Average Assets
1.28
1.37
1.58
1.44
1.8
2012
2013
2014
2015
2016

Financial Highlights

Financial Highlights	2012	2013	2014	2015	2016 (KD 000)
Net Interest Income	15,722	14,079	13,558	13,473	15,651
Fee and Commission Income	4,349	3,860	4,604	4,348	4,846
Net profit	8,444	9,063	10,432	9,285	11,550
Total Assets	669,934	653,385	668,003	624,028	656,301
Industrial Loans(net)	158,381	150,354	141,805	142,590	144,263
Commercial Loans(net)	154,312	128,710	120,930	126,814	159,870
Total Liabilities	458,519	431,062	439,525	395,752	422,053
Equity	211,415	222,323	228,478	228,276	234,248
Return on Average Assets (%)	1.28	1.37	1.58	1.44	1.8
Return on Average Equity (%)	4.03	4.18	4.62	4.07	4.99
Cost to Income Ratio %	31.63	32.73	32.70	35.28	33.97

Industrial Loans Commitments

Industrial Loans Commitments	During 2016	Cumulative 1974 – 2016
Number Of Projects	28	1,045
Total Projects Cost (KD 000)	92,365	2,101,608
IBK Finance (KD 000)	63,879	1,177,277

Credit rating : Fitch Ratings (November 2016)

Long Term (IDR): A+ Short Term: F1 Outlook: Stable

The Chairman's Message

On behalf of the Board of Directors of the Industrial Bank of Kuwait, I have the pleasure to present the Bank's Annual Report for the year ending December 31, 2016.

By the end of year 2016, IBK has completed forty-three years of dedicated efforts in supporting the industrial development in the State of Kuwait. Many achievements have been attained by the Bank during these years among which is providing a total of 1,045 industrial loans for various industrial projects, in addition to providing a complete banking facilities for its industrial clients.

During the year 2016, the Bank continued its successful operations in achieving a balance between prudent banking services and providing the requirements of industrial development. The Bank was able to carry on a distinguished performance, expanding customer base, maintaining financial strength and good assets quality with high credit ratings, and achieving good results in all its financial indicators.

For the world economy, the year 2016 was characterized by a weak growth, where it was projected to grow at 3.1%. This was due to the persistent stagnation in the developed economies, as well as the slowdown in emerging markets and developing economies. Lower inflation rates were driven by lower oil prices, in addition to the challenges posed by international and regional political and economic unrests.

The sharp decline in oil prices and the ongoing regional conflicts formed security and economic implications on the Gulf Cooperation Council (GCC) countries. This was reflected in slow growth, budget deficits, drop in governments spending and broader weakening in the private sector's confidence. The economic growth in the GCC is projected to slow this year to 1.7% and to improve to 2.3% in 2017. The GCC leaders affirmed in their last meeting, the necessity to complete the economic integration through forming the GCC common market.

For the State of Kuwait, the Fitch Rating Agency has affirmed Kuwait's rating at AA with a stable outlook, supported by strong financial status. The GDP is expected to grow by 3.6% in 2016 and to slow down to 2.6% in 2017 due to the reduction in the real oil GDP. The real non-oil GDP is expected to register 3.2% in 2016 and increase to 3.5% in 2017, anticipating the implementation of the economic reform programs. As for Kuwait's local banks, their activities in 2016 have improved, showing a growth in total credit facilities of about 2.9% compared to last year, reaching kd 34.3 bn, while the credit to industry reached kd 1.9 bn representing a share of 5.5% of total credits.

The year 2016 represents the second year of the Industrial Bank of Kuwait's strategic business plan for the years 2015-2017 which aims to boost the role of the Bank in supporting industrial developments and the national economy through increasing finance to industrial projects and expanding the range of its financing activities, in addition to improving customers' services and completing the update of the Bank's core banking system.

The Bank continued, during the year 2016, in achieving good performance, despite the subdued activity in the industrial sector and the slow economic growth that stood as a challenge to the Bank's strategic business plan. The Bank has maintained growth in its credit portfolio with strong assets quality and high capitalization which was reflected by Fitch Rating Agency in reaffirming the Bank's rating at A+ for long-term IDR, F1 for short-term IDR, with stable outlook.

The Bank also continued its support to the country's development plans through managing portfolios on behalf of the government, through which they have provided credit facilities and financial services to Kuwaitis involved in the fields of small projects, farming activities and livestock production. During the year 2016, the Al-Senai Portfolio for Small Enterprises was able to meet the increasing demand for financing small projects, where the financing grew by 31% compared to the previous year. Also the Agriculture Finance Portfolio has registered a high growth in total lending reaching an increase of around 66% compared to the previous year.

The Bank's financial statement for the year 2016 showed a strong performance, where the total assets increased by 5.2%, from KD 624 mn in year 2015 to KD 656 mn in year 2016. The loans portfolio reached KD 304 mn by the end of 2016, an increase of 13% compared to the previous year. The operating income registered an increase of 8.3% compared to last year reaching KD 28.6 mn by the end of 2016. After taking the appropriate provisions, the Bank's net profit reached KD 11.6 mn, by the end of 2016 achieving a growth of 24.4% compared to last year.

The Industrial Bank of Kuwait presents its grateful thanks to His Highness the Amir, His Highness the Crown Prince and His Highness the Prime Minister for their gracious patronage and guidance which are of vital importance to the IBK, and indeed, to the country as a whole.

The Industrial Bank of Kuwait also offers its sincere thanks to his excellency the Minister of Finance and his excellency the Governor of the Central Bank of Kuwait for their guidance which has always stood the Bank in good stead. To my colleagues on the Bank's Board of Directors, I would like to express my sincere thanks for their valuable inputs in matters of corporate policy. IBK is deeply indebted to all its staff members for their dedicated efforts during the year. To our customers and fellow financial institutions, I convey the Bank's sincere gratitude for their valued partnership, confidence and continuing co-operation.

May Almighty Allah bless all our efforts,

Abdulmohsen Y. Al-Hunaif

Board of Directors

Mr. / Abdulmohsen Y. Al-Hunaif
Chairman

- Member of Board of Trustees -Kuwait Institute of Scientific Research
- Board Member -Public Authority for Industry
- Board Member -Supreme Council for Petroleum
- Has a Bachelor degree in Accounting.

Mr. / Salah M. Al-Kulaib
Vice chairman

- Chairman - Kuwait Flour Mills & Bakeries Co.
- Has a Bachelor degree in Mechanical Engineering

Mr. / Ahmed T. Al-Tahous
Board Member

- Director – Equities Department- Kuwait Investment Authority
- Chairman - Touristic Enterprises Company
- Has a Bachelor degree in Economics

Mr. / Adel F. Al-Humaidhi
Board Member

- Cheif Executive Officer-Kuwait & Middle East Financial Investment Co.
- Board Member - Middle East Financial Investment Co. - Saudi Arabia
- Chairman - Middle East Financial Brokerage Co.
- Has a Bachelor degree in Business Administration.

Mr. / Khalid J. Al-Rubaian
Board Member

- Assistant Undersecretary Ministry of Finance -Administrative and legal affairs(previously).
- Has a Bachelor degree in Political Science.

Mr. / Khalid A. Al-Fadhalah
Board Member

- Deputy Director General for Social Security Affairs
- Board Member- Wafra Real Estate Co.
- Member of Board of Trustees-Petroleum Fund
- Has a Bachelor degree in Business Administration.

Mr. / Esam I. Al-Kheshnam
Board Member

- Manager-IT Strategic Planning Department Central Bank of Kuwait.
- Has a Bachelor degree in Computer Engineering.

Mr. / Khalid S. Al-Ali
Board Member

- Cheif Executive Officer- AL-Themar International Holding Co.
- Chairman - Securities Group Company.
- Board Member -Kuwait Packing Materials Manufacturing Co.
- Board Member –Kuwait National Poultry Co.
- Board Member –Al Tadamon Al Kuwaiti for General Trading&Contracting
- Has a Bachelor degree in Business Administration.

Mr. / Osama O. Al-Fraih
Board Member

- Investment Manager - Equities Department Kuwait Investment Authority
- Board Member - Kuwait Small Project Development Co.
- Board Member - Arab African International Bank – Cairo.
- Has a Bachelor degree in Business Administration

Mr. / Talal J. Al-Khrafi
Board Member (started 11/7/2016)

- Chairman – Gulf North Africa Holding Co.
- Vice Chairman - Kuwait Science Club
- Board Member - Heavy Engineering Industries & Shipbuilding Co
- Board Member - Asiya Capital Investment Co.
- Board Member- Kuwait Chamber of Commerce & Industry
- Has a Bachelor degree in Political Science

Mr. / Abdulkareem Abdullah Al Mutawa
Board Member (till 1/5/2016)

- Chairman -Al Mal Investment Company K.S.C
- Deputy Chairman -MAC SA Co.Tunisia
- Cheif Executive Officer- The Group General Trading & Contracting Co.
- General Manager -Abdulkareem Al Mutawa Sons & Partners Co.
- Board Member - Kuwait Pipe Industries & Oil Services Co.
- Board Member - Falcon Aviation Co.
- Board Member- Kuwait Capital Holdings Co.
- Has a Bachelor degree in Economics & Political Science

Board of Directors

General Responsibilities

• The Board has the overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic plans, risk strategy, corporate governance and corporate values. The Board is responsible for providing oversight of the Bank's senior management, including the CEO.

• The Board assumes ultimate responsibility for the Bank's business and its financial soundness, fulfilment of the Central Bank of Kuwait requirements, protecting the legitimate interests of shareholders, depositors, creditors, staff and stakeholders, and ensuring that the Bank is managed in a prudent manner and within the applicable laws and regulations and the internal policies and procedures.

Board Meetings

Board Meetings		
Members	No. of Meetings	Attendance No.
Mr. / Abdulmohsin Y. Al-Hunaif	9	9
Mr. / Salah M. Al-Kulaib		7
Mr. / Ahmed T. Al-Tahous		8
Mr. / Adel F. Al-Humaidhi		8
Mr. / Khalid J. Al-Rubaian		9
Mr. / Khalid S. Al-Ali		8
Mr. / Osama O. Al-Fraih		7
Mr. / Khalid A. Ai-Fadhalah		8
Mr. / Esam I. Al-Kheshnam		7
Mr. /Talal J. Al-Khrafi (started 11/7/2016)		3
Mr. / Abdulkareem Abdullah Al Mutawa (till 1/5/2016)		2

Board Committees

Governance Committee

The role of the Governance Committee is to assist the Board of Directors in fulfilling its supervisory responsibilities relating to the application of proper governance of the Bank; including establishing a set of guiding principles for corporate governance, the preparation and updating the Bank's governance guide and follow-up on the adherence with the parties involved, and provide the Board of Directors reports on this subject.

Members	No. of Meetings	Attendance No.
Mr. /Abdulmohsin Y. Al-Hunaif- Chairman	4	4
Mr. / Khalid A. Al-Fadhalah Member Vice Chairman		3
Mr. / Osama O. Al-Fraih - Member		3
Mr. / Esam I. Al-Kheshnam - Member		3
Mr. /Talal J. Al-Khrafi - Member (started 11/7/2016)		1
Mr. / Abdulkareem Abdullah Al Mutawa - Member (till 1/5/2016)		0

Audit Committee

The role of the Audit Committee is to assist the Board of Directors to fulfill its auditing responsibility, related to the following:

- The integrity of the financial statements of the Bank.
- Oversight of the financial reporting process and disclosures.
- Internal control systems and financial accounting.
- The internal audit function (including the responsibilities and the estimated Budget).
- The independent annual audit of the financial statements.
- Evaluate the performance of the external and internal auditors.
- Ensuring Bank's compliance to relevant policies, rules , regulations and instructions.
- During the year 2016 the Audit Committee obtained a mandate to recruit internal audit employees and to determine remunerations deserved, except the Chief Internal Auditor, whose appointment and remunerations are recommended by the Committee and raised to the Board of Diretors to take decision.

Members	No. of Meetings	Attendance No.
Mr. / Khalid J. Al-Rubaian - Chairman	7	7
Mr. /Abdulkareem Abdullah Al Mutawa- Vice Chairman (till 1/5/2016)		1
Mr. /Talal J. Al-Khrafi (started 11/7/2016 as a member) (started 21/12/2016 as a Vice Chairman)		2
Mr. / Ahmed T. Al-Tahous - Member		5

Finance and Investment Committee

The role of the Finance and Investment Committee is to assist the Board of Directors of the Bank to fulfill its responsibilities relating to industrial and commercial lending, and investment activity of the Bank.

Members	No. of Meetings	Attendance No.
Mr. / Abdulmohsin Y. Al-Hunaif – Chairman	10	10
Mr. / Salah M. Al-Kulaib - Vice Chairman		7
Mr. / Osama O. Al-Fraih - Member		7
Mr. / Esam I. Al-Kheshnam - Member		10

Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to assist the Board of Directors in fulfilling its oversight on the identification of persons eligible for membership of the Board of Directors; the Committee will submit its recommendations to the Board regarding candidates to different committees. The committee is also responsible for the draft, review and update of the Remuneration policy, and assist the board in evaluating the effectiveness and fairness of the policy, and to ensure that the policy is appropriate with the strategic objectives of the Bank.

Members	No. of Meetings	Attendance No.
Mr. / Salah M. Al-Kulaib - Chairman	6	6
Mr. / Adel F. Al-Humaidhi - Vice Chairman		4
Mr. / Ahmed T. Al-Tahous - Member		5
Mr. / Khalid J. Al-Rubaian - Member		6
Mr. / Khalid S. Al-Ali - Member		5

Risk Committee

The role of the Risk Committee is to provide advice to the Board of Directors to meet its supervisory responsibilities related to current and emerging risks, strategies and limits of risks associated with the activities of the Bank's banking and credit activities, including investment portfolio. The Risk Committee is responsible for monitoring the implementing of the risk management policies and strategies.

Members	No. of Meetings	Attendance No.
Mr. / Khalid A. Al-Fadhalah - Chairman	7	6
Mr. / Khalid S. Al-Ali - Vice Chairman		6
Mr. / Adel F. Al-Humaidhi - Member		6

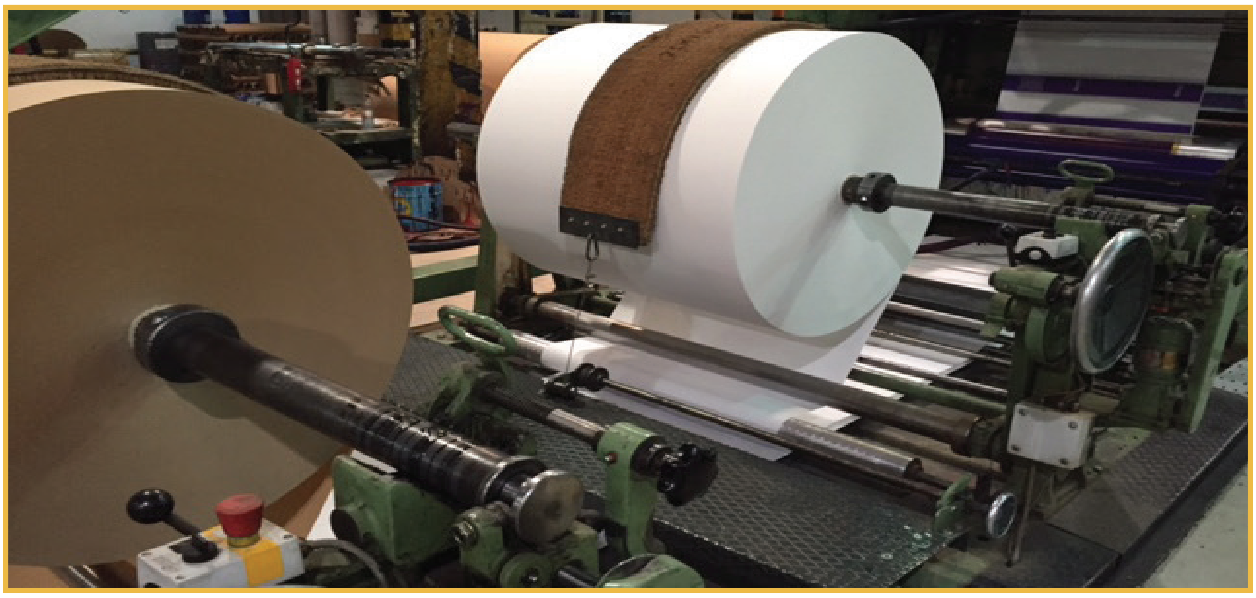
The Industrial Bank of Kuwait

1.Objectives of the Bank

The Industrial Bank of Kuwait ("IBK", or the "Bank") was established in late 1973 by the initiative of the Government of Kuwait, as a joint venture between the Ministry of Finance, the Central Bank of Kuwait, commercial banks, insurance companies, and some large industrial establishments.

The primary goal of IBK is to promote industrial development in Kuwait by pursuing the following objectives:

- To participate in developing a long-term strategy for industrial growth in Kuwait and identifying those sectors and activities which would best suit local conditions and constraints;
- To initiate industrial projects and investments in promising sectors;
- To provide financing whether in the form of equity, medium or long-term credits for new projects, or the expansion of existing ones;
- To finance projects outside Kuwait with an emphasis on the Gulf region, especially where Kuwaiti interests are involved;
- To bring new technologies to Kuwait and identify foreign partners with the necessary expertise;
- To support the development of domestic money and capital markets in co-operation with other major financial institutions. Such a development will facilitate the channeling of private savings into industrial areas, whether in or outside Kuwait.



2.Capitalization & Ownership

The Bank was established with a share capital of KD 10 mn, which was subsequently increased to KD 20 mn, fully paid up in June 1981. IBK's shareholders and their holdings are shown in the table below:

The Industrial Bank of Kuwait Shareholders List 31/12/2016			
	Shareholder Name	No. of Shares	%
1	Ministry of Finance	627,803	31.39015
2	Wafra International Investment Company	271,374	13.56870
3	The Central Bank of Kuwait	251,121	12.55605
4	The Public Institution for Social Security	103,139	5.15695
5	Commercial Bank of Kuwait	89,686	4.48430
6	Al-Ahli Bank of Kuwait	89,686	4.48430
7	Ahli United Bank	89,686	4.48430
8	Kuwait Flour Mills & Bakeries Co.	89,686	4.48430
9	Kuwait Pipes Industries & Oil Services Co.	89,686	4.48430
10	Privatization Holding Company	89,686	4.48430
11	Kuwait Investment Company	71,749	3.58745
12	Arab Investment Company	53,812	2.69060
13	Financial Assets Bahrain Company	49,496	2.47480
14	KAMCO Investment Company	17,937	0.89685
15	Bobyan Petrochemical Company	13,453	0.67265
16	Gimbal Holding Company	2,000	0.10000
	Total	2,000,000	100

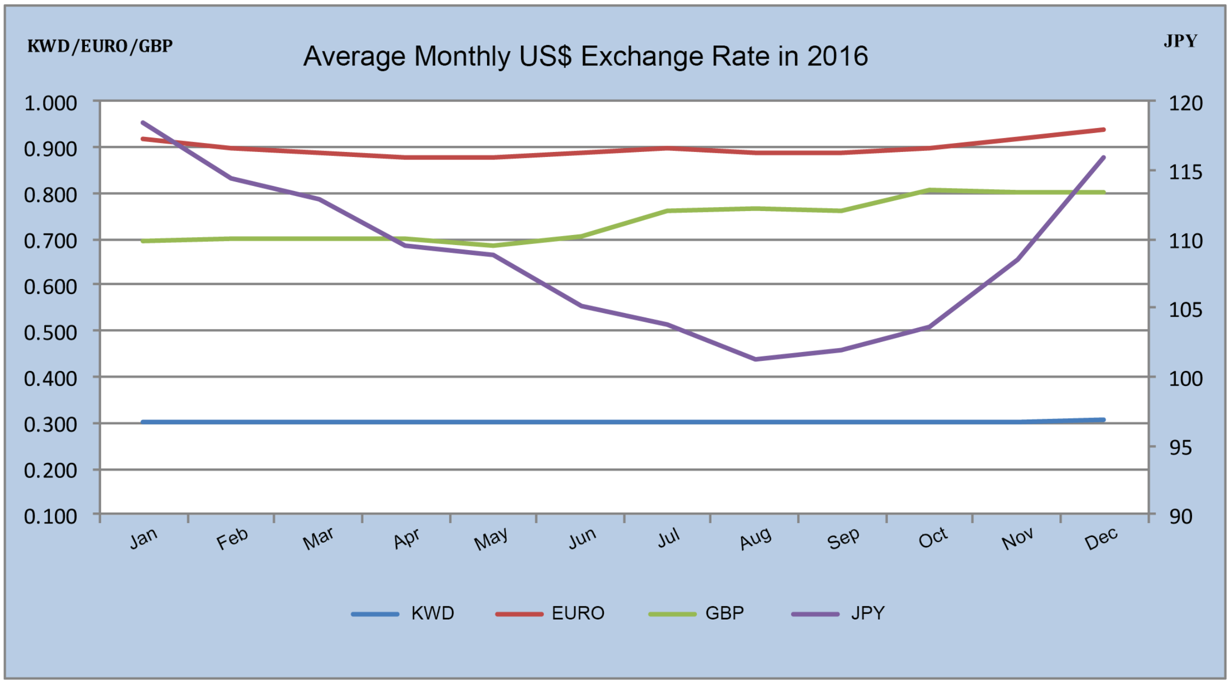
The Bank provides medium-to-long term industrial loans for the establishment of new industrial units and for the expansion and modernization of existing industrial units within Kuwait; the loans are provided at a fixed interest rate of 3.5% per annum. This portfolio is financed by a long-term revolving facility of KD 300 mn that has been granted to the Bank by the Government of Kuwait by an Act of Parliament; the facility is valid for a period of 20 years up to September 2027. Besides industrial loans, the Bank also provides a wide range of working capital facilities to industrial customers on commercial terms.

Economic And Financial Developments In 2016

Global and Regional Developments

A fragile economic recovery has prevailed during the year 2016, where the global economy faced some salient risks considered as legacies of the financial crisis which includes; stagnation in the advanced economies, a further slowdown in major emerging markets and developing economics, low inflation rates derived by the prolonged period of low commodity prices including oil that have only partially reversed in recent months. The downside risks also include the significant increase in private sector credit, which is fueled by an era of low interest rate, where some central banks started to adapt negative interest rates on deposits. This has led to uncertainty and concerns about the effectiveness of monetary policy in spurring stronger economic growth.

The year 2016 was marked by an acute volatility in the global financial markets and a decline in both global capital flows and banks profitability. Moreover, the risks of geopolitical conflicts, the persistent strong dollar and the US Federal Reserve's fund rate hiked by a quarter percentage point at the end of 2016.



The **International Monetary Fund** (IMF), has revised down the global growth expectation to 3.1% in 2016, this reflects the subdued economic activity in advanced economies, the low inflation below the expected rates, and the monetary policy constraints on an environment of low interest rate in some countries. The expectation indicated that the continuation of accommodative monetary policy for a long period and the British exit from the European Union, introduced more political and economic uncertainties that is likely to dampen trade and financial flows, which are expected to lead to a negative economic impacts. However, the global economy is expected to recover and register a growth rate of 3.4%, in 2017.

Growth in the **Developed Economies**, is projected not to exceed 1.6% in 2016 and rising slightly to 1.8% in 2017. These countries still suffering from the slow growth, output gap, the disappointing persistent decline in productivity growth, pressures of weak wages, shortage in local demand, unbalanced public finance and a rise in both public debt and social benefits spending.

In the **United States**, growth is expected to reach 1.6% in 2016, despite the improvement in housing and labor market. The weakness in investment is one of the primary reasons of the slow in growth, productivity and the burden induced by the weak inventories. However, recovery is expected to pick up in 2017 when regaining some economic momentum and growth will increase to 2%.

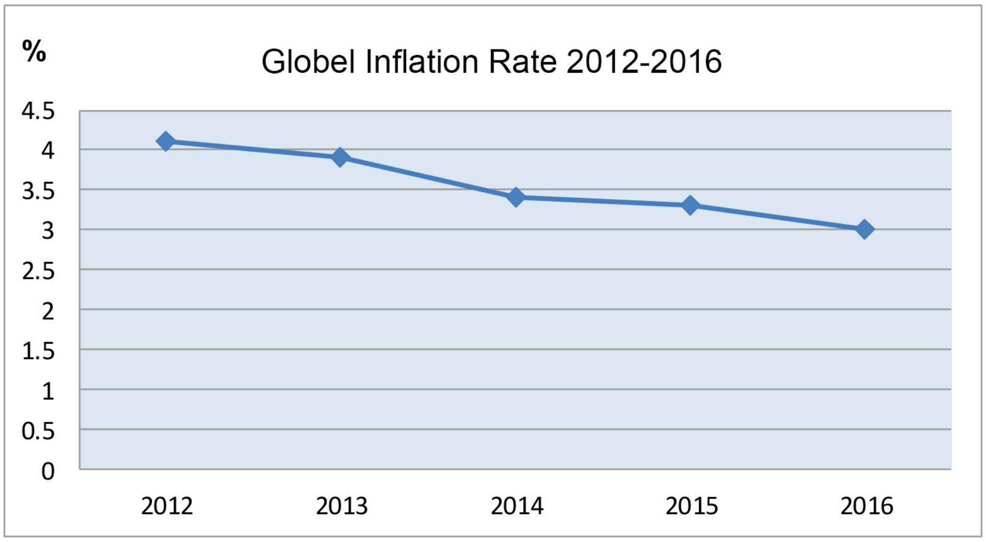
In the **United Kingdom**, the exit from the European Union decreased the confidence of investors and that will exacerbate the uncertainty environment, prompting the IMF to reduce its forecast of economic growth to 1.8% in 2016, driven by the high contribution from external demand and fixed capital formation, with a drop in unemployment to that level prevailed before the global crisis. Growth rate is expected to decrease to 1.1% in 2017.

In the **Euro Area**, the unemployment remained high in many countries, with an uneven economic growth and unstable financial stance and a high burden of government debt due to slow growth. Also, in the latest period of the year, the size of private credit has declined and growth is projected to reach 1.7% in 2016 driven by an accommodative monetary policy which has become unable to raise neither the domestic demand to the required extent nor the inflation rate to the targeted level. During the year, the region faces the difficulties of absorbing a large number of refugees who have fled tragic events in the Middle East. Hence, economic growth in the Euro Area is projected to decline to 1.5% in 2017. **Japan** is still suffering from the weak external demand, the adverse effect of the strong Yen on exports, and the consumer prices which declined in an accelerated pace. The IMF expected Japan economic growth to remain weak at 0.5% in 2016, supported by fiscal stimulus to avoid deflation, before rising to 0.6% in 2017.

In the **Emerging Markets and Developing Economies**, growth rate is expected to strengthen slightly to 4.2% in 2016, after five consecutive years of decline, where external financial conditions have eased with expectations of lower interest rate in advanced economies and the continued struggle of the commodity exporter to adjust to the depressed prices, which partially reversed at the end of the year. Economic recovery is projected to pick up in these countries and will register a growth rate of 4.5% in 2017 enhanced by the U.S economy that has regained some momentum and the continued accommodative monetary policy in the advanced economies. **China** is facing more than expected swings in the context of transformation a way from reliance on investment, industry and exports in favor of greater dependence on consumption and services, in addition to the capital flight which created a sagging pressure on the Yuan which was adapted by the IMF as a part of the international reserves basket during the year. China is expected to grow by 6.6% in 2016, supported by retail trade and recovery in housing sector boosted by an increasing credit growth. However, growth is expected to decrease to 6.2% in 2017. In **India**, growth is projected to expand by 7.6% in both 2016 and 2017, the fastest pace among the world's major economies. India is continuing reform of its tax system, fighting corruption and eliminating subsidies to provide more resources for investments in infrastructure, education and health care.

According to the world trade organization (WTO), growth in **Global Trade** is expected to remain sluggish at 2.8% in 2016. Some of the reasons behind the slow trade growth are the weak global demand particularly the subdued investment and the declining momentum of trade liberalization and the recent uptick in protectionism.

Regarding the **Global Inflation**, the IMF has forecasted an inflation rate of 3% in 2016 and to increase to 3.3% in 2017. Low inflation rate become chronic in most advanced countries, which are expected to register a rate of 0.8% in 2016, due to pressures of weak demand and the low commodity prices, then rise gradually to 1.7% in 2017. In the Emerging Markets and Developing Economies, the inflation rate is expected to register about 4.5% and 4.4% in the years 2016 and 2017 respectively.

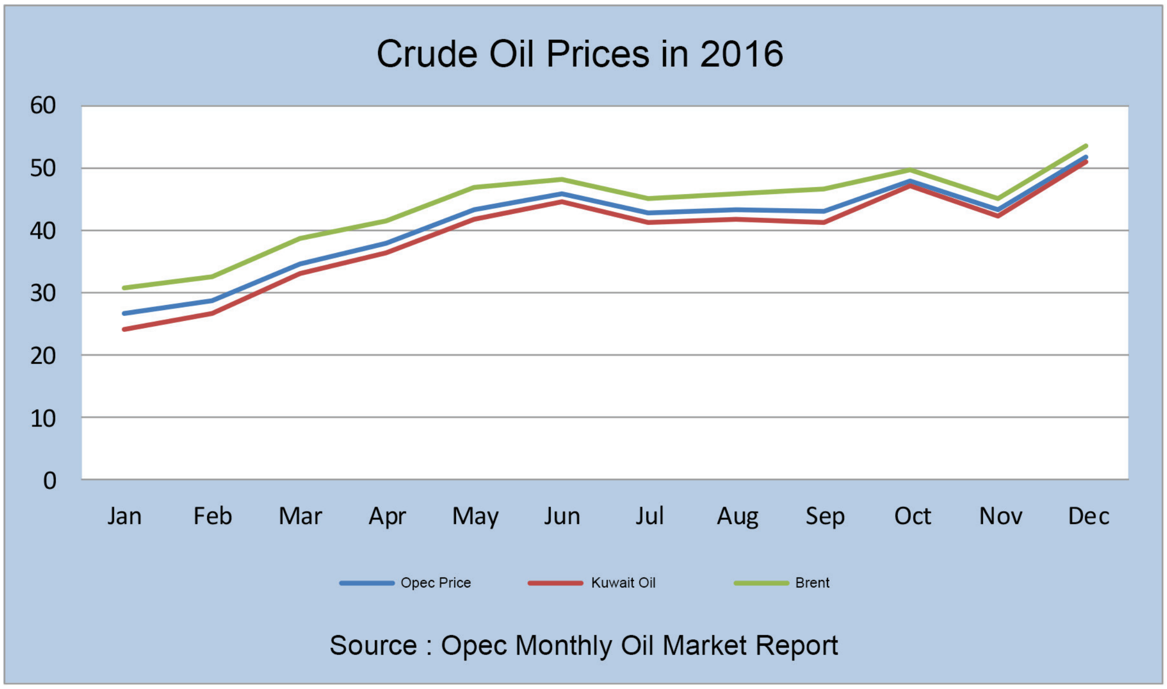


As for **Labor Market**, the image remains bleak except in the United States. The international Labor Organization (ILO) has projected the global unemployment rate at 5.8% in 2016 and will slow down to 5.7% in 2017. Most of Developed Economies still suffering the legacies of the global financial crisis, which restrains investment and job creation, in addition to the weak productivity and low wages growth, where the unemployment rate is expected to reach 6.6% in 2016 and 6.4% in 2017. However, the rate will remain high in the European Union Area at 9.3% in 2016 and slow to 9.1% in 2017. The ILO expected the rate to reach 6.5% in the Emerging Markets and the Developing Countries in both years 2016 and 2017.

In the **Gulf Cooperation Council** (GCC) countries, which depend highly on the revenue of oil exports, the prolonged period of low oil prices continues to have negative economic impacts, in addition to the uncertainty conditions arising from ongoing regional conflicts that weigh on economic growth prospects. These countries are currently working to restore balance in public budgets and likely to hold further fiscal consolidation in the medium term with the expectation of an improvement in oil prices, which has already, began at the end of the year. The IMF expected the GCC economies to register a growth rate of 1.7% in 2016 and to improve to 2.3% in 2017. It is also expected to post a fiscal deficit of about 9.8% of the total GDP in year 2016 and decline to 6.9% in 2017. The current account is expected to register a deficit of 3.7% of the GDP in 2016 and then decrease to 0.5% in 2017, thanks to the expected rise in oil prices and the economic reform.

GCC countries are projected to register an annual inflation rate of 3.6% in 2016 and to decrease further to 2.6% in 2017.For the non-oil sector, the growth rate is expected to decrease to 1.8% in 2016 due to tightening fiscal policy and declining liquidity in the financial sector. However, the non-oil sector is expected to improve to 3.1% in 2017 with the implementation of the structural reform plans and the partial rise in oil prices.

Regarding the **Oil production**, OPEC and non-OPEC producers reached a deal in December 2016 to cut production, the first in eight years. OPEC will cut production by 1.2 mb/d in order to curb the supply glut and support prices. The deal causes prices start rising and gives incentives for shale oil production to increase. The OPEC's total average production was estimated to reach 32.42 mb/d, while demand was estimated by 31.2 m b/d in 2016, at average annual price of $40.76 per barrel.



The Kuwaiti Economy

Fitch Rating Agency has affirmed Kuwait's long-term foreign and local currency Issuer Default Ratings (IDR) at AA with a stable outlook .The exceptionally strong fiscal and external balances are the key credit strengths for Kuwait. The Net Foreign Sovereign Fund is expected to reach $500 bn, about 444% of the GDP in year 2016, with the Future Generations Fund of about $384 bn, while the General Reserve Fund is expected to decrease to $117 bn.

The National Assembly approved the public budget for the Fiscal Year 2016/2017 in July 16, 2016. The total spending is projected at KD18.9 bn, while the total revenues are estimated at KD 10.3 bn of which KD 8.6 bn are oil revenues (84.6%), based on assumed price of 35 $/barrel and a production of 2.8 mn barrels/day, and non-oil revenues were estimated by KD1.6 bn. This will generate a budget deficit of KD 8.7 bn. A comprehensive plan is adopted by the government to bridge the deficit through encouraging the oil companies to increase their projects financing from the local and international markets to reach 90%, in addition to the issuance of local, international bonds and Islamic bonds (Sukuk) to finance the deficit. The government announced its intension to issue KD 2bn of local bonds and about KD 2.9bn international bonds to cover the public budget deficit.

Regarding the annual plan for the year 2016/2017, the follow-up report indicated that spending on economic development projects reached 20.3% of total spending, which includes three sectors, first: diversifying the economy and expanding the role of the private sector to increase its contribution to about 41.9% of the GDP in order to increase the economic growth rate. To achieve that, a set of development strategic projects has been adopted with total cost of KD 1.7 bn, the amount spent reached KD 302 mn representing 18% of the total cost. Second: addressing the significant imbalances in the public budget by conducting reform projects with estimated cost of KD 6mn, but no amount was spent till the end of first half of the year. Third: developing the infrastructure with an estimated total cost of KD 400 mn, only 31% of the total cost was spent.

The structure of the annual plan for the year 2017/2018 has been approved with seven strategic pillars consisting of a set of specific programs that include a package of 165 homogenous projects with an estimated cost of KD 4.7 bn. It has been chosen to improve Kuwait position in the international competitiveness and achieve the state vision of being an international commercial and financial hub to attract investment. The most important pillar is the "Sustainable Diversified Economy"; it contains five programs that include 34 development projects. The pillar aims at increasing the real GDP growth of the private sector to 7.2%, and increasing the share of the non-oil sector to 83.9% of GDP, in addition to the rationalization of public expenditure through reducing the current expenditure by 14.3% during the year 2017/2018 compared to 2013/2014.

Kuwait's **Real GDP** is estimated to grow by 3.5% in 2016 and to slow down to 2.6% in 2017 due to the expected decrease in the growth rate of the real oil GDP to 2% in 2017 compared to a growth rate of 3.9% in 2016. The non-oil real GDP is expected to register 3.2% in 2016 and increase slightly to 3.5% in 2017 driven by continues improvement of projects execution under the development plan.

The inflation rate, measured by the relative change in the consumer price index, recorded 3.5% by the end of December 2016, the monetary policy which was taken by the Central Bank maintained the prices stability.

The average oil price has reached $38.9/barrel in 2016 compared to $ 48.2/barrel in 2015, a decrease of about 19.3%. The oil production in Kuwait reached 2.97 mn b/d. Oil prices are expected to increase in 2017 as the result of the agreement between OPEC and non- OPEC members to reduce oil production to curb the decline in oil prices.

The **State Budget** for fiscal year 2016/2017 recorded a deficit of KD 823.2 mn in November 2016 compared with an initially estimated annual deficit of KD 8.7bn and actual deficit of KD 4.6 bn in fiscal year 2015/2016.

Estimated & Actual Budget for the year 2016/2017 (KD million)		
	Estimated 2016/2017	Actual until Nov. 2016
Oil revenues*	8,623.4	6,352.2
Non-oil revenues	1,614.7	809.3
Total revenues	10,238.1	7,161.6
Public Expenditure	18,892.0	7,984.8
Surplus (Deficit)**	(8,653.9)	(823.2)

* Revenues are estimated at oil price of 35$/barrel and production volume of about 2.8 mn barrel/day.

** before deducting 10% for future generation.

The **Trade Balance Surplus** amounted to KD 4.7bn in year 2016, as compared with a surplus of KD 7bn in 2015, with a decrease of 33.1%, the total imports recorded a decrease of 0.01% during the same period. Oil exports, which accounted for 89.6% of the total exports, registered a drop of 14.1% during the same period, while non-oil exports decreased by 17%.

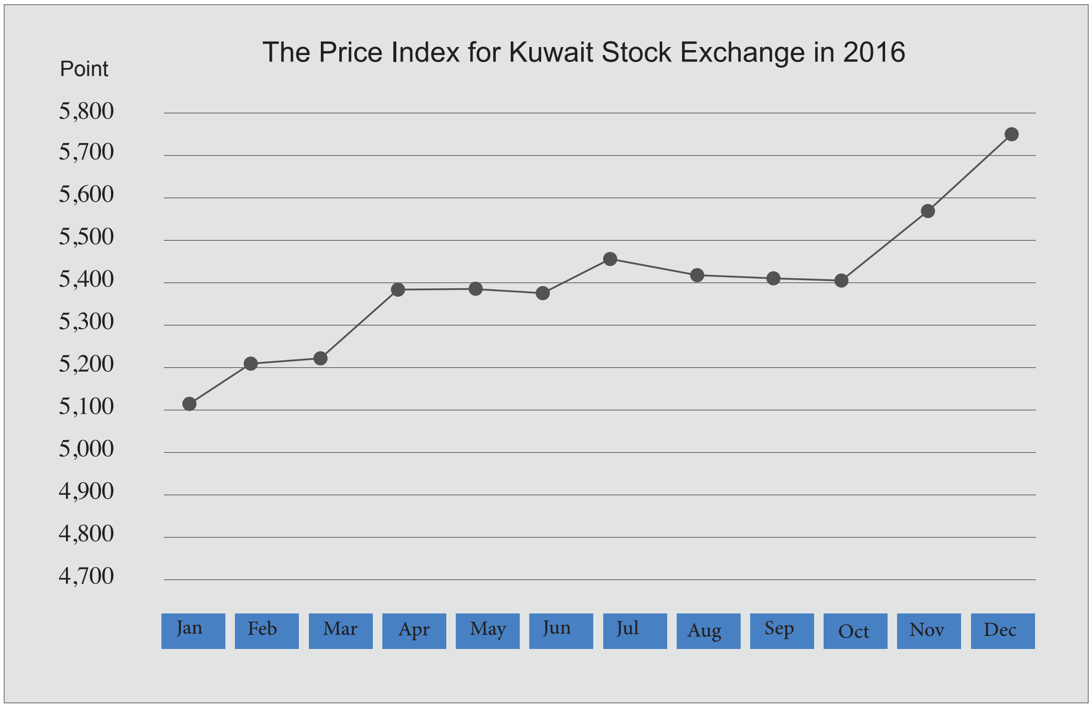
The **Credit Facilities** provided by local banks to the private sector, represented by the cash portion utilized by these facilities, reached KD 34.3bn in 2016, a rise of 2.9% compared with an increase of 8.5% in 2015.

Distribution of credit facilities by sector and rate of growth in 2016				
	2016		Rate of growth (%)	
	Balance (KDmn)	(%) Total Facilities	2016	2015
Trade	3,147.3	9.2	1.0	9.4
Industry	1,889.0	5.5	-7.2	16.8
Construction	2,093.3	6.1	7.2	2.5
Personal services	14,437.9	42.1	3.4	11.1
Real Estate	7,758.7	22.6	- 3.6	2.0
Other	4,981.7	14.5	18.0	8.3
Total	**34,307.9**	**100**	**2.9**	**8.5**

In the context of **the Central Bank of Kuwait** (CBK) concerns to ensure competitiveness and attractiveness of the national currency as receptacle of domestic saving, CBK decided in December 2016 to hike the discount rate by a quarter-percentage point, from 2.25% to 2.5%, immediately after the Federal Reserve of the U.S. raised its key interest rate. This decision was taken in the light of the CBK's continuous follow up for the recent developments in the domestic economic, monetary and banking situations, in addition to changes in the internet rate of the main international currencies. Saving forms one of the main sources of finance provided by the financial and banking sector to the various sectors of the national economy to maintain sustainable economic growth.

As for **Real Estate**, despite the increase in the accelerating pace of activity in the sector during the 3rd quarter of 2016, sales remained at low level with a drop of 23% compared by the same period of the previous year. This drop was due to excess supply and low demand in the market and the subdued current economic conditions. Moreover to that, the regulations imposed by the Central Bank regarding private housing finance, and the intension of the government to impose taxes and remove the subsidies of electricity and water and the lack of investors' confidence about the government financial situation and its capital expenditure programs. Real estate average sales reached KD 195 mn in 2016 compared to KD 253.5 mn in 2015. Sales of residential property reached KD 682 mn in 2016 with a monthly average sales valued at KD 79mn compared to an average value of KD113.4mn in 2015, a drop of 30.3%, the average units sold dropped by 27% during the same period. Sales in investment sector amounted to KD 547.7 mn, with a monthly average value of KD 68 mn against KD 102.2 mn in 2015, with a drop of 33.4%. Sales of commercial properties reached KD 400.2 mn by the end of 2016 with a monthly average value of KD 48 mn compared to KD 37.9 mn in 2015, an increase of 27%.

Kuwait Stock Exchange started the year 2016 with losses impacted by the low oil prices, which in turn affected the state budget that depend heavily on oil revenues. However, the partial improvement in oil prices during the second half of the year has reduced the losses and the market recovered gradually. Other factors supported the market are: the sales of 66.8% of Americana company shares, which led to an increase in both liquidity and trading values, the dealers positive impression from the election of the National Assembly results which supported the market, and finally the Boursa official announcement about launching the market maker model which is considered as one of the most important tools to enhance liquidity in the stock market and to improve its efficiency. The market price index closed at 5,748.09 points in 2016, an increase of 2.4% compared to 2015 closing. The weighted price index closed at 381.7 points with a drop of 0.4% compared with the previous year, while the K-15 index closed at 885.02 points, a drop of 1.2% during the same period. The total value of transactions reached KD 2.9 bn in 2016, a drop of 27.2% from year 2015. The capital value increased by 0.5% to KD 25.4 bn in 2016 compared to KD 25.3 bn in 2015.



Kuwait Manufacturing Sector

Through the current development plan 2015/2016 - 2019/2020, the state of Kuwait kept carrying on the structural reform of the national economy to make a tangible substantial change and concentrate on stimulating growth, diversifying the source of income and enhancing the private sector participation in investment and the implementation of industrial projects.

The plan aims at increasing the industrial sector annual GDP growth to 8.3%, through restructuring the sector and encouraging investments in the high value- added industries, which are planned to reach KD 349mn annually.

Among the strategic objectives that the Public Authority for Industry (PAI) is working to increase the industrial sector growth rate are implementing the project of the infrastructure of the Shedadiya industrial area, which will provide 1,036 industrial plots by the end of 2018. In addition to the preparation and constructing of plots in Shuaiba industrial area (western region) and north Subhan industrial area. While the objectives of the PAI in the field of restructuring and industrial planning are: the project of national industrial strategy for Kuwait till 2035, about to be completed, which aims at encouraging the promising local industries and the new strategic product to enter the local industry, and setting up programs for boosting efficiency of industrial production and promoting exports.

The PAI embarked on the project of developing the economic and statistical data of the Kuwait's industrial sector by unifying the basic data within its various departments in compliance with the latest version of the International Standard Industrial Classifications (ISIC 4.0)

PAI data during the years 2011-2015 showed a modest growth in the number of existing industrial establishments of about 1.7% to reach 1,180 in 2015. The table below indicates that, the number of industrial handcrafts grew by 5.2% and reached 5,607 in year 2015.

Development in the number of industrial Establishments and Handcrafts (2011-2015)

Industry	Number of licensed Industrial Establishments		Number of licensed Industrial Handicrafts	
	2011	2015	2011	2015
Food & Beverages	119	140	225	348
Textiles	23	25	1002	1142
Wood & Wood products including Furniture	113	117	321	416
Paper & Printing	93	97	512	553
Chemical Products	158	172	219	351
Non-Metallic Minerals	264	277	199	236
Basic Metals	25	29	--	--
Fabricated Metal Products	300	313	2065	2521
Other manufacturing	10	10	34	40
Total	1,105	1,180	4,577	5,607

Based on the latest data published by the Central Statistical Bureau (year 2015), the Manufacturing sector in Kuwait (including refining) represented 6.7% of GDP and 9.3% of non-oil GDP in 2015. Excluding refining, the sector represented 4% of GDP and 5.3% of the non-oil GDP. The Manufacturing sector (including refining) annual growth rate recorded a drop of 9.9% in 2015, compared with a drop of 11.7% in 2014, when excluding refining the drop is only 1.9% in 2015 and about 7.9% in 2014.

The data in the following table compares the progress in the gross domestic product by industrial activities during the years 2014-2015. The growth rate of Chemical Products industry, accounts for about 36.5% of total manufacturing GDP, dropped by 14.2% in 2015 compared with a drop of 22.5% in 2014, while the growth rate of Food and Beverages registered an increase of 14.9% in 2015 compared with an increase of 2.9% in 2014. Textiles and Non-Metallic Minerals registered a growth rate of 7.0% and 4.3% in 2015 respectively, compared to an increase of 7.7%and 8.2% respectively in 2014. Paper and Printing industry growth registered an increase of 7.3% in 2015 compared to a decrease of 1.3% in 2014, while the Fabricated Metal products recorded a growth rate of 4.3% in 2015, compared to an increase of 10.2% in 2014.

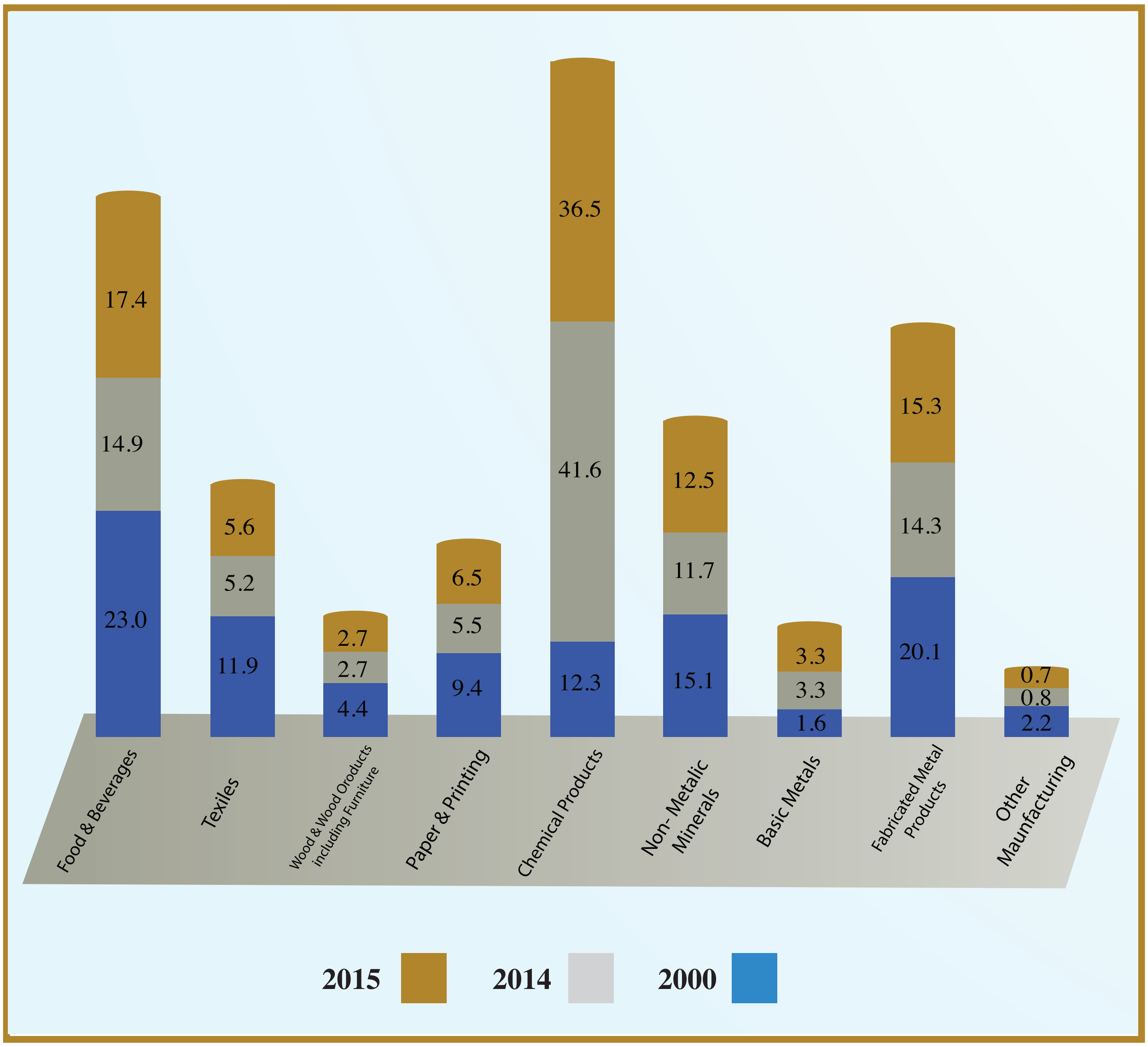
Manufacturing Sector GDP

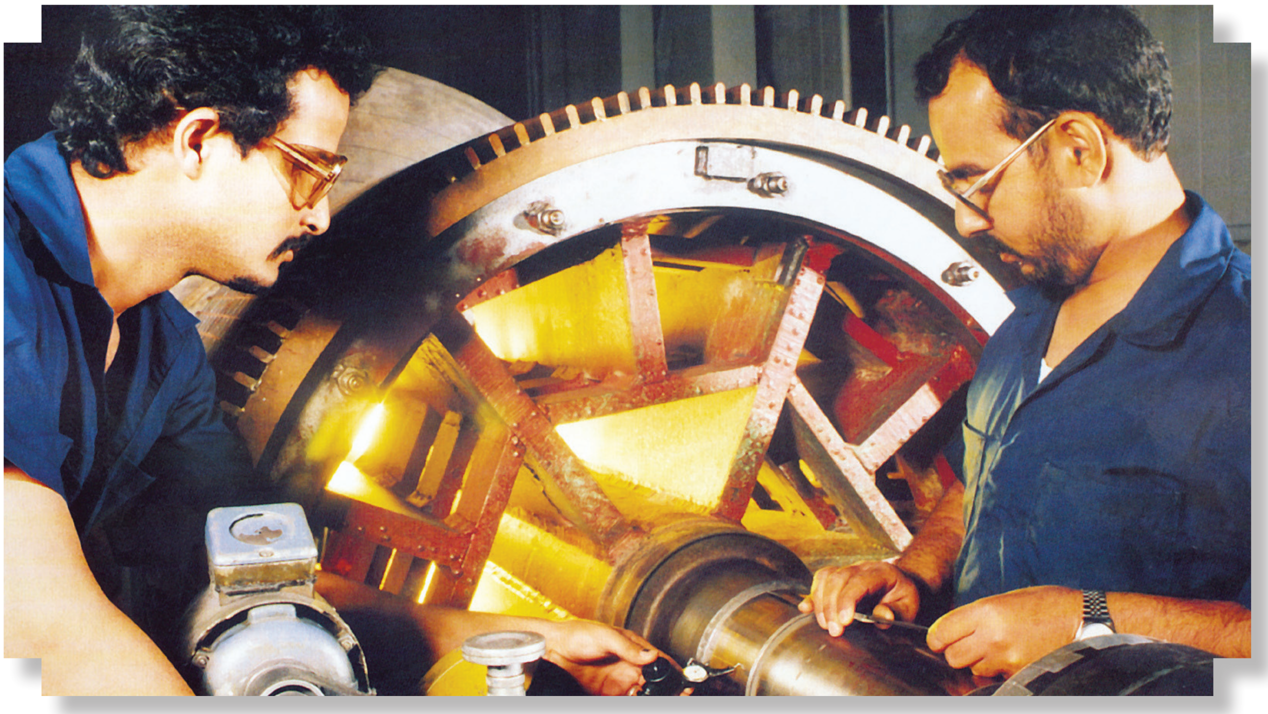
Industry	2000		2014*		2015**	
	GDP KD mn	% Mfg. Sector GDP	GDP KD mn	% Mfg. Sector GDP	GDP KD mn	% Mfg. Sector GDP
Food & Beverages	68.8	23.0	208.8	14.9	240.1	17.4
Textiles	35.6	11.9	72.5	5.2	77.6	5.6
Wood & Wood products including Furniture	13.2	4.4	38.0	2.7	38.1	2.7
Paper & Printing	28.2	9.4	77.5	5.5	83.2	6.0
Chemical Products	36.9	12.3	582.9	41.6	500.4	36.5
Non-Metallic Minerals	45.2	15.1	164.3	11.7	171.4	12.5
Basic Metals	4.7	1.6	45.5	3.3	44.0	3.3
Fabricated Metal Products	60.2	20.1	200.7	14.3	209.3	15.3
Other manufacturing	6.9	2.2	9.9	0.8	9.3	0.7
Total Manufacturing GDP (Current Prices)	299.7	100.0	1,400.1	100.0	1,373.6	100.0

* Revised , ** Preliminary

The Manufacturing sector has witnessed a significant structural change during the period 2000 to 2015; this was due to the differences in the growth rates of the industrial activities GDP as a consequence of the concentration of the private sector on the high value-added industries. The contribution of the value added of Food & Beverages to Manufacturing sector GDP dropped from 23% in year 2000 to 17.4% in year 2015, while the share of the value-added of Chemical Products increased to 36.5% of the Manufacturing sector GDP in 2015 from 12.3% in year 2000.

Structure of Manufacturing GDP 2000, 2014, 2015
(% of Sector GDP)






CAMERON

MANAGEMENT REPORT 2016

Mr.Ali A. Khajah
Chief Executive Officer (CEO)

The Bank during 2016, was able to enhance its growth and profitability, and maintain good quality of its credit portfolio through the implementation of its strategic plan for the period (2015-2017). The Bank also continued to work on completing its core banking infrastructure, improving customer services, and enhancing the methods of assessment and measurement of credit risks.

The Bank achieved good financial results, by the end of year 2016, thanks to the efforts of its staff. It showed a growth in total assets by 5.2% reaching KD 656.3 mn in 2016, compared to KD 624 mn in 2015. Growth was also achieved in the industrial loans commitments where it reached KD 63.9 mn by the end of 2016 compared to KD 57.2 mn in 2015, an increase of 11.7%. The net balance of loans and advances portfolio stood at KD 304.1 mn by the end of 2016, recording an increase of 13% from last year net balance.

The Bank boosted the quality of its credit portfolio, where the ratio of non-performing loans (NPL) to the total portfolio's loans and cash facilities declined to 0.74% by the end of 2016 from 1.09% in 2015, marking the best ratio the bank ever achieved for its portfolios.

The Bank's total revenues recorded a growth of 8.3% at the end of 2016 compared to the previous year, and was able, after taking the necessary provisions, to achieve net profit of KD 11.6 mn at the end of 2016, showing an increase of 24.4% from last year.

Internal Control Systems

Based on the Board of Directors' instructions and according to the Central Bank of Kuwait requirements, the Bank management placed an effective system for the Internal Control for the Bank's major activities and operations. The management was keen to apply the systems that regulate the soundness of accounting records, all Bank's operations, and ensure protection from banking risks.

The Board of Directors, through its Risk Committee, reviews and approves the suitable adjustments on the Bank's policies on an annual basis to be distributed to all staff involved in the operational activities. The department managers and heads of sections are responsible for verifying compliance with approved operational procedures to their activities.

The Bank's Internal Audit reviews the suitability and adequacy of the Internal Control Systems on a regular basis and determines the extent of compliance with those policies and procedures. The head of the Internal Audit reports directly to the Board of Directors and the Audit Committee.

Based on the Internal Audit's reports that assess the effectiveness of the Internal Control Systems, the Self-Assessment reports for operational risk that are undertaken by the bank's Risk Management Unit, and the financial reports for the year 2016, the Bank's management has found no significant defect in the Bank's Internal Control Systems.

The following is a review of the Bank activities during the year 2016:

Industrial loans

In the year 2016, the Bank has approved 28 new long-term industrial loans, 25 for expansion and modernization of existing factories, and 2 for new projects and one for cost overrun project. The number of approved loans increased by 7.7% compared to year 2015.

The total industrial loans commitments was KD 63.9 mn in 2016, this represented an increase of 11.7% compared to 2015, resulted from the increase in the size and number of financed projects. This total industrial loans financing represents 70% share of total projects cost.

Loan Commitments During 2016

Sector	No. of Projects	Total project Cost	IBK Financing	% of Share
		(KD 000's)		
Manufacture of food products and beverages	6	47,044	35,605	55.74
Manufacture of Textiles	1	884	610	0.95
Publishing, printing and reproduction of recorded media	1	650	455	0.71
Manufacture of chemicals & chemical products	1	427	250	0.39
Manufacture of rubber and plastic products	6	9,098	6,710	10.5
Manufacture of other non-metallic mineral products	7	25,448	14,544	22.77
Manufacture of basic metals	1	2,211	1,480	2.31
Manufacture of fabricated metal products, except machinery and equipment	3	5,452	3,630	5.68
Recycling	1	326	200	0.31
(Other industrial activities (packing	1	825	395	0.62
TOTAL	**28**	**92,365**	**63,879**	**100.0**

The previous table indicates that the Manufacture of food products and beverages has the biggest share of 55.7% of the total industrial loans commitment in year 2016; this is due to the financing of six industrial projects with an amount of KD 35.6 mn. While Manufacture of other non-metallic mineral products (building material) came second representing a share of 22.8%, followed by the manufacturing of rubber and plastic products sector with a share of 10.5%.

The Bank's industrial loans commitments during the past years are shown in the following table:

Industrial Loan Commitments During 2012-2016						
	2012	2013	2014	2015	2016	TOTAL 1974-2016
Number of industrial Loans	25	40	19	26	28	1,045
Total Cost of Projects Financed (KD 000)	58,510	51,641	67,732	79,255	92,365	2,101,608
Total Commitments (KD 000)	42,035	33,990	49,286	57,251	63,879	1,177,277
Percent of Commitments-to-Total Project Costs (%)	72	66	73	72	68.9	56.0
Average Project Cost (KD 000)	2,340	1,291	3,565	3,048	3,299	2,102
Average IBK Financing/project (KD 000)	1,681	850	2,594	2,202	2,281	1,126.6

The cumulative industrial loans commitments since the Bank started the lending operation in 1974 until the end of 2016 reached KD 1.177bn, representing 56% of the aggregate project's costs of KD 2.1 bn, for 1,045 projects financed by IBK.

Commercial Lending

During the year 2016, the Bank continued providing the full range of commercial banking facilities to its industrial customers such as working capital, project finance and short-term loans. In addition to providing bridge financing to industrial clients pending approval/ disbursement of long-term industrial loans. The facilities granted are priced at market rates. The Bank also grants and monitor the treasury lines to domestic and international banks and financial institutions.

During 2016, the Bank witnessed an increase in its commercial facilities, which reached KD 175.8 mn compared to KD 139.9 mn in 2015, an increase of %25.7, due to the increase in the granted facilities to existing and new customers. As for the non-cash facilities it decreased by 5.5% in 2016 reaching KD 79.4 mn, compared to KD 84 mn at the end of 2015 due to the completion of financing new projects and contracts.

On the other hand, the Bank continued granting various facilities and attracting new customers, particularly in the petrochemicals, constructions, engineering and metal products and food products. Continuing its policy of primary focusing on the domestic market, the Bank's activity in the international arena was on the low-key during 2016.

Direct Investment

During the year 2016, the Bank continued investing in the promising opportunities in private equity funds with existing fund managers and new managers that have distinguished performance record in their sectors over the years, in addition to the local industrial sector investments. Despite the continued fluctuations in the investment climate both locally and internationally, and the falling of the oil prices, the Bank's investments balance rose by 4.5%, reaching about KD 95.8 mn in 2016 compared to KD 91.7 mn in 2015. Moreover, the assets under management grew by 5.1% reaching KD137.7 mn in 2016 compared to KD 131 mn in 2015.

The Bank continued to pursuit for the best local and international investment opportunities in the industrial sector and in its related activities, especially to those related to petrochemicals industry, in accordance with the Bank's objectives, which aims at the active participation in new industrial projects.

Treasury and Securities

The Bank continued its activities during the year 2016 in working with different financial instruments such as foreign exchange, deposits, markets and securities portfolios, where it achieved a favorable profit results, despite the low interest rates from the lingering effects of the global financial crisis.

The bank focused on investing in government treasury bonds denominated in Kuwaiti dinars, to ensure growth and high credit worthiness and avoid any drop in prices or fluctuations in the financial markets. The Bank also continued in the Islamic Murabaha activities in Kuwaiti dinars and foreign currencies with Islamic banks, as being an alternative for dealing within the traditional lending market. This cooperation has led to the increase in the relationship between Islamic and traditional local banks as a financial market for the interbank that helped the Bank cover its liabilities with competitive prices.

As for the foreign currency, the Bank managed to meet and serve its customers' needs of foreign currency at competitive exchange rates and provide technical advice services, while satisfying its own need in foreign currency, and ensuring the implementation of the Central Bank of Kuwait instructions and avoid any price fluctuations to avert any liquidity risk.

Research

The Bank provides the latest research studies and economic reports for its departments and committees. The Bank intensified its activity in 2016 on conducting economic reports to follow up on the economic and political developments at the local and international levels, especially the sharp drop in oil prices and its implications on the Kuwaiti economy. This is in addition to other economic reports about the future expectations of Kuwait's industrial sector performance, among which was: "The Performance of Food and Beverages Industry" and "The Developments in Discount Rate and Credit Facilities".

During the year 2016, the Bank also conducted several market research studies on various industrial products in Kuwait. The objective of these studies was to determine the viability of producing certain industrial products through analyzing the supply and demand in the local market, and the degree of competitiveness between local and imported products, elements of marketing mix and estimating the market share of the new products. A report was also published on "Guide to Industrial Establishments with Financing Approved by IBK during 1974-2015", and preparation is underway to update the archive with "The

International Standard Industrial Classification of all Economic Activities from the old ISIC 3.1 to the new ISIC 4.0".

The Bank regularly updated and expanded its industrial database on markets and industry in Kuwait and the GCC countries, through field visits to factories and participation in conferences, seminars, workshops and exhibitions. The Bank also continuously builds its updated archive with latest market research studies, statistical data and new industrial guides to be utilized for the Bank's studies.

Portfolio Management

The Industrial Bank of Kuwait manages three portfolios on behalf of the Government of Kuwait, namely: Al-Senai Portfolio for Small Enterprises and The Agriculture Finance Portfolio each with a corpus of KD 50 mn, and The Islamic Industrial Finance Portfolio with a corpus of KD 100 mn.

The Al-Senai Portfolio for Small Enterprises provides financial assistance in compliance with Islamic Sharia'a to entrepreneurs and professionals having projects with an investment not exceeding KD 500,000. During the year 2016, the Portfolio approved the financing of 300 projects in various activities, with a total cost of KD 38.4 mn, in which the total portfolio finance reached KD30.2 mn, representing 78.8% of the total investment cost. Compared to year 2015, the portfolio showed a growth of 29.3% in the number of projects, and 30.8% in the total finance. The cumulative amount of loans from the start of the portfolio to the end of 2016 was around KD 115.5 mn, for 1,299 projects with a total cost of KD 156.3 mn.

Financing by Al Senai For Small Enterprises Portfolio, 2016

Activity	No. of projects	Projects Cost (KD)	Portfolio financing (KD)	Percentage (٪)
Manufacturing	57	5,696,594	4,784,551	15.82
Wholesale & Retail Trade	48	2,305,040	1,950,008	6.44
Hotels & Restaurants	74	10,560,212	8,245,252	27.26
Real estate, renting and business activities	29	5,342,512	4,444,044	14.70
Health and Social Work	19	6,371,884	4,545,983	15.03
Other Community, Social and personal service activities	58	6,839,390	5,320,393	17.60
Education	7	693,162	500,677	1.65
Transport , Inventory & Communication	7	464,609	362,956	1.20
Agriculture	1	106,905	88,164	0.30
Total	**300**	**38,380,308**	**30,242,028**	**100**

The above table indicates that, Hotels & Restaurants activities are at first position, it included 74 projects with a share reached 27.3% of the total finance provided by the portfolio, followed by Other Community, Social and personal service activities included 58 projects with a share of 17.6%. The Manufacturing activities came third with 57 projects and a share of 15.8%.These three sectors occupied 60.7% of the total financing by the portfolio in 2016.

The Agricultural Finance Portfolio, which aims to provide finance to a wide range of farming and farm related activities such as vegetable production, poultry, dairy, cattle and fisheries production, in addition to cold storage refrigeration and transportation of farm products.

During the year 2016, the portfolio approved the financing of 98 projects with a total cost of KD 24.2 mn in which the portfolio financing was KD 13.4 mn representing 55.5% of the total cost. Compared to year 2015 the portfolio showed good growth in the number of projects reaching 53% and the total finance reaching 66%. The cumulative amount of loans, which were approved by the Agricultural Finance Portfolio, from 2001 to the end of 2016, was around KD 113.8 mn, for 684 projects.

Agriculture Portfolio Financing during 2016				
Sector	No. of projects	Total Projects Cost (KD)	Agricultural portfolio financing (KD)	Percentage of Finance (%)
Planting	37	10,244,370	5,928,000	44.2
Food Security (sheep Breeding)	26	3,802,000	1,668,000	12.4
Integrated farm	25	6,309,250	3,665,000	27.3
fishers	4	2,197,896	1,254,000	9.3
Diary	3	1,484,500	853,000	6.3
Short term	3	150,486	55,000	0.41
Total	98	24,188,502	13,423,000	100

The above table showed that the Planting sector has the highest share in agricultural financing; it reached 44% of the total finance, while the Integrated farm came second with 27 %of total finance.

The Islamic Industrial Finance Portfolio has an objective to provide financial assistance for industrial projects and services in compliance with Islamic Shari'a such as Murabaha, Istisna'a, and Ijara (Leasing). The portfolio did not finance any project in 2016, while there are three new requests for financing new projects are still under study. The cumulative industrial financing commitments since the portfolio commenced financing operations in year 2009 until the end of year 2016 reached KD 41.6 mn, for a total of 23 industrial projects.

Islamic Industrial Finance Portfolio commitments	
	Cumulative 2009 – 2016
Number Of Projects	23
Total Project Cost (KD 000)	115,349
Portfolio Finance (KD 000)	41,601

Information Technology

In the Year 2016, the Bank was keen to develop and improve the Information Technology system; and has focused on implementing the Core Banking system transformation programs. It also developed and built the staff capacity and capabilities through training on the new systems, transfer of information, testing and grading the system. This development is important to meet the Bank's growing needs in banking and investment business, human resources management, and the Information Technology infrastructure update, to keep pace with technological developments in the field of networking and security aspects, which are in line with the Bank's strategy.

The focus this year was also to develop compliance reporting of the Core Banking System that reflects the extent of its suitability and users benefit at an acceptable level, which will make the bank able to start the transformation program effectively in the year 2017.

Enhancements and Upgrades activities were continued during the year 2016 for the E-mails, Networks, Servers, Firewall and Active Directory. Controls were enhanced on hardening the payment systems, attend to vulnerabilities, and strengthen the security features of all infrastructure.

Human Resources and Corporate Social Responsibility

The Industrial Bank of Kuwait pays special attention to the development of human resources, as being the driving force for the development of IBK businesses and activities.

The Bank continued in 2016 to employ new Kuwaiti graduates and experienced professionals in relevant fields to the Bank's activities. The Bank conducted 91 specialized training programs for its employees, attended by 468 Participants. These programs intended to develop their knowledge and technical skills in the banking business. The number of employees at the end of the year reached 194 employee, of which about 66% are Kuwaitis.

As a member of Kuwait Banking Association and in cooperation with The Central Bank of Kuwait, IBK participated in the training of the new graduated Kuwaitis with different majors.

During the year 2016, IBK also sponsored and participated in a number of conferences, seminars and specialized exhibitions in Kuwait and abroad, aiming to raise the professional level of its staff, and markets IBK's financial, banking services. In addition to other marketing and advertising campaigns.

The Bank is committed to the institutional message and social responsibility, regarding the development and support of local industry and society as a whole, through participating in several exhibitions, notably those for Kuwaiti industries. An exhibition under the name (Made in Kuwait) was held in strategic partnership with the Public Authority for Industry, the Bank has also officially sponsored the campaign named (Industry, the Future force) in cooperation with the Union of Kuwaiti Industries. These campaigns focus on increasing people's awareness about the local industrial products and the role of industry in achieving economic security and ensuring a promising future to Kuwait.

With the Bank's assistance, Al Senai Portfolio for Small Enterprises also participated in many exhibitions and forums concerned with educating young Kuwaiti entrepreneurs on the services and activities of the portfolio, and how to receive financing for their small projects in different economic activities.

Senior Executive Management

Mr. Ali A. Khajah

Chief Executive Officer

Has a Master degree in Economics (1976)

Joined IBK in 1981

Mr. Abdulla I.Al-Hunaidi

Deputy CEO

Operations & Financial Control

Has a Bachelor degree in Accounting (1984)

Joined IBK in 1984

Mr. Rasheed A. Al-Sharhan

Deputy CEO

Projects & Portfolios

Has a Master of Science in Industrial Management (1977)

Joined IBK in 1978

Mr. Jawad H. Al-Qallaf

Deputy CEO

Finance & Investment

Has a Bachelor degree in Accounting (1981)

Joined IBK in 1983

Corporate Governance Report

Corporate Governance

Introduction

The Bank has a Corporate Governance Framework in place to ensure that the Bank is appropriately governed as per best practice. The Board of Directors sets the corporate governance policies and directs the process framework and is responsible for ensuring good corporate governance for the Bank while adhering with the guidelines of the Central Bank of Kuwait in letter and spirit.

Board's certificate on adequacy of Internal Control Systems

The Board is responsible for the establishment and review of the Bank's system of internal control, which is designed to ensure effective and efficient operations; quality of internal and external reporting; internal control; and compliance with laws and regulations. It should be noted, however, that such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The system of internal control can only provide reasonable but not absolute assurance against the risk of material loss. Management is responsible for establishing and maintaining the system of internal controls.

The effectiveness of the internal control system is reviewed regularly by the Board and the Audit Committee, which also receives reports of reviews undertaken by Internal Audit Department.

Risk Management Department reviews all policies and procedures that underpin the internal control framework. It also reviews risks at the departmental and enterprise level. The Risk Committee reviews all identified risks and their mitigation.

The Audit Committee evaluates reports received from the external auditors, and discusses the issues with them over periodical meetings. The Audit Committee is further responsible for overseeing financial and Internal Control Review (ICR) reports.

The Board has assessed the effectiveness of the internal control system and the Bank's risk and financial reports for the year 2016, and concluded that there are no significant deficiencies, confirming effective operation and design of the Bank's internal control system.

Corporate Governance compliance assessment

The Bank has complied with all applicable requirements as per the corporate governance manual as well as with the Code of Conduct and Ethics which are accessible through the Bank's website through the following link :

www.ibkuwt.com/ibk/web/en/About_IBK/CorpGov.

Bank’s Financial Remuneration Policies

Remuneration Policy

The Bank’s Remuneration Policy is designed to attract and retain highly qualified, skilled, and knowledgeable professionals and incorporates all the requirements of the CBK as mentioned within its corporate governance instructions. The Policy includes all necessary aspects and components of financial remuneration taking into account reinforcing the Bank’s performance objectives and effective risk management.

The Bank’s Board, based on the Board Nominations and Remuneration Committee (NRC) recommendations, approves and modifies the Bank’s remuneration policy and its design (if any), and reviews the process of its implementation to ensure that it is operating as intended.

Remuneration components:

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the characteristics of the business, the employee’s grade in the Bank and the job function as well as market practice concerning the prevailing remunerations level. The employee remuneration consists of fixed remuneration like salary and other benefits, in addition to variable yearly performance based remuneration.

The fixed remuneration is determined on the basis of the role of the individual employee, including job responsibility, job complexity, grade, performance and local market conditions and the applicable laws.

The performance-based incentives (STI for all employees and LTI for senior management) are designed to motivate and reward the employees to achieve the goals and objectives of the Bank as per the strategy and annual plans of the Bank.

Performance based incentives are disbursed as an annual cash bonus for employees. The incentive schemes are linked with a balanced mix of performance indicators at the corporate level and the employee level. The primary goal of the STI is to align the incentive with the Bank’s annual performance and individual contributions. The LTI for the senior staff is designed to encourage sustainable and risk adjusted long term performance of the Bank.

The Bank implements a formal performance management process for evaluating and measuring staff performance at all levels. In the beginning of the year, the staff and their performance managers plan and document the annual performance goals (KPIs), required competencies and personal development plans for the staff. At the annual performance appraisal, the performance managers and the reviewers evaluate and document performance against the KPIs / performance objectives. Decisions on adjustment of the employee’s fixed salary and on performance based incentives are made on the basis of the annual performance review.

Other benefits like annual leave, medical leave and other leaves, medical insurance, annual tickets, and allowances are provided on the basis of approved policy, and local market practice subject to the applicable laws.

The CEO oversees the implementation of the remuneration system of the employees as per the approved policy, including the design and related procedures. The Board NRC periodically evaluates the sufficiency and effectiveness of the Remuneration Policy to ensure its alignment with the Bank's objectives. The NRC assists the Board to conduct an independent annual review of the Bank's compliance with the Remuneration Policy.

Complying with the Corporate Governance Requirement, the financial remunerations paid to the following groups of employees are disclosed hereunder:

First category: Include CEO, his deputies and /or the other Senior Executives whose appointment is subject to the approval of the regulatory and supervisory authorities.

Second category: Include the Financial and Risk Control Staff.

Third category: Include material risk takers.

Financial remuneration paid for the above categories are:

Category	No. Of Staff	Remuneration Paid (annual)			
		Fixed	Mode of Payment	Variable	Mode of Payment
First Category	4	Salaries: 414,600 KD Tickets: 3,892 KD Insurance benefits: 7,727KD Yearly bonus: 62,190 KD Social Security: 15,180 KD	Cash Cash Cash Cash Deferred Cash	Special bonus: 138,667 KD	Cash
Second Category	5	Salaries: 180,900 KD Tickets: 5,596 KD Insurance benefits: 9,613KD Yearly bonus: 27,135KD Social Security: 2,786 KD	Cash Cash Cash Cash Deferred Cash	Special bonus: 35,734 KD	Cash
Third category	7	Salaries: 345,720 KD Tickets: 7,787 KD Insurance benefits:10,670KD Yearly bonus: 51,858 KD Social Security: 26,565 KD	Cash Cash Cash Cash Deferred Cash	Special bonus: 80,531 KD	Cash

The yearly remunerations (including salaries, yearly bonus, tickets, insurance benefits, social security and special bonus) paid for the five senior executives who have received the highest remuneration packages and for the Chief Risk Officer and Chief Internal Auditor (seven persons) amounted to 991,767 KD.

The financial remuneration package paid to the Board of Directors amounted to 295,000 KD.

RSM

RSM Albazie Consulting W.L.L.

Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq
P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000
F +965 22412761

www.rsm.global/kuwait

The Board of Directors
Industrial Bank of Kuwait K.S.C.
P.O. Box 3146, Safat 13032
State of Kuwait

Dear Sirs,

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated March 6, 2016, we have examined the accounting and other records and internal control systems of Industrial Bank of Kuwait K.S.C. ('the Bank') which was in existence during the year ended 31 December 2015.

We covered the following areas of the Bank:

1. Administration Department
2. Direct Investments and Promotion Departments
3. Corporate Finance Department
4. Treasury and Securities Department
5. Accounts Department
6. Information Technology Department
7. Operations Department
8. Legal Department
9. Internal Audit Department
10. Al-Senai Portfolio for Small Enterprises
11. Anti-Money Laundering Unit
12. Risk Management Department
13. Project Department
14. Follow up Department
15. Research Department
16. Compliance Unit
17. Disclosure Unit
18. Financial Control Unit
19. Agriculture Finance Portfolio

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) circular dated 14 January, 2016 considering the requirements contained in the Manual of General Directives issued by the CBK on 14 November 1996, instructions dated 20 June 2012 concerning Corporate Governance Rules at Kuwaiti Banks, instructions dated 23 July 2013 concerning Anti-Money Laundering and Combating Financing of Terrorism, and instructions dated 9 February 2012 regarding confidentiality of customers information and International Standards on Assurance Engagements.

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

Because of inherent limitations and 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 volumes of its operations, during the year ended 31 December 2015, the accounting and other records and internal control systems, in the areas examined by us, were established and maintained in accordance with the requirements of the Manual of General Directives issued by the CBK on 14 November 1996 and instructions dated 20 June 2012 concerning Corporate Governance Rules at Kuwaiti Banks, instructions dated 23 July 2013 concerning Anti-Money Laundering and Combating Financing of Terrorism, and instructions dated 9 February 2012 regarding confidentiality of customers information, with the exception of the matters set out in the report. These exceptions do not have a material impact on the fairness of the financial statements.

Nayef M. Al Bazie
License No. 91-A
RSM Albazie & Co.

State of Kuwait
June 12, 2016

Risk Management Disclosures as per Basel III Pillar III-31.12.2016

Risk Management Objectives:

The Industrial Bank of Kuwait has clear risk management objectives and a well-established strategy to deliver them through core risk management processes.

At a strategic level, the Bank's risk management objectives are:

- To identify the Bank's material risks.
- To formulate the Bank's risk appetite and ensure that business profile and plans are consistent with it.
- To optimize risk/return decisions by dialogue with business, while establishing a strong and independent review process and structure.
- To adhere to regulatory guidelines relating to risk management.
- To ensure that business growth and strategic plans are properly supported by effective risk assessment.
- To monitor risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To assist business and support functions improve the control and co-ordination of risk taking across the Bank.
- To promote a culture of risk awareness throughout the organization.

Risk Management Structure:

- The responsibility for risk management resides at all levels within the Bank, from the Board and the executive level down through the organization to each business manager and risk specialist documented in detail through policies and procedures and available to all staff through an online shared system. In a 3 – Eye approach, the responsibilities for effective review and challenge reside with managers of departments as the primary risk holders, an independent risk management function and, internal audit. For effective corporate governance, the Chief Risk Officer assists the Board Risk Committee to guide and oversee effective risk management across the Bank. Risk Management also assists the Board of Directors in tasks required by the Board Committees. The Board is responsible for approving risk appetite, which is the level of risk tolerance that the Bank chooses to accept in pursuit of its business objectives. The risk appetite is reviewed annually by the Board Risk Committee so that it is in synchrony with the economic environment and internal strategic objectives.
- The Board is also responsible for the internal control and assurance framework. To enhance corporate governance and the management of risk, the following committees have been set up to perform specific roles - the Board Audit Committee, the Board

Risk Committee, the Board Nomination and Remuneration Committee and the Board Governance Committee.

- Internal Audit is responsible for the independent review of the effectiveness of risk management and the internal control environment in the bank. Its objective is to provide reliable, valued and timely assurance to the Board and Executive Management over the effectiveness of controls, mitigating current and evolving high risks and in so doing enhancing the controls culture within the Bank.

- The Board Risk Committee monitors through the risk management function, the Bank's risk profile against the risk appetite documented quantitatively and qualitatively in the risk appetite policy, providing benchmarks for high level oversight and supervision of the management of risks. The constituents of the detailed risk appetite statement is reviewed annually by the Risk Committee. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the Committee is comfortable with them. The Committee receives regular and comprehensive reports on the Bank's risk profile, an assessment on all risk factors, key issues affecting each business portfolio, risk measurement methodologies and future risk trends. The Board Risk Committee ensures that appropriate policies and procedures exist to manage risks in a professional and pro-active manner, reviewing the independence and integrity of the Bank's risk management function and critically assessing business and strategic risks within established risk management policies and procedures.

- The Chief Risk Officer reports directly to the Chairman of the Board. The risk management function is responsible for independently assessing and managing credit, market, liquidity and all types of operational risks. Additionally, IT risk and the information security function (operating independently of the IT department), reports to the CRO. While primary risks are managed by line managers, the risk management function provides a structured and independent assessment of credit, liquidity, market and all types of operational risks by proactively working with line management in identifying, documenting, quantifying, tracking and monitoring Key Risk Indicators and providing solutions whenever KRI's tend to go beyond acceptable levels. It facilitates implementation of risk initiatives and continuously tracks portfolio risks as well as individual credit, investment, new projects and product proposals. It ensures that risks are categorized into groups of low, medium and high risks and that significant risk that are outliers in the boundary provided by the risk appetite policy and those that have potential operational loss impacts, are highlighted, reported and mitigated.

- In the collaborative spirit of risk accountability, there are specific committees set up to monitor specific areas of risk. There is an Assets and Liabilities Management Committee (ALCO) that monitors liquidity risks, investment risks and asset projections, and where the CRO participates. as an active member. The Credit Committee and Provisions Committees deal with corporate credit and project finance proposals and impairment and provisions issues. There is a Policies and Procedures Group that reviews and oversees the creation and updating of the Bank's policies and procedures with participation from the business departments. The risk management department has responsibility and voice through membership in the committee for policies and procedures. It also has administrative responsibility for maintenance and updating of all policy and procedures. To aid in this endeavor, risk management has implemented an online system for display and control of policies and procedures that is transparent and available to all staff. Risk management coordinates the Bank's business continuity plans and off-site disaster recovery activities

- **Stress Testing:** A fundamental duty of risk management is to ensure that the Bank does not neglect to prepare for the worst event as they plan for growth. Stress testing helps the Bank understand how its portfolios would react if business conditions became significantly more challenging. Risk Management generates specific forward-looking scenarios and analyses how well liquidity and profitability would hold up, whether the levels of capital would be adequate to meet significant shocks and what managers could do ahead of time to mitigate risk. Stress tests capture a wide range of variables that are relevant to the current environment. The Risk Management function co-ordinates the process of stress testing, using bottom-up analysis on expected and unexpected loss. Projections on credit provisions and investment impairments provided by the Business is taken as expected loss over which risk management assesses through internal modeling, projections of unexpected loss and the capital cover required to tide over periods of stress. The results of the stress tests are presented to the Executive committee the Board Risk Committee, The Board of Directors and the regulatory authority – The Central Bank of Kuwait for its assessment of the Bank's resilience to stressed credit risk, market risk and economic conditions. The stress scenarios take into account a wide range of factors, including: the Bank's revenue generation potential, loan loss provisions and the probability of default and possible losses given default within its loan book; and possible declines in the market value of investment assets and effects on capital adequacy.

- The results of the stress test also serve as reference points for triggering action on the Bank's capital planning policy and decisions on whether it requires a change of strategy or additional capital. Presently, the Bank is highly capitalized and the capital support risk is low.

- **The Financial Environment and regulation:** During 2016 Kuwait Manufacturing business volumes and margins remained flat to declining and the pressures in the system and the Bank's customers continued, though at lower levels that in the previous years since the downturn and discretionary provisions continued to be taken. The crude oil prices appeared to be moderately volatile, hovering around USD50 per barrel. With crude oil prices at a level which is less than more than 50% of peak levels, the effects are beginning to creep in, despite Kuwait being affected less than other GCC oil producers.

The Bank continued to fine tune the Basel III guidelines as adopted by the Central Bank of Kuwait. A new phase was entered into with active involvement and encouragement of the regulators and continuous interaction with the risk management group. The Bank completed the implementation LCR and NSFR as per regulatory guidelines.

- A new set of tolerance levels were built into a new upgraded risk appetite statement. Stress tests were periodically conducted internally during the course of the year. External experts assessed the Bank and its mandate, the risk management function of the bank and the Bank's systems, management, plans and strategies and independently conducted stress tests. The Bank did not fail these independent tests in any of the categories and criteria assessed. Following this work and discussion with the expert group, the Bank was able to confirm that its capital position and resources, after exposure to the stress, were expected to continue to meet the CBK's capital requirements.

- However, following the implementation of Basel III the CBK disallowed the inclusion of the long term loan from the Government of Kuwait in the Bank's Tier II Capital as it cannot be classified as a 'subordinated loan' and as the loan contract does not mention a loss absorption capacity. This has led to a significant revision of the capital adequacy ratio, though it continues to be substantially higher than regulatory requirement and above internal levels according to the capital planning policy. The reduction however, does have an impact on the credit concentration level and a few companies with relatively high exposures went above the regulatory levels for credit concentration. The Bank has applied for and received the approval of the Central Bank of Kuwait to pursue business with these companies on limits higher than the standard concentration level of 15% of capital.

- Risk Management replicates the CAMEL BCOM methodology that is used by the CBK and provided its risk feedback through the ALCO, The Board Risk Committee and the Board and its results are used by the Board committees including the Nomination and Remunerations Committee. In 2015, the Central Bank of Kuwait revised the CAMEL-BCOM methodology and updated and enhanced the assessment criteria to suit the current environment. The risk management function of IBK has simultaneously updated its approach accordingly.

Risk Rating by External Rating Agencies:

On October 18, 2016, the international rating agency Fitch reaffirmed the rating of the Industrial Bank of Kuwait as shown below:

Fitch Ratings:	
Foreign Currency	
Long Term IDR	A+
Short Term IDR	F1
Viability Rating	+bb
Individual Rating	C/D
Support Rating	1
Support Rating Floor	+A
Sovereign Risk	
Foreign Currency Long Term IDR	AA
Local Currency Long Term IDR	AA
Outlooks	
Foreign Currency Long Term IDR	Stable
Sovereign Foreign Currency Long Term IDR	Stable
Sovereign Local Currency Long Term IDR	Stable

Fitch comments that IBK’s IDRs and Support rating reflect the extremely high probability of support from the government of Kuwait, in case of need. This is based on the government of Kuwait’s 49% direct ownership and 12% indirect ownership of IBK, as well as the long-term government funding provided for the bank›s development activities. The ratings also take into account the Kuwaiti authorities› long history of strong support for Kuwaiti banks.

The rating agency ‘Capital Intelligence’ reaffirmed their existing rating of IBK at A+ for 2016 (A+ in 2015) with a ‘Stable’ outlook. Their summary rating is as follows:

Foreign Currency Long-term	**A+**
Foreign Currency Short Term	**A2**
Financial Strength	**A**
Support	**2**
Outlook – Foreign Currency	Stable
Outlook – Financial Strength	Stable

Basel III Pillar 3 Consolidated Disclosures:

Overview of Basel III and Pillar 3:

Since December 2005, The Industrial Bank of Kuwait has applied the Basel framework as part of its risk and capital management strategy. The accord is made up of three pillars:

- **Pillar 1** covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- **Pillar 2** allows firms and supervisors to take a view on whether the firm should hold additional capital to cover the three Pillar 1 risk types, or to cover other risks. A firm' own internal models and assessments support this process which is interactive between the Bank and its regulator, the Central Bank of Kuwait.
- **Pillar 3** covers external communication of risk and capital information by banks.

The Basel guidelines provides for different approaches to calculating capital requirements.

- The first is the Standardized approach, where risk weights used to assess requirements against credit exposures are consistent across the industry.
- The second approach is the Internal Ratings Based approach (IRB) which relies on the bank's internal models to derive the risk weights.
- The third approach is the advanced approach suitable for very large and complex structures.

As per the guidelines of the Central Bank of Kuwait, the Bank's Pillar I capital adequacy calculations are based on the Standardized approach. For stress testing purposes however the Bank uses an internal modeling methodology which is specifically designed for large credit exposures, which constitutes the main business line of the Bank as under its mandate it cannot have retail or real estate exposures. Stress tests are simultaneously carried out as per parameters and scenarios provided by the Central Bank of Kuwait. Stress test submissions are made based on both internal and regulatory methodologies.

Stress tests are conducted twice a year, in accordance with the Bank's Basel Pillar 3 Policy and as per the guidelines of the Central Bank of Kuwait. A full report (qualitative and quantitative) is prepared based on December year-end results and a quantitative-only report is prepared based on June mid-year results and projections.

Capital Risk Management:

Capital adequacy is the degree to which capital resources on the Bank's balance sheet are sufficient to cover the businesses' capital requirements now and in the foreseeable future. The Group's permission to operate as a bank is dependent upon the maintenance of adequate capital resources. Capital risk management is the process for reviewing capital requirements to enable the Bank to:

- Meet minimum regulatory requirements in Kuwait where its business is focused and where itis solely located.
- Support its credit rating and maintain cost of funds;
- Support business growth and the ability to withstand and tide over shocks.

The Bank ensures that it is sufficiently capitalized by continually assessing its capital resources and requirements given current financial projections. This takes into account material risks to the projections as well as strategies employed to manage those risks.

The Bank's capital management considers both economic and regulatory capital. Regulatory capital requirements are calculated on the basis of Pillar 1 risks of the Basel framework. Pillar 1 capital covers credit, market and operational risks. The calculation methods and risk weights are specified by Basel III rules. Pillar 2 capital can also be held against the three risk types above, but mainly covers other types of risk. Being an industrial bank with a focused but restricted mandate, a significant weight is given to Concentration Risk. The Bank uses its own internal capital framework and stress testing processes to help determine its capital requirements under stressed scenarios. The Bank ensures that it maintains sufficient buffers above regulatory minima at all times. The adequacy of these buffers is assessed by Risk Management and presented periodically to the Board Audit and Risk Management Committee as part of the Capital Management Policy, the risk governance process, the risk appetite review process and the stress testing process. The Bank's stress testing process forecasts the projected capital requirements and resources in a range of stress scenarios. This enables the Bank to ensure it can meet its minimum regulatory capital requirements in a stressed environment, and to assess that there is adequate buffer above regulatory capital to meet economic capital needs if trigger points are approached. The stress testing process forms a key component of the internal capital adequacy assessment process (ICAAP).

For Pillar I regulatory capital adequacy calculations, the Bank has adopted the Standardized approach of Basel III, as recommended by the Central Bank of Kuwait in determining the capital required for each component of credit, market and operational risk. As the Bank is a specialized development bank which also offers commercial banking facilities to its customers, it has long term support from the Government of Kuwait. This, together with its significant disclosed reserves, makes its available capital substantially in excess of the minimum requirements of Basel III even after taking into account the additional requirements of ICAAP under the new Pillar II and buffers determining economic capital. With the planned expansion of the asset portfolio as per the Bank's three year strategic plan, the capital adequacy ratio is expected to remain substantially above minimum regulatory requirements and economic capital estimates in the foreseeable future. This strong capitalization provides a cushion against low diversification opportunities due to the government mandate to service and develop the industrial sector in Kuwait The overall capital adequacy ratio based on Basel III, was 43.22% as on December 31, 2016.

Capital Structure and Adequacy:

In addition to the paid-up capital of KD 20 million and significant disclosed voluntary reserves, the principal corpus of long term funds for the Bank is a renewable long term loan of Kuwaiti Dinars ("KD") 300,000,000 (= USD 990 Million approx..) from the Government of Kuwait first given through an Amiri decree in 1973, from which the Bank's Projects Division provides medium and long term project finance to its industrial borrowers at concessionary pricing. The Government of Kuwait has provided additional KD 100 million for the "Islamic Industrial Finance Portfolio", and additional KD 50 million each for the "Al-Senai Portfolio For Small Enterprises" and for the "Agricultural Finance Portfolio". The Bank does not have complex or hybrid capital instruments in its capital structure.

Subsidiaries:

The top corporate entity is The Industrial Bank of Kuwait K.S.C. The Bank has two wholly-owned subsidiaries, Kuwait Industrial Projects Company KSCC (KIPCO), a Kuwaiti closed shareholding company ("KIPCO"), and Senaey Enterprises Ltd, a limited liability company incorporated in George Town, Grand Cayman, the British West Indies (together "the Group"). KIPCO is the Group's vehicle for domestic investments and for holding and managing assets taken over by the Bank as a result of domestic loan defaults; it accounts for some 6% of the total Group assets. Senaey Enterprises is insignificant and not a material element of the Group statement of financial position. Capital adequacy data submitted to the Central Bank of Kuwait includes relevant data from both subsidiaries on a fully consolidated basis.

Capital Structure – 31st December, 2016 (KD '000)

Tier I Capital	222,752
Permanent Shareholder Equity	20,000
Reserves:	
Statutory reserves	33,806
Voluntary reserves	138,095
Fair value reserve	6,719
Retained Earnings	24,132
Additional Tier I capital	Nil
Tier 2 Capital	**6,274**
General Provision as allowed	6,274
Total Eligible Capital after deductions	229,026

Capital Requirement for Credit Risk Weighted Assets as on 31.12.16. (KD '000)

Asset Categories for Credit Risk (Standard Portfolio)	Net Credit Exposure (after CRM)	Risk Weighted Capital Charge
1 Cash Items	107	---
2 Claims on Sovereigns	154,070	629
3 Claims on International Organizations.	---	---
4 Claims on PSE	---	---
5 Claims on MDB	---	---
6 Claims on Banks	108,212	21,642
7 Claims on Corporates	386,370	380,607
8 Claims on Securitized Assets	---	---
9 Credit Derivative Claims	---	---
10 Regulatory Retail	---	---
11 Past Due Exposures	2,552	2,552
12 Other Exposures	96,507	96,507
Total Exposures	**747,818**	**501,937**

Capital Requirement for Credit Risk	62,177
Minimum Capital Requirement for Credit Risk	
Capital Requirement for Market Risk	
Total Market Risk Weighted Exposure	10,155
Minimum Capital Requirement for Market risk	1,320
Capital Requirement for Operational Risk	
Total Operational Risk Weighted Exposure	41,443
Minimum Capital Requirement for Operational Risk	5,388
Total Risk Weighted Exposure	529,879
Total Minimum Capital Requirement for credit, market and operational risks	68,884
Eligible Capital	
Tier 1 222,752	
Tier 2 6,274	
Unused but Eligible Capital	160,142
Capital Adequacy Ratio	
Capital Adequacy Ratio per Basel III / CBK	43.22 %
Capital Adequacy Ratio based on Tier I Capital only.	42.04 %
CET1 Capital Adequacy Ratio	42.04 %

Financial Leverage Ratio: The Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is intended to (1) restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy; and (2) reinforce the risk-based requirements with a simple, non-risk based "backstop" measure.

The Basel Committee is of the view that a simple leverage ratio framework is critical and complementary to the risk-based capital framework; and a credible leverage ratio is one that ensures broad and adequate capture of both the on- and off-balance sheet sources of banks' leverage.

The Basel III leverage ratio is defined as the capital measure (the numerator, Tier I capital) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

Leverage ratio = Capital measure/Exposure measure (%). For Kuwait the minimum regulatory leverage ratio is 3%.

IBK Leverage Ratio December 31.2016 - Consolidated

	Item	Leverage ratio Framework (000)
	On-balance sheet exposures	
1	On-balance sheet items	656,301
2	(Amounts of assets deducted when calculating theT1 of the capital)	0
3	**Total On-balance sheet exposures**	**656,301**
	Derivative Exposures	
4	Gross Exposure(including the amount of additional factor)	300
5	(Adjustments)	0
6	**Total derivative exposures**	**300**
	Securities financing transaction exposures	
7	SFT Assets	0
8	**Total securities financing transaction exposures**	0
	Off Balance sheet items	
9	Commitments	24,207
10	(Adjustments for conversion to credit equivalent amounts)	(19,366)
11	**Total Commitments**	4,841
12	Contingencies	55,217
13	(Adjustments for conversion to credit equivalent amounts)	(27,538)
14	**Total Contingencies**	27,679
15	**Total Off Balance sheet items**	32,520
	Capital & Total Exposures	
16	Tier 1 Capital	**222,752**
17	Total Exposures	**689,121**
	Leverage Ratio	
18	Basel III Leverage Ratio	**32.32%**

Credit Risk Management:

Credit risk is the risk of suffering financial loss should any of the Bank's customers or market counterparties fail to fulfill their contractual obligations to the Bank. The granting of credit is one of the Bank's major sources of income and, as the most significant risk; the Bank dedicates considerable resources and energy to control it.

The credit risk that the Bank faces arises mainly from project finance and working capital finance. The Bank is also exposed to other credit risks arising from its treasury activities, including debt securities, settlement balances with market counterparties and available for sale assets.

The role of the risk management function is to provide bank-wide direction, independent risk assessment, oversight and challenge of credit risk-taking. The Bank has dedicated departmental credit policies reviewed by a committee for policies and procedures (where the CRO is a member). The Board of Directors approves the credit risk control framework, which provides a structure within which credit risk is managed together with supporting risk management departmental policies. Loans and advances to customers provide the principal source of credit risk to the Group although the Bank can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities. The Bank's risk management policies and procedures are designed to identify and analyze risk, to set appropriate risk appetite, limits and controls, and to monitor the risks, delinquency, adequacy of follow up and rating assessments. The risk management department independently reviews and rates all individual credit proposals generated by the two credit granting departments, relating to project finance and commercial, working capital and trade finance. It also quantifies reviews and monitors the quality and movement of the overall credit portfolio of the Bank.

One area of particular review is concentration risk. A concentration of credit risk exists when a number of customers belong to the same group, or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other business conditions. As a result, the Bank constantly reviews its concentration in a number of areas including, for example, geography, maturity, industrial sector and group control. Diversification is achieved through setting maximum exposure guidelines to individual counterparties not exceeding 15% of capital. However, given the specific mandate to operate within the industrial sectors, concentration risk is on the higher side.

The Bank has in place a system for internal credit risk rating of all exposures on a scale of 1 to 10. Risk Management recommends credit ratings for new clients and periodically reviews all existing borrower ratings in the Bank using well defined internal rating parameters. Risk Management tracks the weighted average rating of the credit portfolio and each risk category within the portfolio.

In order to mitigate credit risk, exposures are usually secured by acceptable collateral. The existing portfolio of loans and advances reflects the Bank's emphasis on lending inside Kuwait and in particular to industrial units in Kuwait - a country whose dynamics the Bank comprehends well and where the Bank has a better understanding of the inherent risks. The Bank has credit concentration to the industrial sector due to the terms of its constitution. The Bank manages the risk by avoiding concentration by obligor, by a particular industry and, in the case of cross border exposures, by geographical area.

Special attention is paid to overdue accounts by committees especially set up for this purpose. Follow up measures are discussed and remedial action taken. If required, appropriate provisioning levels are determined.

At both the departmental level as well as the overall bank level, disciplined credit processes are in place. The processes are intended to ensure that risks are accurately assessed, properly approved and continuously monitored. The primary tool for managing credit risk is a set of credit policies and procedures that are periodically reviewed and updated. A stringent approval framework exists in the Bank which mandates a rigorous and thorough evaluation of the creditworthiness of every obligor. All credit and investment proposals and their extensions and renewals of existing credits are assessed by Risk Management.

Credit limits are established for all customers after careful assessment of the relevant credit application. As per procedure, the approval of the Board of Directors is necessary for credit limits above a certain level. Management's appetite is conveyed by limits for country, industry, borrower and product. Excesses above approved limits require approval by appropriate credit authorities in the Bank.

Concentrations by size, industry, business and industry sectors are monitored and limited. Central Bank of Kuwait defines concentration as 15 per cent of a bank's total eligible capital base as defined under Basel III/CBK; all concentrations in the portfolio by industry are monitored closely for adverse financial or economic conditions.

Risk Management tracks delinquencies at the company and portfolio level and is in constant dialogue with the Business departments so that action on irregularities can be taken in time and slippage down the past-due time buckets are controlled as far as possible.

Information related to credit exposures:

Past Due / Impaired Assets and Provisioning:

IBK follows the Central Bank of Kuwait definitions of irregular assets and guidelines for impairment provision. Classification of credit exposures and computation of provisions are as below:

A. Credit Facilities to Customers (Resident & Non-Resident):

(i) Exposure is classified as Irregular if:

- the debit balance in the current account has been constantly showing an excess of over 10% of the approved Overdraft limit;
- the current account is in debit, without an approved Overdraft limit;
- credit facilities have expired, outstanding's have not been settled and the Bank has decided not to renew the facilities on credit grounds;
- loan installments are defaulted;
- interest is in arrears.

(ii) Irregular exposures are classified as below:

- Sub-Standard: Where any of the irregularities as above has been existing for a period exceeding 90 days but less than 180 days, or if, in the Bank's judgment, there is noticeable deterioration in the customer's financial condition.
- Doubtful Debts: Where any of the irregularities as above has been existing for a period exceeding 180 days but less than 365 days, or if, in the Bank's judgment, there is noticeable deterioration in the customer's financial condition.

- Bad Debts: Where any of the irregularities as above has existed for a period exceeding 365 days, or if, in the Bank's judgment, there is noticeable deterioration in the customer's financial condition.

(iii) Provision requirements:

Specific provisions are made as below:

- Sub-Standard exposures : 20%
- Doubtful Debts : 50%
- Bad Debts : 100%

1% General Provisions are made on all exposures not subject to a specific provision after deducting certain allowed collaterals as per the guidelines of The Central Bank of Kuwait. The Bank is presently working towards implementation of IFRS 9 early provisioning approach.

This section discusses the part of the credit portfolio where customers have been delinquent in their repayments.

Disclosure on Past Due Loans - Ageing Criteria as on 31.12.2016		
Past Due Category	Outstanding amount (KD '000)	% of Total Past Dues
0 - 30 days	11219.00	73.20%
31 - 60 days	1898.00	12.38%
61 - 90 days	0.00	
91 - 180 days	437.00	2.85%
181 - 364 days	0.00	0.00%
Above 1 year	1772.00	11.56%
Total ==>	15326.00	100.00%

The ratio of Non-Performing Loans (NPL) to credit exposure stood at 0.66% as on 31.12.2016.

B. Sovereign Exposures:

The Bank has a minimal sovereign exposures and the capital charge for that exposure is computed based on the guidelines issued by CBK from time to time.

C. Information on Credit Exposures as on 31.12.2016

	Asset Categories (standard portfolios)	On Balance Sheet (KD **'000**)	Off Balance Sheet **** (KD **'000**)
1	Cash Items	107	0
2	Claims on Sovereigns	154070	629
3	Claims on Internatio·nal Organizations.		
4	Claims on PSE		
5	Claims on MDB		
6	Claims on Banks	108212	0
7	Claims on Corporates	321262	65108
8	Claims on Securitized Assets		
9	Credit Derivative Claims		
10	Regulatory Retail		
11	Qualifying Residential Housing Loans		
12	Past Due Exposures	2481	71
13	Other Exposures	88888	7618
	Total	675020	72797

**** Note: All unfunded corporate credit exposures are located in Kuwait

Daily Average Gross Credit Loans and Advances (as on: 31st December, 2016)				
	December 31, 2015		December 31, 2016	
	Daily Average Balance (KD)	%	Daily Average Balance (KD)	%
Grand Total Loans and Advances	282,880,350.65	100.00	310,911,125.87	100.00
Loans & Advances - Industrial Loan I	149,783,855.54	52.76	154,262,636.73	49.62
Total Loans and Advances - Commercial	134,096,495.11	47.24	156,648,489.14	50.38
Industrial Loans - Commercial	100,022,267.24	35.23	111,127,162.25	35.74
Other Loans	1,157,309.78	0.41	6,380,691.29	2.05
Over Drafts & Overdrawn A/cs	32,843,504.97	11.57	39,084,591.39	12.57
Suspense L/Cs & Doc Rec.	69,998.57	0.02	56,044.21	0.02
Acceptance Bills	3,414.54	0.00	0	0

Geographical Distribution of Exposures as on: 31st December, 2016 (KD '000)												
	Total Loans and Advances				Loans & Advances- Industrial Loan-I				Loans & Advances-Commercial Facilities			
	December, 2016		December, 2015		December, 2016		December, 2015		December, 2016		December, 2015	
Kuwait	334,097	99.82%	292,866	99.62%	158,896	100.00%	154,081	100.00%	175,200	99.65%	138,784	99.19%
Europe	0	0.00%	446	0.15%	0	0%	0	0.00%	0	0%	446	0.32%
Asia & Pacific	617	0.18%	680	0.23%	0	0%	0	0.00%	617	0.35%	680	0.49%
Grand Total	334,714	100.00 %	293,992	100.00%	158,896	100%	154,081	100.00%	175,817	100%	139,911	100.00%

Residual Maturity of the Loans and Advances Portfolio as on 31st December, 2016 (KD '000)						
	Loans & Advances at Commercial rate		Industrial Loan at encouraged rates		Total Portfolio	
	December, 2016	December, 2015	December, 2016	December, 2015	December, 2016	December, 2015
Upto 1 Month	74,216	62,555	19,919	8,094	54,297	54,461
1 to 3 Month	52,463	49,233	2,610	14,347	49,852	34,887
3 to 12 Month	42,755	61,742	20,172	22,616	22,603	39,125
1 to 3 Years	99,244	63,833	72,279	61,965	26,965	1,868
3 to 5 Years	52,184	44,748	51,626	36,858	557	7,889
Over 5 Years	13,832	11,882	(7,710)	10,201	21,542	1,680
Balance at Year end	334,714	293,992	158,897	154,082	175,817	139,911

Loans and Advances Portfolio by Sector as on 31st December, 2016 (KD)

	Outstanding Balance		Outstanding Balance		Total Provision		Total Provision	
	2016		2015		2016		2015	
Chemicals	16,947.73	5.76%	27,409.36	8.19%	169.48	4.55%	274.10	6.91%
Food & Beverages	15,081.81	5.13%	18,454.28	5.51%	140.69	3.78%	177.76	4.48%
Metal Products & Engineering	91,247.49	31.04%	91,431.84	27.32%	1,190.20	31.95%	1,148.97	28.96%
Construction & Building Material	58,555.28	19.92%	67,770.30	20.25%	1,115.52	29.95%	1,087.92	27.42%
Trading and Commerce	196.95	0.07%	4,920.04	1.47%	1.97	0.05%	49.20	1.24%
Furniture	3,067.64	1.04%	2,338.10	0.70%	30.68	0.82%	23.39	0.59%
Textile	116.48	0.04%	275.62	0.08%	1.16	0.03%	2.76	0.07%
Marine	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Paper & Printing	8,700.27	2.96%	8,080.56	2.41%	87.00	2.34%	73.71	1.86%
Government	680.30	0.23%	616.84	0.18%	6.80	0.18%	6.17	0.16%
Oil and Gas	59,878.23	20.37%	77,600.64	23.18%	598.78	16.08%	776.01	19.56%
Agriculture and Fishing	379.26	0.13%	341.66	0.10%	3.79	0.10%	3.42	0.09%
Others (Non-Financial)	38,694.88	13.16%	35,474.76	10.60%	374.28	10.05%	343.84	8.67%
Non-Financial Sectors	293,546.33	99.85%	334,713.99	100.00%	3,720.36	99.88%	3,967.23	100.00%
Financial Sectors	446.13	0.15%	0.01	0.00%	4.47	0.12%	0.01	0.00%
Total Sectors	293,992.46	**100.00%**	334,714.00	**100.00%**	3,724.83	**100.00%**	3,967.23	**100.00%**
					20863.73		26613.73	
	General Provision & management decision				24588.56		30580.96	
	Total Provision							

Impaired Loans – Geographical Distribution as on 31st December, 2016 (KD '000)

	Outstanding loans		Provision provided for impaired loans	
	2016	2015	2016	2015
Kuwait	651	1019	651	830
Other GCC countries	0	0	0	0
Grand total	651	1019	651	830
Impaired loans as a percentage of outstanding loans portfolio	0.19%	0.35%		
Coverage percentage			100.00%	81.45%

Credit risk mitigation

Netting: In cases where the Bank›s claims against customers are not settled, the Bank exercises set-off rights and pursues its claim on a net basis. During the course of any legal action, the Bank preserves its claim at the original net level, disregarding any partial payment(s) in order to avoid inadvertently triggering any legal issues that could otherwise arise.

Collateral Valuation and Management: In cases where collateral is to be taken, the Bank accepts standard collateral types such as cash, chattel mortgage over movable assets, mortgage over fixed assets, personal / corporate/ bank guarantees etc. In the case of mortgages, the Bank insists on being named the loss-payee in the related insurance policy. Where guarantees are taken, the Bank satisfies itself of the creditworthiness of the guarantor by obtaining full financial information about the guarantor, on the rationale that the Bank views the guarantor as though he were himself the primary obligor who would himself have to be eligible for the size of the commitment. In respect of bank guarantees, a formal guarantor line for the bank concerned is a pre-requisite.

Given its status as a specialized industrial finance institution, the Bank has sufficient skills and means in-house to evaluate projects, factories and other types of fixed assets under mortgage to the Bank.

Credit Risk Concentration: The Bank›s charter limits its customer-base to manufacturing industries specifically to entities holding industrial license. Accordingly, there is a credit concentration in the industrial sector. Within that class, the Bank›s portfolio is composed of customers spanning a wide variety of activity. Additionally, the Bank participates in syndicated loans to non-resident banks. The Bank›s customer-base is not subject to any significant degree of cyclicality.

Credit Exposure after Credit Risk Mitigation (CRM) and credit conversion factor: 31.12.2016 (KD '000)

Asset Categories	Credit Exposure before CRM	Credit Exposure after CRM	Credit Risk Weighted Assets
Cash items	107	107	0
Claims on Sovereigns	154,070	154,070	629
Claims on International Organizations	0	0	0
Claims on PSEs	0	0	0
Claims on MDBs	0	0	0
Claims on Banks	108,212	108,212	21,642
Claims on Corporates	386,370	380,607	380,607
Regulatory Retail	0	0	0
Qualifying Residential Housing Loans	0	0	0
Past Due Exposures	2,552	2,552	2,552
Other Exposures	86,507	96,507	96,507
Total	**737,818**	**742,055**	**501,937**

Market Risk Management:

Market Risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. This risk is inherent in the financial instruments associated with our operations and/or activities including loans granted at commercial rates, deposits, securities and trading account assets, and derivatives. The majority of market risk exposure resides in the Bank's treasury and investment functions and market risk through the local equity holdings of the Bank's subsidiary KIPCO which are passive AFS holdings. IBK Risk Management's market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of limits and monitoring of the same.
- Ensuring accuracy in the deal/settlement process
- Facilitate business growth within a controlled and transparent risk management framework.
- Measure and report non-traded market risk.

Market risk for the Bank is relatively limited as, except for managing an FX book for its own account and its local industrial customers, and in rare cases using derivatives for hedging purposes, the Bank does not expose itself significantly to market risks. Appropriate limits have been established and treasury and investment activities are constantly monitored.

The focus at IBK is on industrial lending and on corporate banking. The Bank has a long term investment in its wholly owned subsidiary (KIPCO) which invests in the local market and has a non-traded Kuwaiti equity portfolio. There is also an international component in the Bank's equity book which is invested in start-up ventures through reputed international managers. These investments are of long term nature and are exposed to the downside risk of direct equity investments. These investments are diversified and individual investments are capped within limits. The Bank is not actively involved in equity or bond trading, trading in derivative products, options, commodities or most of the other market risk generating activities that commercial/investment banks usually engage in.

Market risk is monitored taking into consideration market analysis, market liquidity, business strategy and dealer experience. The Bank has limits on investment size, country, and counterparty exposure as well as on open positions by dealers and for the Bank as a whole. These limits help to reduce the absolute amounts of market risk. In addition, the Bank has established stop-loss limits for certain activities involving market risk.

Market risk for trading portfolio and foreign exchange exposures: The Bank currently does not have a proprietary trading portfolio of any significance in foreign exchange or money market instruments. It does not have derivative trading exposures or exposures in commodities. However, all forward foreign exchange swap positions, used for hedging Bank's position have been considered as part of derivative exposures.

	Market Risk	
	Capital Requirement under Standardized Approach as on 31st December, 2016 (All figures in KD '000)	
	Risk Category	Capital Charge
1	Interest Rate Risk	
2	Equity Position Risk	
3	Foreign Exchange Risk	812
4	Commodities Risk	
	Minimum Capital Requirement for Market Risk	
	Total Market Risk Weighted Assets: 10155	

Equity position in the banking book:

Given the specialized nature of the Bank and under its constitution, the Bank invests in equity of companies both for strategic and relationship reasons as well as to generate capital gains. The Direct Investments and Promotions department manages the equities portfolio which has local and international dimensions. It makes investments in new ventures and funds with the objective of making capital gains in the international private equity markets. The equities portfolio for investments within Kuwait is managed by "Kuwait Industrial Projects Company KSCC"(KIPCO), a wholly owned subsidiary of the Industrial Bank of Kuwait, whose financial statements are consolidated with those of the Bank.

Strategic investments are those that fit in with the Bank's objectives of long term industrial development and expected to benefit the Bank in terms of reach and network presence. Strategic investments in equities may be made to ensure growth and development of existing companies, investment in new ventures as well as to exercise control over companies which have turned severely delinquent and are underperforming and thus have to be taken over. Equity investments may be made by KIPCO as pre-IPO placements or may be made directly through the stock exchange for listed companies. Since these are long term investments, this is a passive investment portfolio with valuations subject to the movements of the market. Following world and regional trends, the Kuwait Stock Exchange index continues to witness high volatility.

Impaired investments form a small component of the equities portfolio. This is retained to exercise remedial control over companies which have turned severely delinquent, are underperforming and thus have to be taken over. These are under management of KIPCO and relate to domestic exposures only.

Differentiation is made between the component of the portfolio which has been made with the objective of making capital gains and those that have been made for strategic reasons mentioned above. It is recognized that equity investments carry considerable downside risk as well as expectation of high returns. Risk Management rates all investments made by the Direct Investments and Promotions department using a rating methodology for private equity developed internally by the risk management department.

Interest Rate Risk Management:

The overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net Interest Income. Interest rate risk is measured as the potential volatility in Net Interest Income caused by changes in market interest rates. The Bank uses interest rate gap analysis to measure the interest rate sensitivity of its earnings caused by re-pricing mismatches between rate sensitive assets, liabilities and off balance sheet positions.

The Bank has received a 20 year loan from the Government of Kuwait (initiated in 1973 and rolled over) which is partly priced at the fixed rate of 1/2 % per annum to the extent of the total industrial loans and commitments made by the Bank. In 2007, this was extended by another KD 100 million by the Government. This low-cost source is a very important component of the Bank's total cost base. The Bank engages in subsidized fixed rate lending to the industrial sector. To that extent, fixed cost sources and applications of funds are outside the framework of interest rate risk calculations.

Substantially all remaining KD loans are floating and priced at the Central Bank discount rate plus margin and are re-priced when the Central Bank changes the discount rate.

Around 90% of the Bank's assets are denominated in Kuwaiti Dinars. Among other currencies, the US Dollar is significant. As to all other currencies, the exposure, though not significant, is nonetheless generally matched in each of the maturity buckets.

From time to time, stress tests are conducted to gauge the impact on income under stress conditions e.g. sensitivity to a 1% reduction in the discount rate of the Central Bank.

Counterparty Credit Risk

Since the Bank may deal with other banks and financial institutions in foreign exchange forward contracts / swaps used for hedging bank's exposure, the Bank computes the capital charge for the notional exposure and the mark to market positions of those derivatives, using the Current Exposure Method (CEM) guidelines issued by CBK in this regard. The total capital charge for such exposures is Nil.

Industrial Bank of Kuwait	
Disclosure on Counterparty Credit Risk as on 31st December, 2016	
Description	Total Weighted Value (KD '000)
Notional Exposure of Foreign Exchange Forward Contracts	300
Positive MTM	5
The capital charge using the Current Exposure Method, as specified by CBK is negligible.	

Interest rate risk in the banking book

Interest rate risk in the banking book arises from the mismatches between assets and liabilities, in the various maturity buckets. These are however kept within prescribed limits set for each maturity bucket. There is a downside risk in providing hedging as the Kuwaiti Dinar market lacks depth, with limited number of players in the interbank Kuwaiti Dinar market. Interbank activity is sporadic beyond short maturities. Central Bank of Kuwait intervention bonds, direct one month intervention and treasury bonds are the only available instruments for deploying excess liquidity. As a result, CBK interventions can have a major impact on KIBOR rates. The lack of interest rate hedging instruments in the KD market is a concern. However, the Bank's overall exposure to interest rate risk is mitigated by the following factors: (i) active and effective management of the Treasury investments portfolio; (ii) commercial loans are priced on floating rate basis; and (iii) project loans are funded by the Government loan and are thus market-independent.

Interest Rate Sensitivity – 31st December, 2016 (Currency: KD)			
Currency (Kuwaiti Dinar) (All figures in KD '000)			
	Up to 1 Year	1 - 5 Years	Over 5 Years
Interest Earning Assets	367,673	210,102	7,540
Interest Bearing Liabilities	32,515	11,210	282,787
GAP	335,158	198,892	(275,247)
Cumulative GAP	335,158	534,050	258,804
Sensitivity to 1% interest rate change			2,588

Interest Rate Sensitivity – 31st December, 2016 (Foreign Currency: USD)			
(All figures in KD '000)			
	Up to 1 Year	1 - 5 Years	Over 5 Years
Interest Earning Assets	32,967	0	0
Interest Bearing Liabilities	155,703	0	0
GAP	(122,736)	0	0
Cumulative GAP	(122,736)	(122,736)	(122,736)
Sensitivity to 1% interest rate change (in KD terms, after conversion) ==>			(376)
Overall Interest Rate Sensitivity (Combine Position) for 1% Interest Rate Change ==>			2212

Liquidity Risk Management:

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities, investments and deposits. In extreme circumstances lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. The risk that it will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events.

Liquidity risks are managed by monitoring asset liability maturity mismatch gaps and target liquidity ratios. The Bank's liquidity, both in local and foreign currency remained comfortable in 2016. The Bank continued to build relationships with Kuwaiti institutions who are in a position to lend in foreign currency. Thus a diversified fund sourcing base is available. These risks are monitored by Risk Management and collectively assessed through the Assets and Liabilities Management Committee (ALCO). The Bank adheres to the guidelines of the Central Bank of Kuwait with regard to liquidity management.

Accounting policies: Financial assets which are intended to be held for an indefinite period of time and which are not classified as at fair value through statement of income, loans and receivables and Held to Maturity assets are classified as Available for Sale investments. Such investments are reported at fair value, determined on a quarterly basis and marked to market where market valuations are available. Unlisted equity participations or private investments in Funds whose fair value cannot be reliably determined are carried at cost less impairment. Other Available-for-Sale investments are initially recognized at cost and subsequently re-measured at fair value with unrealized gains or losses recognized directly in Other Comprehensive Income. The fair value investments listed on the stock exchange are based on their quoted market price (bid price) at the balance sheet date without any deduction for transaction cost. All classifications of investments are based on International Financial Reporting Standards.

Note: Quantitative information relating to investments is available in the financial statements.

Operational Risk Management:

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Bank's operations. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts. The Bank is committed to the identification, measurement and management of operational risks. Such risks are managed through bank-wide or line of business specific policies and procedures, controls, and monitoring tools. A critical element is the identification of business specific Key Risk Indicators (KRIs) and their monitoring across business lines. In particular, Risk Management has worked closely with business units and implemented improved management approaches for operational risk, including self-assessment formats and surveys, to focus on critical risk areas, to strengthen control, and minimise operating losses.

The Bank's operational risk management framework aims to:

- Understand and report the operational risks being taken by the Bank.
- Capture and report KRIs and operational errors made.
- Understand and minimize the frequency and impact, on a cost benefit basis, of Operational risk events.
- Manage residual exposures using insurance.

An operational risk self-assessment process is in place with focus on Key Risk Indicators that are specific to the operational area. Risk Management and Internal Audit functions play a vital role in reviewing and maintaining the integrity of the control environment. Additionally, the Bank has covered certain specific areas of operational risk that cannot be controlled internally, through insurance policies.

Information Technology Risk Management

Procedures are in place to safeguard the confidentiality and integrity of stored data and information. These include:

- The installation of firewall systems to protect the network from external interference
- Access controls over application systems
- Compliance with the principle of dual control in operating procedures
- Various monitoring and internal control processes.
- Online data replication process on independent servers.
- Onsite contingency planning.
- Offsite business continuity and disaster recovery programs.

The Information Security function reports directly to the CEO of the Bank and independently monitors the security environment and security incidents and violations.

The Bank is in the process of substantially upgrading the IT infrastructure including transactional, data warehousing and risk management solutions in order to form the base for future growth opportunities.

Capital allocation for Operational Risk:

For the purpose of capital adequacy under Basel III, the Bank presently follows the Standardized Approach of measurement for calculating its operational risk capital charge based on three years' gross income. This is calculated as per the CBK guidelines. The Bank maintains a database of its operational losses. The total amount of capital charge for operational risk for FY2016 is: KD5.388mn.

Industrial Bank of Kuwait	
Disclosure on Operational Risk (Using Standardized Approach) as on 31st December, 2016	
Description	Value(KD '000)
Total Operational Risk Weighted Assets	41,443
Total Capital Charge	5388
Methodology: Based on the average of last 3 years gross income, the approach as suggested by Central Bank of Kuwait / Basel - III	

Anti-Money Laundering Policies

The Bank is subject to the rules and regulations of its regulator, the CBK, in the conduct of banking business. The Bank is bound by CBK Instruction No. (2/RB/92/2002) and Law No. 35 of 2002 and subsequent amendments which have been designed to combat money laundering.

The Bank has internal written policies and procedures authorized by its Board of Directors, designed to prevent, detect and combat money laundering. Its anti-money laundering systems include processes, policies, personnel and training, documentation, reporting, and control systems. In 2013, based on new guidelines of the Central Bank of Kuwait the AML policy and procedure was updated to cover the latest developments.

The Bank is required to obtain from its customers, copies of the licence and registration at the time of opening customer accounts. The Bank follows Know Your Customer ("KYC") processes, and the identity of the Bank's customers is established ab initio through official documents as above. Customer records are preserved for a period of 5 years after the termination of the banking relationship. Suspicious transactions are tracked. Staff training and awareness programs are conducted from time to time. The Bank has implemented a state of the art automated anti-money laundering system to track and analyse suspicious transactions. The Bank has initiated the process of becoming FATCA compliant.

New guidelines of the Central Bank of Kuwait require all customers of the Bank to be rated for money laundering and terrorist financing risks. An internal methodology for AML risk assessment for companies and businesses has been developed by risk management and has been incorporated in Board approved policies of AML-TF.

Information related to the Bank's remuneration policy:

Overview of the key features and objectives of the remuneration policy

The Bank's Remuneration Policy is designed to attract and retain highly qualified, skilled, and knowledgeable professionals and incorporates all the requirements of the CBK as mentioned within its corporate governance instructions. The Policy includes all necessary aspects and components of financial remuneration taking into account reinforcing the Bank's performance objectives and effective risk management. The Bank's Remuneration Policy incorporates all the requirements of the CBK as mentioned within its corporate governance instructions,

The Bank's Board, based on the Board Nominations and Remuneration Committee (NRC) recommendations, approves and modifies the Bank's remuneration policy and its design, and reviews the process of its implementation to ensure that it is operating as intended.

Remuneration components: The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the characteristics of the business unit, the employee's grade in the Bank and the job function as well as market practice concerning the prevailing remunerations level. The employee remuneration components are:

1. Fixed remuneration,
2. Performance based Annual Incentives for all staff (STI),
3. Risk and Return Based Long Term Incentives for Senior Staff (LTI),

4. Other benefits, and

5. End of service payments.

The fixed remuneration is determined on the basis of the role of the individual employee, including job responsibility, job complexity, grade, performance and local market conditions and the applicable laws.

The performance-based incentives (STI and LTI) are designed to motivate and reward the employees to achieve the goals and objectives of the Bank as per the strategy and annual plans of the Bank. Performance based incentives are disbursed as an annual cash bonus for all staff (STI) and deferred cash bonus for the senior staff (LTI). The incentive schemes are linked with a balanced mix of performance indicators at the corporate level, department / unit level and the employee level. The primary goal of the STI is to align the incentive with the Bank's annual performance and individual contributions. The LTI for the senior staff is designed to encourage sustainable and risk adjusted long term performance of the Bank. The LTI scheme is applicable from 2015 onwards.

The Bank has introduced a formal performance management process for evaluating and measuring staff performance at all levels. In the beginning of the year, the staff and their performance managers plan and document the annual performance goals (KPIs), required competencies and personal development plans for the staff. At the annual performance appraisal interview, the performance managers and the reviewers evaluate and document performance against the documented goals. Decisions on adjustment of the employee's fixed salary and on performance based incentives are made on the basis of the annual performance review.

Other benefits like annual leave, medical leave and other leaves, medical insurance, annual tickets, and allowances are provided on the basis of individual employment contracts, local market practice subject to the applicable laws. End of service payments are payable in accordance with the employment contract subject to the applicable laws.

The CEO oversees the implementation of the remuneration system of the employees as per the approved policy, including the design and related procedures. The Board NRC periodically evaluates the sufficiency and effectiveness of the Remuneration Policy to ensure its alignment with the Bank's objectives. The NRC assists the Board to conduct an independent annual review of the Bank's compliance with the Remuneration Policy.

Nomination and Remuneration Committee: The role of the Nomination and Remuneration Committee is to assist the Board of Directors in fulfilling its oversight on the identification of persons eligible for membership of the Board of Directors; the Committee will submit its recommendations to the Board regarding candidates to the different committees. The committee is also responsible for the draft, review and update of the Remuneration policy, and assist the board in evaluating the effectiveness and fairness of the policy, and to ensure that the policy is appropriate with the strategic objectives of the Bank. The NRC conducts regular revision of Remuneration Policy and makes recommendations on any updates to the Board. It carries out regular evaluation of the sufficiency and effectiveness of Remuneration Policy to ensure alignment with Bank's objectives. It makes recommendations to the Board regarding the level and components of the remuneration of the CEO and his direct reports as well as the Bank's executive staff. It works closely with the Bank's Risk Committee and the CRO in order to evaluate the incentives proposed by the remuneration system.

Meetings: 6 meetings were held in 2016.

Members (full-time) of the NRC:

Mr. Salah M. Al-Kulaib,	Chairman
Mr. Adel F. Al-Humaidhi	Vice Chairman
Mr. Ahmed T. Al-Tahous	
Mr. Khalid J. Al Rubaian	
Mr. Khalid S Al Ali	

The Bank consulted Ernest & Young during 2014 for structuring an incentive policy. The Bank follows a Board approved Remuneration Committee Charter and Procedures, which was approved in 2014. Since FY2015, the Bank has been implementing revised performance management system for all employees.

Risk Assessment: The main business of the Bank is in the nature of a combination of development and commercial banking supplemented by an investments portfolio. It also manages two government funded portfolios related to small scale industry and handicrafts and agricultural financing. It is risk management department's assessment that the remuneration policy of the bank evenly weights the long and the medium term results and this is well documented and recorded in the new performance appraisal system (PMS) through a SMART process (Specific, Measurable, Achievable, Relevant and Time based) through detailed and quantified KPIs (Key performance indicators), continuous performance monitoring and coaching, periodic reviews and final performance based on financial results as well as defined qualitative objectives. Senior management is judged by the Remuneration Committee on a distribution and combination of return on investment, defined risk measures including CAMEL-BCOM components, and business elements. The Bank took measures to ensure that no material risk taker or the senior management approached areas for short term gains such as financial market trading or areas subject to high risk and potential reward or indulged in excessive risk taking. All proposals of the Bank and the overall portfolio of the Bank was assessed independently by risk management and reported to the Board Risk Committee.

The performance review and the remuneration for control functions such as Internal Audit and Risk Management is determined by the Board Audit Committee and the Board Risk Committee respectively. The performance criteria for the control functions are recorded through specific Key Performance Indicators or KPIs relevant for these functions and none of the KPIs are based on a business target such as revenue, profits or related targets. As per corporate governance principles, the control functions do not report to the CEO and the executive arm of the Bank but directly to the Board and the remuneration is determined accordingly.

With respect to the determination of relationship between performance and levels of remuneration, the Bank has established adequate links and weights for individual performance, business unit performance and corporate performance according to the different levels of bank staff with assistance of the external consultants. Corporate performance in turn, takes measures relating to ROE, assets portfolio and defined risk measures.

Variable remuneration for senior staff has short term and long term components. The long term component is vested after 3 years from the date of granting. The vesting amount may increase or decrease according to the 3 year average performance in terms of EPS and risk measures. The Bank has only cash based variable remuneration and does not provide stock options or shares. Corporate performance targets have a ROE weight of 40%, asset portfolio performance of 30% and risk rating measure of 30%, as designed by E & Y consultants. All staff of the Bank is eligible for performance based variable incentives. Only senior management and staff, who are 20 in number, are eligible for long term variable incentives. There were no sign-on awards provided to any staff.

Senior Management is defined as the CEO and his executive team of three DCEOs. Reporting to the CEO, is the DCEO – Finance and Operations, the DCEO – Projects and Portfolios and DCEO – Finance and Investments. Material risk takers include the heads of revenue generating business departments which are Project Finance and Follow Up, Corporate Finance, Direct Investments, Treasury, Small Enterprise Finance and Agriculture finance. Included under the control functions is the Chief Risk Officer, Head of Internal Audit, Financial Control, Head of AML and the Compliance officer.

Remuneration paid in 2016 (KD)			
Category 1: 4 employees			
Fixed	Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	479682	14414	15180
Variable	Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
		138667	
Category 2: 7 employees			
Fixed	Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	405365	10670	26565
Variable	Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
		80531	
Category 3: 5 employees			
Fixed	Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	213631	9613	2786
Variable	Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
		35734	

الصناعي
IBK

IBK Activities for 2016

Honoring Al-Senai Portfoilo in its Participations

IBK Participation in the Kuwait Industries Union's Exhibition

Honoring IBK for Al-Senai Portfoilo’s Participation in the Manpower & Employment’s Exibition

IBK Participation in “Industry , the Future Force “ Campaign

The Industrial Bank of Kuwait K.S.C (Closed)

THE INDUSTRIAL BANK OF KUWAIT K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

Independent Auditor's Report

The Shareholders

The Industrial Bank of Kuwait K.S.C. (Closed)

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Industrial Bank of Kuwait K.S.C. (Closed) ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at ¬31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors report included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank›s Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by 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 1 of 2016 and its Executive Regulations, and by the Bank›s Memorandum of Incorporation and Articles of Association, as amended, that an inventory was carried out in accordance with recognized procedures 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 1 of 2016 and its Executive Regulations, or of the Bank›s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Group or on its consolidated 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 organization of banking business, and its related regulations during the year ended 31 December 2016 that might have had a material effect on the business of the Group or on its consolidated financial position.

Kuwait:21 March 2017

Safi A. Al-Mutawa
License No 138 “A”
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 KD'000	2015 KD'000
Assets			
Cash and cash equivalents	4	**1,511**	22,557
Treasury bills and bonds	5	**152,241**	146,101
Deposits with banks and other financial institutions		**106,840**	98,189
Investments available for sale	6	**69,798**	66,304
Loans and advances to customers	7	**304,133**	269,404
Investment in associates	8	**6,480**	6,447
Other assets		**11,519**	11,233
Land and buildings	9	**3,779**	3,793
Total assets		**656,301**	624,028
Liabilities			
Deposits from banks and other financial institutions		**37,025**	9,551
Deposits from customers		**42,822**	44,879
Other liabilities		**15,694**	14,536
Term loans	10a	**26,512**	26,786
Loan from the State of Kuwait	10b	**300,000**	300,000
Total liabilities		**422,053**	395,752
Equity			
Share capital	11	**20,000**	20,000
Statutory reserve	11	**33,806**	32,597
Voluntary reserve	11	**138,095**	136,886
Retained earnings		**24,132**	21,000
Proposed dividend	11	**6,000**	6,000
Fair value reserve	11	**12,215**	11,793
Total equity		**234,248**	228,276
Total liabilities and equity		**656,301**	624,028

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

Abdulmohsen Yousef Al-Hunaif
Chairman

Ali A. Khajah
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 KD'000	2015 KD'000
Interest income		**18,495**	16,667
Interest expense		**(2,844)**	(3,194)
Net interest income		**15,651**	13,473
Fee and commission income		**4,846**	4,348
Foreign exchange gain / (loss)		**462**	(427)
Dividend income		**731**	697
Income from available for sale investments		**6,664**	7,953
Share of results from associates	8	**330**	357
Bad debts written off recovered		**76**	399
Net other income		**92**	58
Total income		**28,852**	26,858
Staff costs	12	**(7,243)**	(6,782)
Depreciation		**(124)**	(106)
Other expenses		**(1,896)**	(2,094)
Provision for loans and advances	7	**(5,992)**	(5,320)
Other provisions charged		**(43)**	(342)
Impairment of investments		**(1,465)**	(2,436)
Total expenses		**(16,763)**	(17,080)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Board of Directors' remuneration and Zakat		**12,089**	9,778
Contribution to KFAS		**(116)**	(97)
Board of Directors' remuneration	13	**(300)**	(295)
Zakat		**(123)**	(101)
Net profit for the year		**11,550**	9,285
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for sale investments		**287**	(1,228)
Changes in fair value of available for sale investments of subsidiaries		**136**	(153)
Share of other comprehensive income of associate		**(1)**	(106)
Other comprehensive income for the year		**422**	(1,487)
Total comprehensive income for the year		**11,972**	7,798
Basic and diluted earnings per share (KD)	14	**5.775**	4.643

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITYFOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital KD'...	Statutory reserve KD'...	Voluntary reserve KD'...	Retained earnings KD'...	Proposed dividend KD'...	Fair value reserve KD'...	Total KD'...
Balance at 31 December 2014	20,000	31,620	135,909	19,669	8,000	13,280	228,478
Net profit for the year	-	-	-	9,285	-	-	9,285
Other comprehensive income for the year	-	-	-	-	-	(1,487)	(1,487)
Total comprehensive income for the year	-	-	-	9,285	-	(1,487)	7,798
Transfer to reserves (Note 11)	-	977	977	(1,954)	-	-	-
Dividends for 2014	-	-	-	-	(8,000)	-	(8,000)
Proposed dividends for 2015 (Note 11)	-	-	-	(6,000)	6,000	-	-
Balance at 31 December 2015	20,000	32,597	136,886	21,000	6,000	11,793	228,276
Balance at 31 December 2015	**20,000**	**32,597**	**136,886**	**21,000**	**6,000**	**11,793**	**228,276**
Net profit for the year	**-**	**-**	**-**	**11,550**	**-**	**-**	**11,550**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**422**	**422**
Total comprehensive income for the year	**-**	**-**	**-**	**11,550**	**-**	**422**	**11,972**
Transfer to reserves (Note 11)	**-**	**1,209**	**1,209**	**(2,418)**	**-**	**-**	**-**
Dividends for 2015	**-**	**-**	**-**	**-**	**(6,000)**	**-**	**(6,000)**
Proposed dividends for 2016 (Note 11)	**-**	**-**	**-**	**(6,000)**	**6,000**	**-**	**-**
Balance at 31 December 2016	**20,000**	**33,806**	**138,095**	**24,132**	**6,000**	**12,215**	**234,248**

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

CONSOLDIATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** **KD'000**	2015 KD'000
Cash flow from operating activities			
Net profit for the year		**11,550**	9,285
Adjustments for:			
Income from available for sale investments		**(6,664)**	(7,953)
Share of results from associates	8	**(330)**	(357)
Depreciation		**124**	106
Foreign exchange difference on term loans		**(274)**	-
Provision for loans and advances	7	**5,992**	5,320
Other provisions charged		**43**	342
Impairment of investments		**1,465**	2,436
		11,906	9,179
Changes in:			
- Treasury bills and bonds		**(6,140)**	45,676
- Deposits with banks and other financial institutions		**(8,651)**	16,845
- Loans and advances to customers		**(40,722)**	(11,989)
- Other assets		**(1,211)**	106
- Deposits from banks and other financial institutions		**27,474**	(53,246)
- Deposits from customers		**(2,057)**	(17,473)
- Other liabilities		**1,181**	(181)
Net cash used in operating activities		**(18,220)**	(11,083)
Cash flow from investing activities			
Net movement in available for sale investments		**2,128**	6,123
Proceed from sale of investment in subsidiary		**750**	750
Cash dividends received from associates	8	**296**	296
Net cash flow from investing activities		**3,174**	7,169
Cash flow from financing activities			
Proceed from term loans		**-**	26,786
Dividends paid		**(6,000)**	(8,000)
Net cash (used in) / from financing activities		**(6,000)**	18,786
Net (decrease) / increase in cash and cash equivalents		**(21,046)**	14,872
Cash and cash equivalents at 1 January		**22,557**	7,685
Cash and cash equivalents at 31 December	4	**1,511**	22,557

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

1.Reporting entity

The Industrial Bank of Kuwait K.S.C. (Closed) ("IBK", or "the Bank") is a closed shareholding company incorporated in the State of Kuwait in 1973 under the commercial registration number 20139. It is registered as a bank with the Central Bank of Kuwait ("CBK") to provide banking services to the industrial projects and investments in related activities and purposes, as set out below:

• Contribute to developing Kuwaiti economy, diversify its production structure by encouraging creating new industries, and support existing industries. For this purpose, it may undertake the operations described explicitly in the Articles of Association with the other necessary operations required by this engagement.

• The Bank may have an interest or to participate in any aspect in other entities conducting similar activities or which may help to achieve its objectives in Kuwait or abroad and may purchase these entities or merge therewith.

The consolidated financial statements of the Bank for the year ended 31 December 2016 comprise the Bank and its following subsidiaries (together referred to as the "Group" and individually "the Group entities") and the Group's interest in associates.

			Pecentage of ownership	
Name of subsidiary	Country of incorporation	Principal activities	2016	2015
Kuwait Industrial Projects Company K.S.C. (Closed) *	State of Kuwait	Investments	**99.6 %**	99.6 %
Senaey Enterprises Limited	Grand Cayman, British West Indies	Investments	**100 %**	100 %
Intermediate Petrochemical Products Company K.S.C. (Closed)**	State of Kuwait	Petrochemicals	**96 %**	96 %
Al Reada Petrochemical Company K.S.C. (Closed)**	State of Kuwait	Petrochemicals	**96 %**	96 %
Warba Readymix Concrete Company S.P.A.	State of Kuwait	Concrete production	**100 %**	100 %

*0.4% owned by directors/ employees of the Group entity, on behalf of the Bank.

**4% owned by directors/ employees of the respective Group entities, on behalf of the Group

The Bank's registered office in Kuwait is at Joint Banking Complex, Commercial Area 9, Mubarak Al Kabeer Street, Darwaza Abdul Razaq, P.O. Box 3146, Safat 13032, Kuwait. The number of employees of the Group as at 31 December 2016 is 199 (2015: 185).

The consolidated financial statements were authorized for issue by the Board of Directors on 25 January 2017. The shareholders' annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation

a) Statement of compliance

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

b) Basis of accounting

The consolidated financial statements are prepared under the historical cost convention, except for derivatives and investments available for sale that are stated at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments

In the process of applying the Group's accounting policies which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

Classification of investments

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

The Group classifies investments as "at fair value through statement of profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of profit or loss at inception, provided their fair values can be reliably estimated. All other investments are classified as “available for sale”.

Impairment of investments

The Group treats “available for sale” equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is “significant” or “prolonged” requires significant judgment.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

Impairment losses on loans and advances and investments in equity instruments

The Group reviews problem loans and advances and investments in equity instruments on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss and other comprehensive income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. 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.

e) Changes in accounting policies

The Group has adopted the following amendments to the standards effective current year.

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards;
- Disclosure Initiative (Amendments to IAS 1).

The implementation of the above amendments to standards had no significant financial impact on the consolidated financial statements.

f) New standards, interpretations and amendments issued but not effective

A number of new standards and amendments to standards are effective for Group's annual periods beginning after 1 January 2016 and earlier application is permitted, however, the Group has not early adopted any of the following new or amended standards in preparing these consolidated financial statements.

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 financial liabilities. The Bank is in the process of quantifying the impact of this standard on the Bank's financial statements, when adopted.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

Effective date	New Standard or amendments
1 January 2017	Disclosure Initiative (Amendments to IAS 7)
1 January 2018	IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018)
	Classification and measurement of share-based payment transactions (Amendments to IFRS 2)
1 January 2019	IFRS 16 leases (Early application of IFRS 16 is permitted only for entities that also apply IFRS 15)

3. Significant accounting policies

The Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements, except as disclosed in note 2 (e).

a) Basis of consolidation

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Bank. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

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

hensive income to profit or loss or retained earnings as appropriate.

b) Financial instruments

Classification

(i) Financial assets

The Group classifies financial assets as "at fair value through statement of profit or loss", "loans and receivables" and "available for sale".

Financial assets at fair value through profit or loss are divided into two sub categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with the Bank's 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 instruments which have fixed or defined payments and do not have an active market. Loans and receivables comprise of cash and cash equivalents, treasury bills and bonds, deposits with banks and other financial institutions and loans and receivables to customers.

Available for sale assets are those non-derivative financial assets which are intended to be held for indefinite period of time, and which are not classified as at fair value through statement of profit or loss, loans and receivables or held-to-maturity assets. Available for sale assets comprise of investments available for sale.

(ii) Financial liabilities

Financial liabilities are classified as “other than at fair value through profit or loss and includes deposits from banks, financial institutions and customers, term loans and loan from the State of Kuwait”. These are subsequently measured at amortised cost using the effective yield method.

(iii) Recognition and de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset is de-recognized when the contractual rights to receive cash flow from the financial asset has expired or the Group has transferred substantially all risk and rewards of ownership and has not retained control. If the Group has retained control, it will continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

All ‘regular way’ purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of profit or loss and other comprehensive income in accordance with the policy applicable to the related instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

(iv) Measurement

All financial instruments are initially recognized at fair value. Transaction costs are included only for those financial instruments that are not measured at fair value through profit or loss.

After initial recognition, investments available for sale are subsequently carried at fair value. Loans and advances to customers are carried at amortized cost using the effective interest method less any allowance for impairment. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer’s specific circumstances.

On subsequent re-measurement, financial assets classified as “at fair value through profit or loss” are carried at fair value with resultant unrealized gains or losses arising from changes in fair value included in the consolidated statement of profit or loss and other comprehensive income. Loans and receivables are carried at amortized cost using the effective yield method.

Those classified as “available for sale” are subsequently measured and carried at fair values. Unrealized gains and losses arising from changes in fair value of those classified as “available for sale” are taken to fair valuation reserve in other comprehensive income. 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. “Non-trading financial liabilities” are carried at amortized cost using the effective interest method.

When the “available-for-sale” asset is disposed of, or impaired, the related accumulated fair value adjustments previously recognized in other comprehensive income are transferred to the statement of profit or loss and other comprehensive income as gains or losses.

(v) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of profit or loss - is removed from other comprehensive income and recognized in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognized in the consolidated statement of profit or loss and other comprehensive income on available for sale equity instruments are not reversed.

Loans granted by the Group are subject to credit risk provisions for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate or for variable rate loans at the current effective interest rate determined under the contract. Short-term balances are not discounted. In addition, in March 2007, the CBK issued a circular amending the basis of making minimum general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non-cash facilities. The required rates were to be applied effective from January 1, 2007 on the net increase in facilities, net of certain restricted categories of collateral during the reporting period.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the consolidated statement of profit or loss and other comprehensive income.

c) Derivative financial instruments

Derivatives with positive fair values (unrealized gains) are included in other assets and derivatives with negative fair values (unrealized losses) are included in other liabilities in the consolidated statement of financial position.

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 consolidated statement of profit or loss and other comprehensive income. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting. 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 recognized asset or liability or unrecognized firm commitment that could affect profit or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or to a highly probable forecast transaction that could affect profit or loss.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the consolidated statement of profit or loss and other comprehensive income.

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 recognized directly in other comprehensive income and the ineffective portion is recognized in the consolidated statement of profit or loss and other comprehensive income. 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 recognized in other comprehensive income are re-classified into the consolidated statement of profit or loss and other comprehensive income in the same period or periods during which

the financial asset or financial liability affects the consolidated statement of profit or loss and other comprehensive income.

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 consolidated statement of profit or loss and other comprehensive income.

d) Offsetting

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

e) Cash and cash equivalents

Cash and cash equivalents, for the purpose of preparing the consolidated statement of cash flows, comprise of cash and short term funds with banks and financial institutions (including Central Bank of Kuwait) maturing within seven days.

f) Renegotiated loans

Where possible, the Group 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 loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an impairment assessment.

g) Associates

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate.

The Group recognizes in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss and other comprehensive income.

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

h) Fixed assets

Fixed assets other than freehold land are stated at cost less accumulated depreciation and impairment losses. Freehold land is stated at cost less impairment losses. Immaterial items of fixed assets are written off in the year of purchase.

Depreciation is provided on buildings, at a rate calculated to write off the cost on a straight line basis over its expected useful economic life of 20 years.

i) Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing on the date of consolidated statement of financial position. Resulting gains or losses on exchange are recorded in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost or amortized cost are recorded at the exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in the other comprehensive income.

j) Revenue recognition

Interest income is recognized in the consolidated statement of profit or loss and other comprehensive income as it accrues taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

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

Fee and commission income is recognized when earned.

k) Impairment of non - financial assets

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

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

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

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

l) End of service indemnity

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group’s share of contributions to this scheme, which is a defined contribution scheme, are charged to the consolidated statement of profit or loss in the year to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Bank’s by-laws based on the employees’ accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment, which represents a defined benefit plan, has been made by calculating the notional liability had all employees left at the reporting date.

m) Other provisions

Other provisions are recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

n) Fiduciary assets

Third party assets managed by the Group and assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements, but it is disclosed in the notes to the consolidated financial statements.

o) Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")

KFAS is calculated at 1% of the profit of the Bank after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

p) Zakat

Contribution to Zakat is calculated at 1% of the consolidated profit of the Bank after deducting its share of profit from Kuwaiti shareholding associates and subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and its Executive Regulations.

4. Cash and cash equivalents

	2016	2015
	KD'000	KD'000
Balances with the Central Bank of Kuwait	**558**	177
Cash on hand and in current accounts with other banks	**953**	1,380
Deposits with banks and financial institutions maturing within ٧ days	**-**	21,000
	1,511	22,557

5. Treasury bills and bonds

	2016	2015
	KD'000	KD'000
CBK bonds	**3,492**	4,498
Treasury bills	**148,749**	141,603
	152,241	146,101

In accordance with the Central Bank of Kuwait guidelines, the Bank is required to maintain 18% of the private customer deposits that are denominated in Kuwaiti Dinars in the form of treasury bills and bonds.

6. Investments available for sale

	2016	2015
	KD'000	KD'000
Bonds	**1,520**	1,608
Quoted securities	**10,664**	10,742
Unquoted securities	**2,141**	2,195
Funds	**55,473**	51,759
	69,798	66,304

Management believes that the fair value of unquoted available for sale securities cannot be reliably determined and therefore these investments are carried at cost less any impairment losses. There is no active market for these investments and there have not been any recent transactions that provide evidence of their current fair value.

7. Loans and advances to customers

	2016	2015
	KD'000	KD'000
Industrial loans at preferential lending rates	**158,897**	154,082
Loans and advances at commercial lending rates	**175,816**	139,910
	334,713	293,992
Less: general and specific provision	**(30,580)**	(24,588)
	304,133	269,404

The movement in provision:

2016	Industrial loans			Commercial loans			Total
	Specific	General	Total	Specific	General	Total	
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Balance at 1 January 2016	549	10,943	11,492	281	12,815	13,096	24,588
Charge for the year	(135)	3,277	3,142	(44)	2,894	2,850	5,992
Balance at 31 December 2016	414	14,220	14,634	237	15,709	15,946	30,580

2015	Industrial loans			Commercial loans			Total
	Specific	General	Total	Specific	General	Total	
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Balance at 1 January 2015	585	5,784	6,369	254	12,645	12,899	19,268
Charge for the year	(36)	4,994	4,958	27	335	362	5,320
Transfer between loans	-	165	165	-	(165)	(165)	-
Balance at 31 December 2015	549	10,943	11,492	281	12,815	13,096	24,588

The analysis of the provisions as stated above is based on the requirements of the CBK. In accordance with the CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities, net of certain restricted categories of collateral to which CBK's instructions are applicable and not subject to specific provision, is made. The general provision presented above are for cash facilities which includes an amount of KD 26,614 thousand above the CBK requirements

(2015: KD 20,863 thousand). Provision relating to non-cash facilities amounting to KD 1,882 thousand (2015: KD 1,904 thousand) included in other liabilities.

As at 31 December 2016, the individual impairment provision computed in accordance with IAS 39 amounted to KD 651 thousand as of 31 December 2016 (2015: KD 830 thousand).

8. Investment in associates

	Country of incorporation	Principal Activities	Ownership		Carrying value	
					2016	2015
			2016	2015	**KD '000**	KD '000
Al Rawdatain Water Bottling Co. K.S.C. Closed	State of Kuwait	Production and bottling of mineral water	30%	30%	**3,723**	3,747
Qaroh P.E.T. Products Co. K.S.C. Closed	State of Kuwait	Produce P.E.T	30%	30%	**1,479**	1,434
Technology Industrial Gases Production Company K.S.C. Closed	State of Kuwait	Produce P.E.T	20%	20%	**1,278**	1,266
					6,480	6,447

As at and for the year ended 31 December 2016, the aggregate assets, liabilities, income and expenses of associates, not adjusted for the percentage held by the Group, was KD 30,454 thousand, KD 8,268 thousand, KD 9,276 thousand and KD 8,032 thousand respectively. (2015: assets, liabilities, income and expenses amounting KD 30,474 thousand, KD 8,421 thousand, KD 10,241 thousand and KD 9,174 thousand respectively).

The Group's share of results of associates and dividend distributed by associates to the Group during the year ended 31 December 2016 was KD 330 thousand and KD 296 thousand respectively (2015: KD 357 thousand and KD 296 thousand respectively).

9. Land and buildings

	Land	Buildings	Total
	KD'000	KD'000	KD'000
Cost			
Balance at 31 December 2015	3,672	9,068	12,740
Balance at 31 December 2016	**3,672**	**9,068**	**12,740**
Accumulated depreciation			
Balance at 1 January 2015	-	8,934	8,934
Charge for the year	-	13	13
Balance at 31 December 2015	-	8,947	8,947
Charge for the year	-	14	14
Balance at 31 December 2016	-	8,961	8,961
Carrying amounts			
At 31 December 2016	**3,672**	**107**	**3,779**
At 31 December 2015	3,672	121	3,793

10. Loans

a Term loans

In May 2015, the Bank secured a medium term loan facility of Euro 35 million equivalent to KD 11,210 thousand (2015: KD 11,611 thousand) from a foreign bank. The loan carries a fixed interest rate of 1.05% per annum which is payable semi-annually. The loan is repayable in May 2018.

In September 2015, the Bank secured a medium term loan facility of USD 50 million equivalent to KD 15,302 thousand (2015: KD 15,175 thousand) from a foreign bank. The loan carries interest rate of one month LIBOR plus a spread of 1.20%. The interest resets every month. As of 31 December 2016, the effective rate of interest for this loan is 1.904% (2015: 1.443%) per annum. The loan is repayable in September 2018.

b.Loan from the State of Kuwait

This represents a revolving credit facility of KD 300 million granted by the State of Kuwait under the amended Law No. 43 of 2007, of Law No. 7 of 2001, issued on 1 July 2007 with the same terms of the previous facility. This facility is valid for a period of 20 years and matures in 2027.

The interest on loan from the State of Kuwait is as follows:

• Interest rate of 0.5% per annum on amounts equal to the outstanding balances and undrawn commitments of industrial loans granted by the Bank at preferential lending rates; and

• The unutilized portion of the loan is subject to interest rate of 3 months KIBOR.

11. Equity

a)The authorized, issued and fully paid up share capital of the Bank comprises of 2 million shares of KD 10 each, paid in cash (2015: 2 million shares of KD 10 each).

b) As required by the Companies Law No. 1 of 2016 and its Executive Regulations and the Bank's Articles of Association, 10% of the profit for the year has been transferred to a statutory reserve. Distribution from statutory reserve is limited to enable payment of dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of dividends.

c) In accordance with Article 48 of the Articles of Association of the Bank, the Board of Directors have proposed to transfer an amount of KD 1,209 thousand (10% of the profit) to voluntary reserve for the year ended 31 December 2016 (2015: KD 977 thousand).

d) For the year ended 31 December 2016, the Board of Directors have proposed a cash dividend of 30% equivalent to KD 3 per share (2015: proposed cash dividend of 30% equivalent to KD 3 per share). The proposal is subject to the approval of the shareholders at the Annual General Assembly Meeting.

e) The fair value reserve comprises the cumulative net change in fair values of available for sale investments held by the Group.

12. Staff costs

	2016	2015
	KD'000	KD'000
Salaries and wages	**4,702**	4,475
Indemnity and social security contributions	**866**	894
Other benefits	**1,675**	1,413
	7,243	6,782

13. Board of Directors' remuneration

The Board of Directors' meeting recommended a payment of KD 300 thousand towards remuneration to members of Board of Directors and committees for the year ended 31 December 2016 (2015: KD 295 thousand).

The Annual General Assembly Meeting of the shareholders held on 22 April 2016, approved Board of Directors' and committees remuneration of KD 295 thousand for the year ended 31 December 2015.

14. Basic and diluted earnings per share (KD)

Basic and diluted earnings per share is computed by dividing the net profit for the year by the weighted average number of shares outstanding during the year. There are no potential dilutive shares.

	2016	2015
	KD'000	KD'000
Net profit for the year (KD'000 s)	**11,550**	9,285
Weighted average number of outstanding shares during the year (000's)	**2,000**	2,000
Basic and diluted earnings per share (KD)	**5.775**	4.643

15.Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include significant shareholders and entities over which the Group and shareholders exercise significant influence, directors and executive management of the Group. The Group's management approves the terms of these related party transactions.

As at the date of consolidated statement of financial position, the Bank had 10 Directors (2015: 10 Directors) and 15 Executive Officers (2015: 15 Executive Officers).

The balances included in consolidated financial statements in respect of related parties are as follows:

	2016	2015
	KD'000	KD'000
Consolidated statement of financial position		
Cash and cash equivalents	579	220
Treasury bills and bonds	152,241	146,101
Deposits with banks and other financial institutions	30,746	9,395
Loans and advances to customers	5,639	5,335
Investment in associates	6,480	6,447
Other assets	1,597	1,482
Deposits from banks and other financial institutions	5,000	4,000
Deposit from customers	6,582	6,030
Other liabilities	28	31
Loan from the State of Kuwait	300,000	300,000
Commitments and contingent liabilities	4,072	7,911
Consolidated statement of profit or loss and other comprehensive income		
Share of results from associates	330	357
Other expenses*	48	52

Other expenses represent remuneration for attending meetings of Board of Directors and committees.

Details of compensation to key management personnel comprise the following:

	2016	2015
	KD'000	KD'000
Salaries and other short term benefits	**491**	491
End of service indemnity	**80**	80

Key management personnel of the Group comprise of the key members of management having authority and responsibility for planning, directing and controlling the activities of the Bank. Compensation to key management personnel represents remuneration to Chief Executive Officer and three Deputy Chief Executive Officers.

16. Commitments and contingent liabilities

In the normal course of business, to meet the needs of its customers for liquidity, foreign exchange and interest rate protection, and for managing its own exposure to fluctuations in interest rates and foreign exchange rates, and for earning fee revenue, the Group is a party to various financial instruments, which are off- consolidated statement of financial position. These financial instruments are subject to normal credit standards, financial controls and risk management and monitoring procedures.

a) Financial instruments with contractual amounts representing credit risk

The following table indicates the contractual amounts of the Group's off- consolidated statement of financial position financial instruments that commit it to extend credit to customers. The primary purpose of these instruments is to ensure that funds are available to a customer as required. The contractual amounts represent credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. However, the total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded.

	2016	2015
	KD'000	KD'000
Acceptances	**5,452**	3,056
Documentary letters of credit	**18,756**	17,551
Letters of guarantee	**55,217**	63,406
	79,425	84,013

Substantially all acceptances and letters of credit commitments expire within a period not exceeding one year and 70% (2015: 65%) of the guarantees expire within one year.

Commitments to extend loans and advances at the reporting date amounted to KD 135,481 thousand (2015: KD 134,264 thousand), of which KD 25,273 thousand (2015: KD 24,057 thousand) are irrevocable.

b) Financial instruments with contractual or notional amounts that exceed credit risk

	2016	2015
	KD'000	KD'000
Foreign exchange contracts- long	**642**	7,194

The contractual or notional amounts in respect of instruments outlined above are used to calculate payments and are a common measure of business volume; however, they are not indicative of credit risk exposure. The credit risk inherent in such contracts, if the counterparty is unable to settle, is limited to the difference between the contracted value of the transaction and the cost of completing it with another party. All the above contracts mature within one year.

c) Other commitments

At 31 December 2016, the Group had commitments in respect of uncalled capital contribution relating to investments amounting to KD 45,461 thousand (2015: KD 40,466 thousand).

17. Fiduciary assets

Assets managed for third parties or held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements. At the reporting date, the total amount of fiduciary assets was KD 234,909 thousand (2015: KD 229,869 thousand).

18. Financial risk management

The Group has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk.

Risk management framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Board Risk Committee, which is responsible for developing and monitoring Group's risk management policies through the Bank's Risk Management Department.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Risk Committee is assisted in its oversight role by the Risk Management Department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

18.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has a credit policy and exposure to credit risk is monitored on an ongoing basis by limiting transactions with specific concentration and assessing continuously the creditworthiness of the counterparties.

The maximum exposure to credit risk as at the reporting date is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Information on credit risk relating to off consolidated statement of financial position financial instrument is provided in note 16.

The industry concentration of credit risk pertaining to loans and advances to customers relates to manufacturing and industrial sector is 94.2% (2015: 99.61%), banks and other financial institutions is Nil (2015: 0.16%) and Government of the state of Kuwait is 5.58% (2015: 0.23%). Geographical concentration of credit risk is reflected in Note 18.1.1.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives without taking account of any collateral and other credit enhancements. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Maximum credit exposure	
	2016	2015
	KD'000	KD'000
Credit risk exposures relating to financial assets on consolidated statement of financial position:		
Cash and cash equivalents	**1,403**	22,465
Treasury bills and bonds	**152,241**	146,101
Deposits with banks and other financial institutions	**106,840**	98,189
Investments available for sale	**1,520**	1,608
Loans and advances to customers	**304,133**	269,404
Other assets	**11,519**	11,233
Total	**577,656**	549,000

Credit risk exposures relating to items off consolidated statement of financial position:		
Acceptances	**5,452**	3,056
Letters of credit	**18,756**	17,551
Letters of guarantees	**55,217**	63,406
Total	**79,425**	84,013
Total credit risk exposure	**657,081**	633,013

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty and this risk is managed by diversification of the portfolio. The 8 largest gross credit facilities outstanding as a percentage of total credit risk exposure as at 31 December 2016 is 44.34% (2015: 48.55%).

Credit exposure arising from derivative transactions

Credit risk arising from derivative financial instruments at any time is limited to those with positive values. With gross settled derivatives, the Group expose to a settlement risk, being the risk that counterparty fails to deliver the counter value.

The table below shows analysis of credit exposure arising from derivative financial assets and liabilities as at the reporting date which have been recorded under other assets and other liabilities respectively in the consolidated statement of financial position

Derivative type						
2016	**Total**		**Forward/Spot**		**SWAPS**	
	Notional Amount KD'000	**Fair Value KD'000**		**Fair Value KD'000**		**Fair Value KD'000**
Derivative financial assets	**642**	**5**	**337**	-	**305**	**5**
Derivative financial liabilities	**642**	**-**	**337**	-	**305**	**-**

Derivative type						
2015	Total		Forward/Spot		SWAPS	
	Notional Amount KD'000	Fair Value KD'000	Notional Amount KD'000	Fair Value KD'000	Notional Amount KD'000	Fair Value KD'000
Derivative financial assets	7,194	-	227	-	6,967	-
Derivative financial liabilities	7,194	22	227	-	6,967	22

Collateral and other credit enhancements

The Bank has implemented various policies and practices to minimize credit risk. The Bank seeks collateral coverage, the 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 secured by collateral, consisting primarily of mortgage of industrial projects, share or listed securities on the stock exchange and commercial papers.

Credit quality of financial instruments

Internal credit quality rating

The Bank uses an internal rating system where borrowers are rated on a scale of 1 to 10. Ratings 1 to 4 are considered to be prime credit and therefore categorized as 'High Grade' and ratings 5A to 5C are other performing credits that are categorized as 'Standard Grade'. Ratings 6 to 10 are past due and non-performing credits.

The table below shows the credit risk exposure by credit quality of financial assets by class, grade and status.

2016	Neither Past due nor Impaired		
	High Grade KD'000	Standard Grade KD'000	Total KD'000
Loans and advances to customers			
- Industrial loans	**39,369**	**111,818**	**151,187**
- Commercial loans	**38,922**	**128,627**	**167,549**
Total	**78,291**	**240,445**	**318,736**

2015	Neither Past due nor Impaired		
	High Grade KD'000	Standard Grade KD'000	Total KD'000
Loans and advances to customers			
- Industrial loans	36,285	109,801	146,086
- Commercial loans	6,847	115,798	122,645
Total	43,132	225,599	268,731

Ageing analysis of loans and advances that are past due but not impaired is as follows:

2016					
	Past due up to 30 days KD'000	Past due 31 to 60 days KD'000	Past due 61 to 90 days KD'000	Past due more than 90 days KD'000	Total KD'000
Loans and advances to customers					
- Industrial loans	**3,503**	**1,899**	**-**	**1,894**	**7,296**
- Commercial loans	**7,716**	**-**	**-**	**314**	**8,030**
Total	**11,219**	**1,899**	**-**	**2,208**	**15,326**
Fair value of collateral	**17,634**	**8,814**	**-**	**39,442**	**65,890**

2015					
	Past due up to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Loans and advances to customers					
- Industrial loans	4,108	-	200	2,999	7,307
- Commercial loans	12,236	-	4,546	153	16,935
Total	16,344	-	4,746	3,152	24,242
Fair value of collateral	36,743	-	6,445	41,596	84,784

Past due and individually impaired loans are as follows:

2016	**Gross exposure**	**Impairment**	**Fair value of Collateral**
	KD'000	**KD'000**	**KD'000**
Loans and advances			
- Industrial loans	**414**	**414**	**-**
- Commercial loans	**237**	**237**	**-**
Total	**651**	**651**	**-**

2015	Gross exposure	Impairment	Fair value of Collateral
	KD'000	KD'000	KD'000
Loans and advances			
- Industrial loans	689	549	140
- Commercial loans	330	281	49
Total	1,019	830	189

18.1.1 Geographical concentration of assets, liabilities and contingent liabilities

2016	Kuwait	GCC	Europe	North America	Asia and Pacific	Latin America	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Assets							
Cash and cash equivalents	889	124	207	280	11	-	1,511
Treasury bills and bonds	152,241	-	-	-	-	-	152,241
Deposits with banks and other financial institutions	106,840	-	-	-	-	-	106,840
Investments available for sale	5,214	17,887	14,026	25,909	4,886	1,876	69,798
Loans and advances to customers	303,516	-	-	-	617	-	304,133
Investment in associates	6,480	-	-	-	-	-	6,480
Other assets	11,519	-	-	-	-	-	11,519
Land and buildings	3,779	-	-	-	-	-	3,779
Total assets	590,478	18,011	14,233	26,189	5,514	1,876	656,301
Liabilities and equity							
Deposits from banks and other financial institutions	36,092	-	933	-	-	-	37,025
Deposits from customers	42,822	-	-	-	-	-	42,822
Other liabilities	15,694	-	-	-	-	-	15,694
Term loans	-	15,302	11,210	-	-	-	26,512
Loan from the State of Kuwait	300,000	-	-	-	-	-	300,000
Equity	234,248	-	-	-	-	-	234,248
Total liabilities and equity	628,856	15,302	12,143	-	-	-	656,301
Acceptances, letters of credit and guarantees	67,404	754	368	296	10,603	-	79,425

2015	Kuwait	GCC	Europe	North America	Asia and Pacific	Latin America	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Assets							
Cash and cash equivalents	21,691	185	294	365	22	-	22,557
Treasury bills and bonds	146,101	-	-	-	-	-	146,101
Deposits with banks and other financial institutions	98,189	-	-	-	-	-	98,189
Investments available for sale	4,917	19,088	14,579	21,115	4,567	2,038	66,304
Loans and advances to customers	268,277	-	446	-	681	-	269,404
Investment in associates	6,447	-	-	-	-	-	6,447
Other assets	11,233	-	-	-	-	-	11,233
Land and buildings	3,793	-	-	-	-	-	3,793
Total assets	560,648	19,273	15,319	21,480	5,270	2,038	624,028
Liabilities and equity							
Deposits from banks and other financial institutions	326	-	9,225	-	-	-	9,551
Deposits from customers	44,879	-	-	-	-	-	44,879
Other liabilities	14,536	-	-	-	-	-	14,536
Term loans	-	15,175	11,611	-	-	-	26,786
Loan from the State of Kuwait	300,000	-	-	-	-	-	300,000
Equity	228,276	-	-	-	-	-	228,276
Total liabilities and equity	588,017	15,175	20,836	-	-	-	624,028
Acceptances, letters of credit and guarantees	76,835	1,960	1,691	837	2,493	197	84,013

18.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value.

The table below summarizes the maturity profile of the Group's liabilities. The maturities of liabilities have been determined on the basis of the remaining period at the date of consolidated statement of financial position to the contractual maturity date. The actual maturities may differ from the maturities shown below since the borrower may have the right to prepay obligations with or without prepayment penalties, and deposits by customers might have to be repaid on demand.

The maturity profile as at 31 December 2016 was as follows:

	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Undiscounted financial liabilities						
Deposits from banks and other financial institutions	40,552	-	-	-	-	40,552
Deposits from customers	20,706	3,511	15,745	-	-	39,962
Other liabilities	-	-	15,694	-	-	15,694
Term loans	-	-	-	27,137	-	27,137
Loan from the State of Kuwait	-	-	-	-	318,407	318,407

The maturity profile as at 31 December 2015 was as follows:

	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Undiscounted financial liabilities						
Deposits from banks and other financial institutions	-	-	9,563	-	-	9,563
Deposits from customers	28,492	1,258	-	15,942	-	45,692
Other liabilities	-	-	14,536	-	-	14,536
Term loans	-	-	-	27,700	-	27,700
Loan from the State of Kuwait	-	-	-	-	322,063	322,063
Total undiscounted financial liabilities	28,492	1,258	24,099	43,642	322,063	419,554

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

2016	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Contingent liabilities	**17,537**	**14,523**	**29,577**	**14,815**	**2,973**	**79,425**

2015	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Contingent liabilities	12,929	21,523	26,518	12,128	10,915	84,013

The maturity profile of the assets and liabilities at the year end based on contractual repayment arrangements is as follows:

2016	Less than one year	From one year to five years	Over five years	Total
	KD'000	KD'000	KD'000	KD'000
Assets				
Cash and cash equivalents	1,511	-	-	1,511
Treasury bills and bonds	71,435	65,556	15,250	152,241
Deposits with banks and other financial institutions	106,840	-	-	106,840
Investments available for sale	1,000	520	68,278	69,798
Loans and advances to customers	138,873	151,428	13,832	304,133
Investment in associates	-	-	6,480	6,480
Other assets	11,252	-	267	11,519
Lands and buildings	-	-	3,779	3,779
Total assets	330,911	217,504	107,886	656,301
Liabilities and equity				
Deposits from banks and financial institutions	37,025	-	-	37,025
Deposits from customers	42,822	-	-	42,822
Other liabilities	15,694	-	-	15,694
Term loans		26,512	-	26,512
Loan from the State of Kuwait	-	-	300,000	300,000
Equity	-	-	234,248	234,248
Total liabilities and equity	95,541	26,512	534,248	656,301
Gap on consolidated statement of financial position	235,370	190,992	(426,362)	

2015	Less than one year	From one year to five years	Over five years	Total
	KD'000	KD'000	KD'000	KD'000
Assets				
Cash and cash equivalents	22,557	-	-	22,557
Treasury bills and bonds	94,236	38,865	13,000	146,101
Deposits with banks and other financial institutions	98,189	-	-	98,189
Investments available for sale	1,000	1,693	63,611	66,304
Loans and advances to customers	148,941	108,581	11,882	269,404
Investment in associates	-	-	6,447	6,447
Other assets	11,047	-	186	11,233
Lands and buildings	-	-	3,793	3,793
Total assets	375,970	149,139	98,919	624,028
Liabilities and equity				
Deposits from banks and financial institutions	9,551	-	-	9,551
Deposits from customers	29,704	15,175	-	44,879
Other liabilities	14,536	-	-	14,536
Term loans	-	26,786	-	26,786
Loan from the State of Kuwait	-	-	300,000	300,000
Equity	-	-	228,276	228,276
Total liabilities and equity	53,791	41,961	528,276	624,028
Gap on consolidated statement of financial position	322,179	107,178	(429,357)	-

18.3 Market risk

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. This risk is inherent in the financial instruments associated with our operations and/or activities including loans granted at commercial rates, deposits, securities and trading account assets, and derivatives. The majority of market risk exposure resides in the Bank's treasury and investment functions and market risk through the local equity holdings of the Bank's subsidiary Kuwait Industrial Projects Company K.S.C. (Closed). IBK Risk Management's market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of limits and monitoring of the same.
- Ensuring accuracy in the deal/settlement process
- Facilitate business growth within a controlled and transparent risk management framework.
- Measure and report non-traded market risk.

18.3.1 Foreign currency risk

Foreign currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates.

The effect on profit, as a result of change in currency rate, with all other variables held constant is shown below:

2016 Currency	Change in currency rate in %	Effect on profit KD '000	Effect on other comprehensive income KD '000
USD	±1 %	(464.13)	522.99
GBP	±1 %	(2.37)	0.49
Euro	±1 %	(122.39)	123.68

2015 Currency	Change in currency rate in %	Effect on profit KD '000	Effect on other comprehensive income KD '000
USD	±1 %	(439.02)	485.92
GBP	±1 %	(2.75)	0.59
Euro	±1 %	(124.03)	125.12

The Group had the following significant net exposures denominated in foreign currencies as of 31 December:

	2016	2015
	Long/(short)	Long/(short)
	KD'000	KD'000
US Dollar	**5,886**	4,690
Japanese Yen	**3**	3
Euro	**129**	109
Pound Sterling	**(188)**	(216)
UAE Dirham	**13**	59
Other	**194**	186
	6,037	4,831

18.3.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities of consolidated statement of financial position that mature or re-price in a given period. The table below details the Group's exposure to interest rate risk. Fixed rate instruments are allocated according to the residual term to maturity and floating rate instruments according to the residual term to the next re-pricing date.

2016	Less than one year	From one year to five years	Over five years	Non-interest bearing items	Total	Effective interest rate / range
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Assets						
Cash and cash equivalents	1,383	-	-	128	1,511	0.049%-0.912%
Treasury bills and bonds	71,435	65,556	15,250	-	152,241	1.412%-1.616%
Deposits with banks and other financial institutions	90,000	-	-	16,840	106,840	1.825%-2.019%
Investments available for sale	1,351	169	-	68,278	69,798	12.351%-12.788%
Loans and advances to customers	198,519	143,905	(7,711)	(30,580)	304,133	3.618%-4.307%
Investment in associates	-	-	-	6,480	6,480	-
Other assets	-	-	-	11,519	11,519	-
Lands and buildings	-	-	-	3,779	3,779	-
Total assets	362,688	209,630	7,539	76,444	656,301	
Liabilities and equity						
Deposits from banks and financial institutions	37,016	-	-	9	37,025	0.375%-0.504%
Deposits from customers	25,886	-	-	16,936	42,822	0.598%-0.891%
Other liabilities	-	-	-	15,694	15,694	-
Term loans	15,302	11,210	-	-	26,512	1.390%-1.430%
Loan from the State of Kuwait	17,213	-	282,787	-	300,000	0.571%-0.628%
Equity	-	-	-	234,248	234,248	-
Total liabilities and equity	95,417	11,210	282,787	266,887	656,301	
On- consolidated statement of financial position gap	267,271	198,420	(275,248)	(190,443)		
Cumulative interest rate sensitivity gap	267,271	465,691	190,443	-		

2015	Less than one year	From one year to five years	Over five years	Non-interest bearing items	Total	Effective interest rate / range
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Assets						
Cash and cash equivalents	22,413	-	-	144	22,557	0.288%-0.568%
Treasury bills and bonds	94,236	38,865	13,000	-	146,101	1.325%-1.340%
Deposits with banks and other financial institutions	83,230	-	-	14,959	98,189	1%-1.203%
Investments available for sale	1,429	109	70	64,696	66,304	9.684%-%11.501
Loans and advances to customers	184,969	98,823	10,200	(24,588)	269,404	3.857%-4.110%
Investment in associates	-	-	-	6,447	6,447	-
Other assets	-	-	-	11,233	11,233	-
Lands and buildings	-	-	-	3,793	3,793	-
Total assets	386,277	137,797	23,270	76,684	624,028	
Liabilities and equity						
Deposits from banks and financial institutions	9,543	-	-	8	9,551	0.521.%-0.735%
Deposits from customers	10,718	15,175	-	18,986	44,879	0.417.%-0.496%
Other liabilities	-	-	-	14,536	14,536	-
Term loans	15,175	11,611	-	-	26,786	1.162%-1.290%
Loan from the State of Kuwait	31,908	-	268,092	-	300,000	0.601.%-0.621%
Equity	-	-	-	228,276	228,276	-
Total liabilities and equity	67,344	26,786	268,092	261,806	624,028	
On- consolidated statement of financial position gap	318,933	111,011	(244,822)	(185,122)		
Cumulative interest rate sensitivity gap	318,933	429,944	185,122	-		

The sensitivity to 1% rate change on overall net interest long position amounts to KD 1,904 thousand (2015: KD 1,851 thousand).

18.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks.

The effect on other comprehensive income (as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2016) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2016	2015
	KD'000	KD'000
Change in the Kuwait Stock Exchange index:		
Effect on investment portfolios on 10% change in index	**± 1,066**	± 1,074

The Group's other significant investments are held in well diversified portfolio of funds which invest in a variety of securities whose performance cannot necessarily be measured with relation to movement in any specific equity index.

18.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

19. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants as at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of investments in quoted securities available-for-sale are determined only based on Level 1 fair value measurement which is the quoted market prices prevailing at the reporting date. The fair value of most of the remaining investments available-for-sale was determined significantly based on Level 2 fair value measurement, derived from reports from investment managers. During the year ended 31 December 2016, there were no transfers between Level 1 and other levels of fair value measurement.

The following table presents the Group's assets and liabilities that are measured at fair value for the current and comparative year:

	Level 1	Level 2	Level 3	Total
2016	**KD'000**	**KD'000**	**KD'000**	**KD'000**
Bonds		**-**	**1,520**	**1,520**
Quoted securities	**10,664**	**-**	**-**	**10,664**
Funds	**-**	**55,473**	**-**	**55,473**
Foreign exchange contracts	**-**	**5**	**-**	**5**
Total	**10,664**	**55,478**	**1,520**	**67,662**

	Level 1	Level 2	Level 3	Total
2015	KD'000	KD'000	KD'000	KD'000
Bonds	-	-	1,608	1,608
Quoted securities	10,742	-	-	10,742
Funds	-	51,759	-	51,759
Foreign exchange contracts	-	(22)	-	(22)
Total	10,742	51,737	1,608	64,087

As of December 31, the fair value of financial assets and financial liabilities other than unlisted equity investments (note 6) were not significantly different from their carrying amounts. Bond balance reduced in 2016 by KD 88 thousand (2015: KD 889 thousand) due to payments received. The fair value of the financial assets and financial liabilities set out above are subjective in nature and are significantly affected by the assumptions made and discount rates used. The following is a summary of the valuation methods and assumptions used to estimate fair values:

a) Other on-financial position financial instruments

The fair values of all other on-consolidated statement of financial position financial instruments were estimated to be equal to their respective carrying amounts due to their short term nature and / or because they carry floating interest rate.

b) Off-financial position financial instruments

No fair value adjustment is required with respect to credit-related off consolidated statement of financial position, which include acceptances, letters of credit, guarantees and commitments to extend credit, since the related future income streams materially reflect contractual fees and commissions actually charged at the date of consolidated statement of financial position for agreements of similar credit standing and maturity. Specific provisions have been made in respect of individual transactions, where a potential loss has been identified. Such provisions are included in other liabilities.

20. Capital management

The primary objectives of the Group's capital management policy are to ensure that Group complies with regulatory requirements and that the Group maintains a strong credit ratings and healthy capital ratios in order to support its business and maximize shareholder value. Capital adequacy ratio, financial leverage ratio and the use of various levels of regulatory capital are governed by guidelines of Basel Committee on Banking Supervision as adopted by the CBK.

The Group's regulatory capital and capital adequacy ratio calculated under Basel III in accordance with CBK circular number 2/RB, RBA/ 336/2014 dated 24 June 2014, are as shown below;

	2016	2015
	KD'000	KD'000
Risk weighted assets	529,879	486,237
Total minimum capital required	68,884	63,211
Common Equity Tier 1(CET1) Capital	222,752	222,276
Additional Tier 1(AT1) Capital	-	-
Tier 2 Capital	6,274	5,739
	229,026	228,015
CET 1 capital adequacy ratio	%42.04	%45.71
Tier 1 capital adequacy ratio	%42.04	%45.71
Total capital adequacy ratio	%43.22	%46.89

The Group’s financial leverage ratio for the year ended 31 December 2016, is calculated in accordance with CBK circular number 2/BS/342/2014 dated 21 October 2014 and is shown below:

	2016	2015
	KD’000	KD’000
Tier 1 Capital	**222,752**	222,276
Total exposure	**689,121**	702,728
Leverage ratio	**32.32%**	%31.63

Chairman of the board
Mr. Abdulmohsen yousef Al-Hunaif
22337603 – 22337602

Chief Executive Officer (CEO)
Mr. Ali A. Khajah
22337611

Deputy Chief Executive Officer
Projects And Portfolios
Mr. Rasheed A. Al-Sharhan
Tel : 22337477

Manager , Research Department
Mr. Jasem A. Al-Ammar
Tel : 22337300

Manager , Follow up Department
Mr. Fadhel A. Ma –Hussain
Tel : 22337100

Manager , Project Department
Mrs. Iman N. Al-Salamah
Tel : 22337408

Manager , AlSenai Portfolio
for small Enterprises
Mr. Abdullah M. Al-Otaibi
Tel : 22337188

Manager , Agricultural
Finance Portfolio
Mr. Khalid M. Al-Shahry
Tel : 22337700

Manager , Industrial Financing
Portfolio According To Islamic Sharia
Mrs. Iman N. AL-salamah
Tel : 22337408

Manager , Internal Audit Department
Mr. Abdulkarim Mukhtar
Tel : 22337345

Deputy Chief Executive Officer
Operations And Financial Control
Mr. Abdulla I. Al-Hunaidi
Tel : 22337077

Manager , Accounts Department
Mrs. Loulwa M. Al-Attal
Tel : 22337355

Manager , Operations Department
Mrs. Showqiya M. Towfiqi
Tel : 22337003

L/Cs Section
Tel : 22337058

Industrial Loans Section
Tel : 22337018

Current Account Section
Tel : 22337038

Corporate Finance Section
Tel : 22337005

Portfolio Management Section
Tel : 22337049

Communication Section
Tel : 22337194

Assist Manager , Administration Department
Mr. Ammer A. AL Shammeri
Tel : 22337901

Media & Training Section
Tel : 22337950

Personal Section
Tel : 22337931

General Services Section
Tel : 22337909

General Registration Section
Tel : 22337944

Manager , Information
Technology Department
Mr. Christos Pantazis
Tel : 22337636

Head , Financial Control Unit
Mr. Emad J. Salman
Tel : 22337078

Head , Compliance Unit
Mr. Yossef J. AL-Homairy
Tel : 22337015

Deputy Chief Executive Officer
Finance And Investment
Mr. Jawad H. Al-Qallaf
Tel : 22337888

Manager , Legal Department
Dr. Mourad M. Fahim
Tel : 22337200

Manager , Direct Investment
And Promotion Department
Mr. Jamal B. Al Rumaih
Tel : 22337800

Manager , Corporate
Finance Department
Mr. Abdulaziz M. Qabazard
Tel : 22337557

Assistant Manager,
Treasury Department
Mr. Nawaf Y. AL-Munafi
Tel : 22337070

Risk Assessment
& Management Dept.
Mr. Bhaskar Majumdar
Tel : 22337420

Head , Anti Money Laundering Unit
Miss Hanadi Jumah
Tel : 22337505

Board Secretary
Mr. Khalid M. Al-Humoud
Tel : 22337575

P.O. Box 3146 , Safat 13032 , Kuwait
Telephone : (+965) 22337000 – 1844446
Fax : (+965) 22462057 – **Telex :** 22469 – 22582
Website : www.ibkuwt.com
Email : ibk@ibkuwt.com

الصناعي

IBK