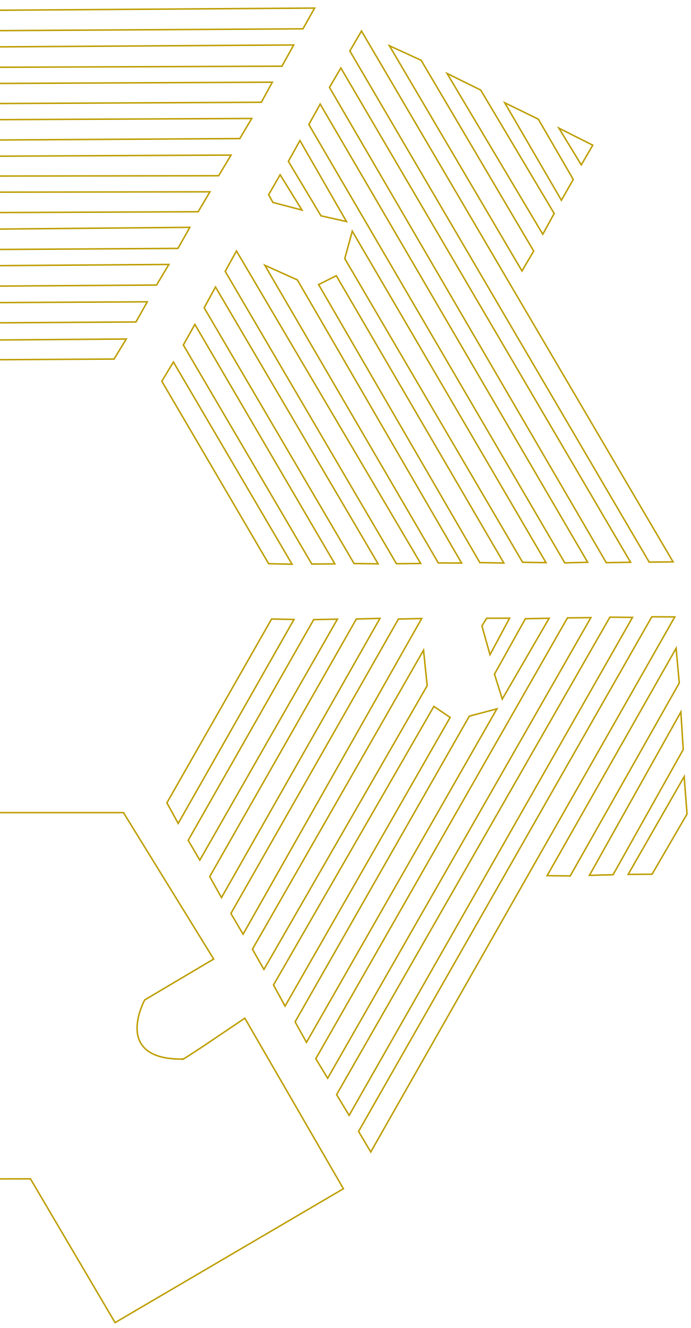
ANNUAL REPORT
2017

Partners in Industrial Development

The Industrial Bank of Kuwait



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

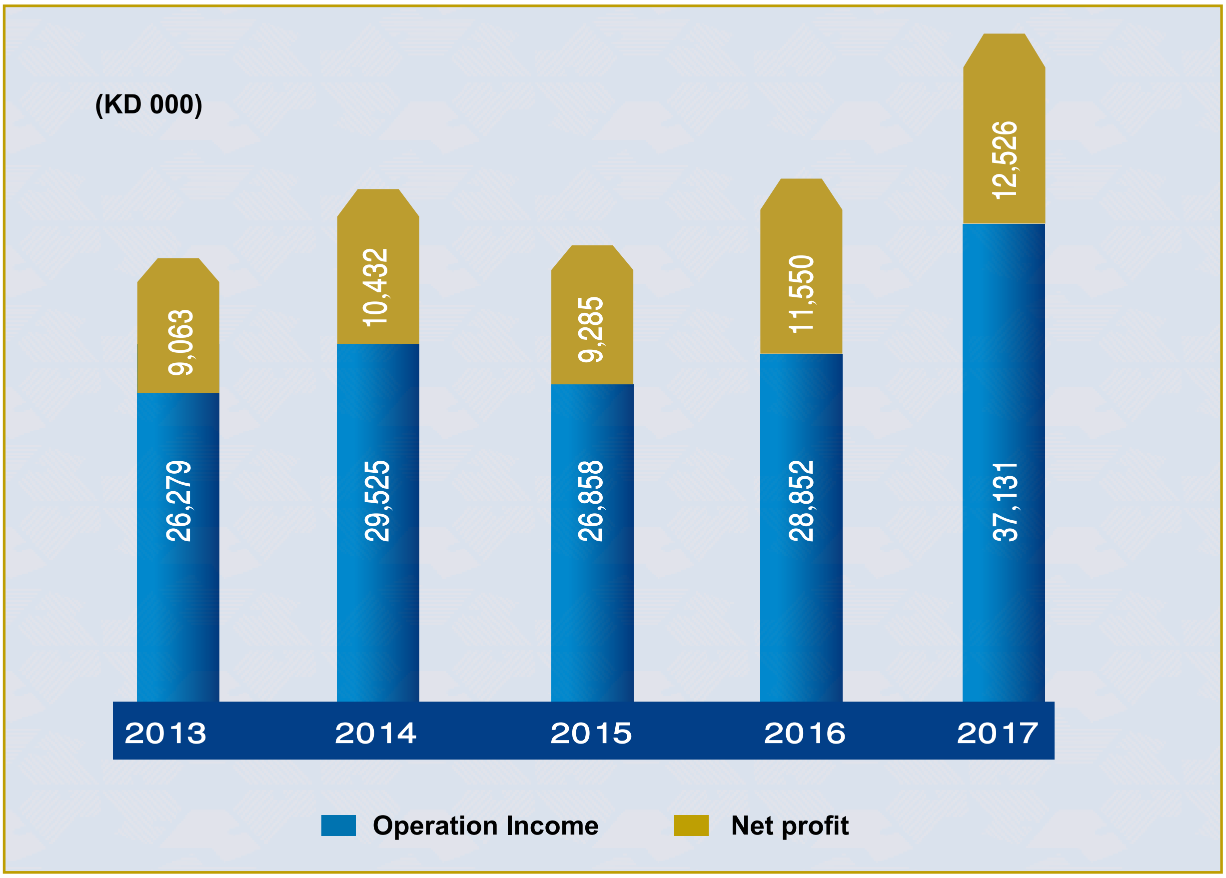
Crown Prince of the State of Kuwait

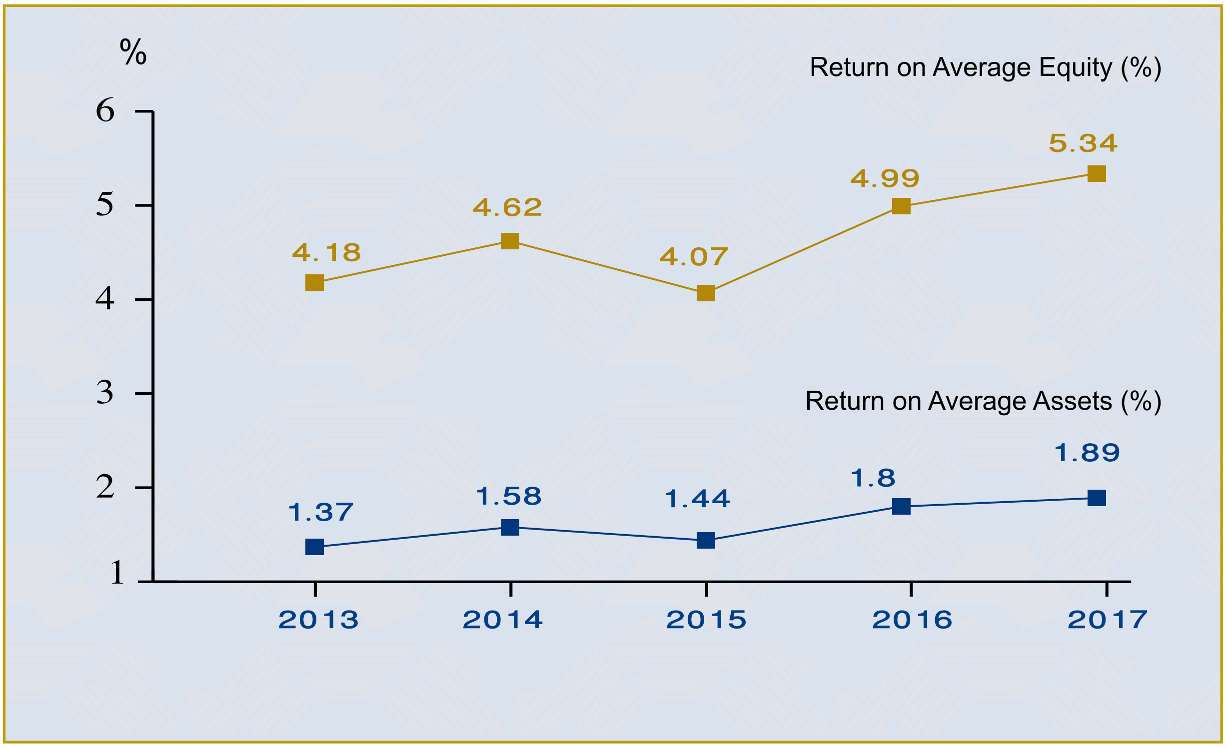
H.H Sheikh Jaber Mubarak Al Hamad Al-Sabah

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 000)
2013
2014
2015
2016
2017
26,279
9,063
29,525
10,432
26,858
9,285
28,852
11,550
37,131
12,526
Operation Income
Net profit


%
Return on Average Equity (%)
4.18
4.62
4.07
4.99
5.34
Return on Average Assets (%)
1.37
1.58
1.44
1.8
1.89
6
5
4
3
2
1
2013
2014
2015
2016
2017

The Industrial Bank of Kuwait

Financial Highlights					(KD 000)
	2013	2014	2015	2016	2017
Net Interest Income	14,079	13,558	13,473	15,651	17,374
Fee and Commission Income	3,860	4,604	4,348	4,846	4,618
Net profit	9,063	10,432	9,285	11,550	12,526
Total Assets	653,385	668,003	624,028	656,301	671,271
Industrial Loans(net)	150,354	141,805	142,590	144,263	185,697
Commercial Loans(net)	128,710	120,930	126,814	159,870	159,742
Total Liabilities	431,062	439,525	395,752	422,053	436,651
Equity	222,323	228,478	228,276	234,248	234,620
Return on Average Assets (%)	1.37	1.58	1.44	1.8	1.89
Return on Average Equity (%)	4.18	4.62	4.07	4.99	5.34
Cost to Income Ratio %	32.73	32.70	35.28	33.97	37.31

Industrial Loans Commitments		
	During 2017	Cumulative 1974 – 2017
Number Of Projects	27	1,072
Total Projects Cost (KD 000)	86,047	2,187,655
IBK Finance (KD 000)	56,038	1,233,315

Credit rating: Fitch Ratings (November 2017)

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

The Vice 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 ended December 31, 2017.

The Bank continued, during the year 2017, to improve its performance, maintain good assets quality and solid financial base. It has continued supporting the industry despite the slow growth in the Kuwaiti Economy, particularly in the industrial sector.

At the regional level, the geopolitical conflicts have caused tensions and a state of uncertainty in their economic activities. Furthermore, the decline in oil prices has placed high pressure on the GCC public spending and thus on their economic growth.

Economic growth in the GCC countries is expected to remain subdued at 0.5% in 2017, due to the drop in oil production which was in compliance with the agreed on oil-cut led by OPEC. This growth is expected to bounce back to 2.2% in 2018 as a result of the expected gradual improvement in oil prices and the expected increase in the growth of the global economic activity.

For the State of Kuwait, Fitch Ratings Agency has affirmed Kuwait's rating at AA with a stable outlook due to its high financial reserves. Economic growth for Kuwait is projected to drop by 2.1% in 2017, and return to a stronger growth at 4.1% in 2018. Regarding the Kuwait banking sector, local banks showed good improvement in their operations in 2017, where growth in total credit facilities provided to all economic sectors reached 3.2% by the end of 2017 compared to last year. At the same time, the credit to the industrial sector dropped by 0.7% representing a share of 5.3% of total credits.

As for the Industrial Bank of Kuwait, the Bank completed its new business plan for the years (2018-2020), which aims at enhancing the role of the Bank in supporting the industrial development and realizing the Kuwait vision 2035. In addition to enhancing the Bank's staff capabilities as well as providing good services, loans and credit facilities to support industrialists and attract new investors.

The year 2017, represents the last year in the Bank's business plan for the years (2015-2017) through which the Bank consolidated its financial activities to support industrial development and continued improving customers services and modernizing its information technology systems and infrastructure. The Bank has succeeded in maintaining its capital strength and compliance with the Central Bank of Kuwait regulatory requirements and maintained appropriate provisions, 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's financial statement for the year 2017 showed a strong performance, where the total assets increased by 2.3% from KD 656.3 mn in year 2016 to KD 671.3 mn in year 2017. The loans portfolio reached KD 345.4 mn by the end of 2017, an increase of 13.6% compared to the previous year. The Bank has maintained a good quality of its credit portfolio, where the ratio of non- performing loans (NPL) to the total loans and cash facilities portfolio declined to 0.16% by the end of year 2017 compared to 0.74% in previous year, the best ratio the Bank has ever achieved. The operating income registered an increase of 28.8% compared to last year, reaching KD 37.1 mn by the end of 2017. After taking the appropriate provisions, the Bank's net profit reached KD 12.5 mn by the end of 2017, achieving a growth of 8.5% 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 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 input 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,

Salah M. Al-Kulaib

Vice Chairman

Board of Directors

Mr. / Abdulmohsen Y. Al-Hunaif
Chairman (till 6/6/2017)
Representative of the Kuwait government

Member of Board of Trustee -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
Representative of the Kuwait Flour Mills & Bakeries Co.

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

Mr. / Ahmed T. Al-Tahous
Board Member (till 6/6/2017)
Representative of the Kuwait government

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

Mr. / Osama O. Al-Furaih
Board Member
Representative of the Kuwait government

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. / Anwar B. Al Ghaith

Board Member (started 6/6/2017)
Representative of Central Bank of Kuwait

Executive Director - Information Technology & Banking Operations Central Bank of Kuwait.
Has a Bachelor degree in Accounting

Mr. / Khalid J. Al-Rubaian

Board Member (till 24/11/2017)
Representative of Kuwait government

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

Mr. / Khalid S. Al-Ali

Board Member (till 6/6/2017)
Representative of Commercial Bank of Kuwait

CEO AL-Themar International Holding Co.
Chairman - Securities Group
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. / Khalid A. Al-Fadhalah

Board Member
Representative of the Public Institution for Social Security

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

Mr. / Khaled H. Al Shatti
Board Member (started 6/6/2017)
Representative of Al Ahli Bank

CEO - Fair Real Estate Co.
Board Member -Ahli Capital Investment Co.
Has a Bachelor degree in Business Administration - Finance

Mr. / Talal J. Al-Khrafi
Board Member
Representative of Kuwait Pipes Industries and Oil Services Co.

Chairman – Kuwait Pipes Industries and Oil Services 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. / Essam I. Al-Kheshnam
Board Member (till 22/1/2017)
Representative of the Central Bank of Kuwait

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

Mr. / Adel F. Al-Humaidhi
Board Member (till 5/1/2017)
Representative of Al Ahli United Bank

Chief 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. / Meshal A. Al Othman
Board Member (started 6/6/2017)
Representative of the Public Institution for Social Security

Chief Investment Officer
The Public Institution For Social Security
Board Member -Kuwait Ports Authority (KPA)
Has a Bachelor degree in Science.

Sheikh / Naser D. Al Sabah
Board Member (started 6/6/2017)
Representative of Kuwait government

Legal Consultant - Kuwait Investment Authority
Has a Bachelor degree in Literature - International Relations and a Bachelor degree in Laws.

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

Members	No. of Meetings	Attendance No.
Mr. / Abdulmohsin Y. Al-Hunaif (till 6/6/2017)	13	3
Mr. / Salah M. Al-Kulaib		12
Mr. / Ahmed T. Al-Tahous (till 6/6/2017)		2
Mr. / Osama O. Al- Furaih		10
Mr. / Anwar B. Al Ghaith (started 6/6/2017)		7
Mr. / Khalid J. Al-Rubaian (till 24/11/2017)		5
Mr. / Khaled H. Al Shatti (started 6/6/2017)		8
Mr. / Khalid S. Al-Ali (till 6/6/2017)		3
Mr. / Khalid A. Ai-Fadhalah		11
Mr. /Talal J. Al-Khrafi		8
Mr. / Adel F. Al-Humaidhi (till 5/1/2017)		0
Mr. / Esam I. Al-Kheshnam (till 22/1/2017)		0
Mr. / Meshal A. Al Othman (started 6/6/2017)		5
Sheikh / Naser D. Al Sabah (started 6/6/2017)		7

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 (till 6/6/2017)	2	1
Mr. / Khalid A. Ai-Fadhalah Member Vice Chairman		2
Mr. / Osama O. Al- Furaih - Member		2
Mr. / Anwar B. Al Ghaith - Member (started 6/6/2017)		1
Mr. /Talal J. Al-Khrafi - Member		0
Mr. / Esam I. Al-Kheshnam - Member (till 22/1/2017)		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 Directors to take decision.

Members	No. of Meetings	Attendance No.
Mr. / Khalid J. Al-Rubaian - Chairman (till 24/11/2017)	5	3
Mr. /Talal J. Al-Khrafi -Vice Chairman		3
Mr. / Ahmed T. Al-Tahous – Member (till 6/6/2017)		2
Sheikh / Naser D. Al Sabah –Member (started 6/6/2017)		2

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	7	7
Mr. / Adel F. Al-Humaidhi - Vice Chairman (till 5/1/2017)		0
Mr. / Khaled H. Al Shatti - Vice Chairman (started 6/6/2017)		3
Mr. / Ahmed T. Al-Tahous - Member (till 6/6/2017)		2
Mr. / Anwar B. Al Ghaith - Member (from 6/6/ till 20/6/2017)		1
Mr. / Khalid J. Al-Rubaian - Member (till 24/11/2017)		4
Mr. / Khalid S. Al-Ali - Member (till 6/6/2017)		3
Mr. / Meshal A. Al Othman - Member (started 20/6/2017)		1
Sheikh / Naser D. Al Sabah - Member (started 6/6/2017)		4

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	5	5
Mr. / Khalid S. Al-Ali - Vice Chairman (till 6/6/2017)		2
Mr. / Adel F. Al-Humaidhi - Member (till 5/1/2017)		0
Mr. / Meshal A. Al Othman - Member (started 20/6/2017) Vice Chairman (started 4/10/2017)		2
Mr. / Khaled H. Al Shatti - Member (started 6/6/2017)		3

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 (till 6/6/2017)	2	2
Mr. / Salah M. Al-Kulaib - Vice Chairman		2
Mr. / Osama O. Al- Furaih - Member		2
Mr. / Esam I. Al-Kheshnam - Member (till 22/1/2017)		0

Notice: The Committee is not yet formed by the new session of the Board of directors which began on 06/06/2017. The Board of Directors is fulfilling the Committee's responsibilities until its formation.

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:

31/12/2017

	Shareholder Name	No. of Shares	%
1	Ministry of Finance	627,803	31.39015
2	Wafra International Investment Company	361,060	18.05300
3	The Central Bank of Kuwait	251,121	12.55605
4	The Public Institution for Social Security	103,139	5.156950
5	Commercial Bank of Kuwait	89,686	4.48430
6	Al-Ahli Bank of Kuwait	89,686	4.48430
7	Kuwait Flour Mills & Bakeries Co.	89,686	4.48430
8	Kuwait Pipes Industries & Oil Services Co.	89,686	4.48430
9	Privatization Holding Company	89,686	4.48430
10	Kuwait Investment Company	71,749	3.58745
11	Arab Investment Company	53,812	2.69060
12	Financial Assets Bahrain Company	49,496	2.47480
13	KAMCO Investment Company	17,937	0.89685
14	Bobyan Petrochemical Company	13,453	0.67265
15	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.

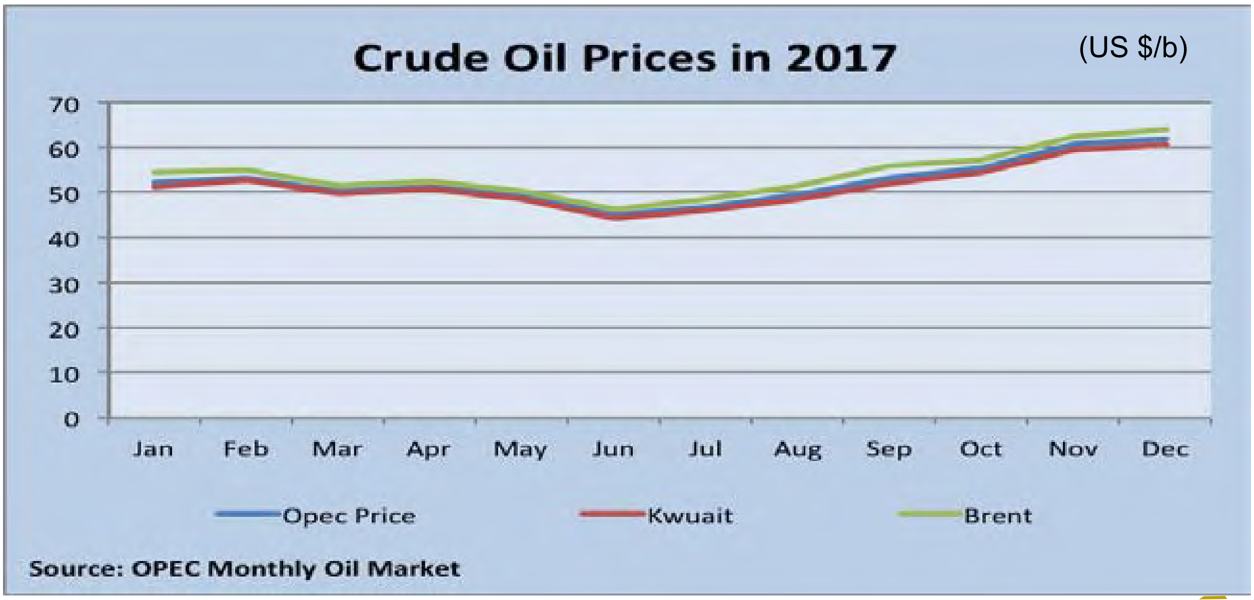
Economic And Financial Developments In 2017

Global and Regional Developments:

Global economy recovery pace continued to firm up during the year 2017, supported by the favorable global financial conditions and rapid broad based growth across developed countries, emerging markets and low income countries, due to a notable recovery in manufacturing, international trade and increased improvement in global demand. In addition to that concerns about the prevailing uncertainty is started to decline due to the increasing confidence of consumer and business in the economic and financial conditions, the gradual improvement in commodity prices and the decision of major central banks to return back to traditional monetary policy by raising interest rates.

The International Monetary Fund has upgraded its forecast for global growth to about 3.6% in the year 2017, largely due to the bright outlook of growth in the advanced economies, while the upgrade of global growth to about 3.7% in 2018 owing to the relatively large role played by the economic surge in the emerging markets and the developing economies. The accelerated global growth is reflected in the improvement of world trade rate which is estimated at 3.6% in 2017, with the global economic activity is expected to gain further momentum derived by the increasing global demand.

As for oil production, the Organization of Exporting Countries (OPEC) and some non-OPEC producers, including Russia, have agreed in November, 2017 to extend the production-cutting deal until the end of year 2018 as the market is moving toward rebalancing. OPEC has estimated global oil demand to reach 96.94 mb/d in 2017 and to increase to 98.45 mb/d in 2018, while OPEC's production is expected to reach 33mb/d in 2017 due to the increase in oil demand caused by the global economic recovery. Energy International Administration (EIA) has forecasted Brent average oil price to reach 53.88 $/b in 2017 impacted by the agreed production cut, increase in demand and stabilization of shale oil production.



Regarding the Gulf Cooperation Council countries (GCC), overall economic growth is projected to decline about 0.5% in 2017 due to oil output reduction and fiscal consolidation measures. In contrast, the non-oil sector is expected to recover to about 2.6% in 2017. The deficit in the balance of public finance is also expected to decline to about 6.3% of GDP in 2017, while the current account will register a surplus at 0.2% of GDP in 2017, due to the expected improvement in fiscal situation and the measures that will be taken for the structural reform and external balance. The inflation rate in the GCC is projected to register 0.8% in 2017 and will increase further next year after the introduction of the value- added tax and the expected increase of commodity prices in the global markets.

The Kuwaiti Economy:

Kuwait vision 2035, launched by the government in January 2017, defined the long-term economic development plan priorities which based on five themes and seven pillars through which it aims to achieve effective government administration, diversified and sustainable economy, distinguished international standing, advanced infrastructure, high standard health care, creative human capital and sustainable livelihood. The most important of these priorities is to support and develop the economic sectors to reach a diversified and sustainable economy achieved through the structural economic reform plan. To overcome the challenges and obstacles facing the development of the economic sectors a number of programs have been identified among which the program for creating the business environment for private sector and raising its contribution to Gross Domestic Product (GDP) by decoupling in terms of reference and activating the single window principle. As well as diversifying the production base and increasing the rates of investment, which aims at increasing the contribution of non-oil sectors including the industrial sector in GDP, through the implementation of strategic projects to increase employment opportunities and productivity such as incubator project for small and medium enterprises, environmental fuel project and the integrated refining complex project.

The International Monetary Fund (IMF) estimated Kuwait **Real GDP** to grow in medium term backed by the implementation of major strategic project in medium-term plan which will lead to a gradual increase in non-oil real GDP to reach 4.1% in 2018, while oil real GDP growth is estimated to reach 4.5%.

The preliminary data of Kuwait national accounts showed a drop in real GDP of %2.9 in year 2017, oil GDP contributed 55.8% to total GDP. Nominal GDP registered a growth of 8.7% in 2017 compared to 2016. Average Kuwait crude price was $ 52.8/barrel in 2017 compared to $ 38.9/barrel in 2016.

The **inflation rate**, measured by the relative change in consumer price index, recorded 1.1% in 2017 compared to 3.5% in 2016, the prudent monetary policy which was taken by the Central Bank maintained the price stability.

The **State Budget** for fiscal year 2017/2018 registered a deficit of KD 1.4 bn in December 2017 compared to a planned deficit of KD 6.6 bn and actual deficit of KD 5.9 bn in fiscal year 2016/2017.

Estimated & Actual Budget for the year 2017/2018 (KD mn)

	Estimated 2017/2018	Actual until Dec. 2017
Oil revenues*	11,710.7	10,151.5
Non-oil revenues	1,633.5	998.3
Total revenues	13,344.3	11,149.9
Public Expenditure	19,900.0	12,512.4
Surplus (Deficit)**	**(6,555.7)**	(1,362.6)

* Oil revenues were estimated at oil price of 45$/barrel and production volume of 2.8 mn barrels/day.

** Before deducting 10% for future generation.

The **trade balance surplus** amounted to KD 6.5bn in 2017, as compared with a surplus of KD 4.7bn in 2016, with an increase of 38.2%, the total imports recorded an increase of 9.9% during the same period. Oil exports, which accounted for 89.7% of the total exports, registered an increase of 19.4% during the same period, while non-oil exports increased by 19.7%.

The **credit facilities** provided by local banks to the private sector, represented by the cash portion utilized by these facilities, reached KD 35.4 bn in 2017, a rise of 3.2% compared with an increase of 2.9% in 2016.

Distribution of credit facilities by sector and rate of growth in 2017

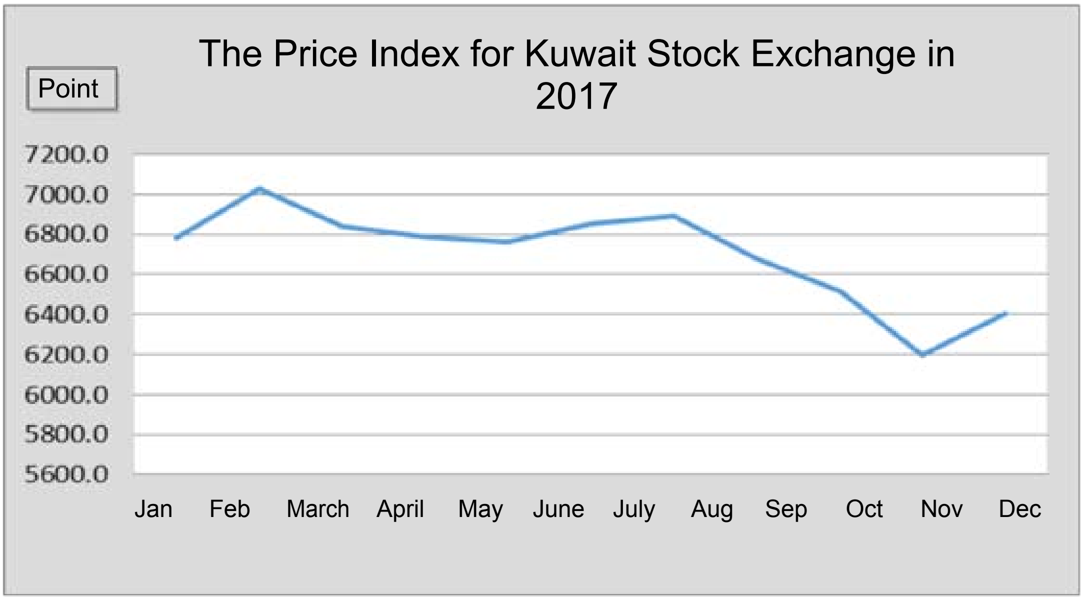
Sector	2017		Rate of growth (%)	
	Balance (KDmn)	% Total facilities	2017	2016
Trade	3,341.9	9.4	6.2	1.03
Industry	1,875.8	5.3	-0.7	-7.2
Construction	1,857.8	5.2	-11.3	7.2
Personal services	15,067.1	42.6	7.9	3.4
Real Estate	7,971.5	22.5	2.7	-3.6
Other	5,284.4	14.9	6.1	18.0
Total	**35,398.5**	**100**	**3.2**	**2.9**

In the context of ensuring competitiveness and attractiveness of the national currency as receptacle of domestic saving, **the Central Bank of Kuwait (**CBK) decided in 2017 to keep the discount rate at 2.75%, as in March 2017, in spite of the Federal Reserve of the U.S. action to raise its key interest rate three times during year 2017. This decision was taken in the light of the CBK's continuous follow up for the recent developments in the domestic economy which showed a modest growth.

The yield on debt instruments from treasury bonds, which the government pays back to banks has been raised. In turns, the banks raised interest on deposits to maintain the dinar's attractiveness in parallel with revitalization of the economy.

The Kuwait Stock Exchange, started the year 2017 with unprecedented activity, and was one of the best markets, due to the increase in oil prices and the shift from investing in real estate to the stock market. The market exceeded 6000 points and continued to perform well and reached the best level in the first half of year 2017 to exceed the barrier of 7000 points. This strong performance was due to a series of reforms aimed at correcting the market and attracting more investors.

KSE has launched a new corporate information portal that allows companies to directly download financial data making it accessible to stakeholders. The beginning of October, the Kuwait Stock Exchange was upgraded to an emerging market through FTSE Russell, which puts it on the global investment map, i.e. the flow of domestic and foreign funds. The market price index in 2017 closed at 6,408.01 points, a rise of 11.4% compared to 2016 closing. The weighted index closed at 401.42 points up by 5.6% from last year, while k-15 rose by 3.4% and closed at 914.87 points. The market liquidity reached KD 5.71 bn in 2017, an increase of about 99% compared to 2016. The increase in the most of the share prices traded in the market has affected the capital market value positively where it increased by 6.7% to KD 27.1 bn from KD 25.4 bn in 2016.



Kuwait Manufacturing Sector

The current development plan of Kuwait for the years (2015-2016-2019-2020) aims at increasing the real growth rate of the manufacturing sector to 8.3% annually, and restructuring the sector to encourage the promising industries with high value added, and to encourage the investment of the private sector in industry to an average of KD 349 mn annually.

The Public Authority for Industry seeks to implement a number of projects and industrial development programs which include: the construction, completion, operation and maintenance of the infrastructure of the Shadadia industrial area which aims at creating an industrial zone with the basic requirements for the settlement of small and medium industries. It includes 1,036 industrial plots, and the infrastructure is expected to be completed in the fourth quarter of 2018 while the construction of factories will begin in 2019. Also the project of constructing and preparation of plots in Shuaiba industrial area (western region) and north Subhan industrial area and the establishment of the technological complex in Shadadia industrial area, which aims to encourage industrial technological innovation and applying it in many fields. In addition to designing, constructing and completing the infrastructure of the industrial city in the west of the country. In terms of restructuring and industrial planning: the project of national industrial strategy for Kuwait 2035 which aims at encouraging the promising local industries and the entrance of new strategic product in the local industry, setting up programs for boosting efficiency of industrial production and promoting exports, enhancing the export capacity of exportable industrial enterprises in cooperation with international organizations, in addition to establishing an independent authority for standards which aims to issue a Standard Specification across the GCC. In addition to the project of designing, constructing and completing of the Naaim area of 8 km2, which was assigned to the Ministry of Public Works in view of the magnitude of the project and its cost.

As for the number of industrial establishments, according to PAI annual report (2016/2017), the number of existing industrial establishments reached 947 at the end of 2016 and the industrial handcrafts reached 2629 at the end of 2016. And the following table shows the number of industrial establishments and handcrafts during the year 2016 :

Industry	Number of licensed Industrial Establishments	Number of licensed Industrial Handicrafts
	2016	
Food & Beverages	118	688
Textiles	30	134
Wood & Wood products including Furniture	75	313
Paper & Printing	69	198
Chemical Products	175	132
Non-Metallic Minerals	211	97
Basic Metals	78	--
Fabricated Metal Products	176	1029
Other manufacturing	15	38
TOTAL	**947**	**2,629**

Based on the latest data published by the Central Statistical Bureau (year 2016), the Manufacturing sector in Kuwait (including refining) represented 7.2% of GDP and 9.9% of non-oil GDP in 2016. Excluding refining, the sector represented 4.2% of GDP and 6.4% of the non-oil GDP. The Manufacturing sector (including refining) annual growth rate recorded an increase of 1.3% in 2016, compared with a drop of 6.2% in 2015, when excluding refining the increase is 7.7% in 2016 and about 5.5% in 2015.

The data in the following table compares the progress in the gross domestic product by industrial activities during the years 2015-2016, with some industrial activities grow during the year 2016 while the other recorded a decline. The share of Chemical Products industry accounts for about 39.6% of total manufacturing GDP, while the growth rate increased by 9.2% in 2016 compared with a drop of 2.2% in 2015. The growth rate of Food and Beverages industry registered an increase of 5.9% in 2016 compared with an increase of 13.4% in 2015. Textiles and Non-Metallic Minerals registered a growth rate of 3.3% and 11.1% in 2016 respectively, compared to an increase of 8.5%and 12.2% respectively in 2015. Paper and Printing industry growth registered an increase of 5.1% in 2016 compared to an increase of 7.4% in 2015, while the Fabricated Metal products recorded a growth rate of 4.9% in 2016, compared to an increase of 10.6% in 2015.

The manufacturing sector witnessed structural changes during the period from year 2000 to year 2016. This is due to the difference in annual growth rates in the GDP of various industrial activities because of the concentration of the private sector on the promising industries with high value added. The relative weight of industrial activities has been changed, such as the decline in the activity of the food and beverage industries, decreased from 23% to 15.8%, while the activity of the chemical products sector increased from 12.3% to 39.6% during the same period, as shown in the table:

Manufacturing Sector GDP

	2000		2015 *		2016 **	
Industry	GDP KD mn	% Mfg. Sector GDP	GDP KD mn	% Mfg. Sector GDP	GDP KD mn	% Mfg. Sector GDP
Food & Beverages	68.8	23.0	236.8	16.0	250.8	15.8
Textiles	35.6	11.9	78.7	5.3	81.3	5.1
Wood & Wood products including Furniture	13.2	4.4	41.1	2.8	45.9	2.9
Paper & Printing	28.2	9.4	83.3	5.7	87.6	5.5
Chemical Products	36.9	12.3	577	39.1	630.3	39.6
Non-Metallic Minerals	45.2	15.1	184.4	12.4	204.9	12.9
Basic Metals	4.7	1.6	43.1	2.9	44.0	2.8
Fabricated Metal Products	60.2	20.1	221.1	14.9	232	14.6
Other manufacturing	6.9	2.2	12.1	0.9	14.9	0.9
Total Manufacturing GDP (Current Prices)	299.7	100.0	1477.6	100.0	1,591.7	100.0

* Revised

** Preliminary

Management Report 2017

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

By the end of year 2017, the Bank has completed its business plan for the period 2015-2017, which aims to enhance the Bank's activities and financing, as well as maintain profitability and quality of its portfolio. The Bank has also continued upgrading its core banking infrastructure and IT systems, improved its services to clients and enhanced methods of evaluating and measuring credit risk.

Despite the modest growth in the Kuwait's industrial sector in 2017, the Bank was able to record good financial results at the end of year 2017 with the help of its management and staff. Total assets has increased by 2.3% and reached KD 671.3 mn in 2017 compared to KD 656.3 mn in 2016. Industrial loans commitments has also increased in 2017 and reached KD 345.4 mn an increase of 13.6% compared to last year. The Bank boosted the quality of its credit portfolio, where the ratio of non-performing loans (NPL) to total portfolio's loans and facilities dropped from 0.74% in 2016 to 0.16% in 2017 marking the best ratio the Bank ever achieved for its portfolios.

The Bank registered a growth of 11% in its total revenues in year 2017 compared to year 2016, and was able after taking the necessary provisions, to achieve net profit of KD 12.5 mn at the end of year 2017, an increase of 8.5% compared to 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 2017, 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 2017:

Industrial loans

In the year 2017, the Bank has approved 27 new long-term industrial loans, 25 for expansion and 2 for new projects and 2 for cost overrun projects.

The total industrial loans commitments reached KD 56 mn in 2017, this represents an increase of 12.3% compared to 2016. The total industrial loans financing represented 65.1% of total projects cost.

Loan Commitments During 2017

Category	No. of Projects	Total project Cost (KD 000's)	IBK Financing (KD 000's)	% of Share
Extraction of crude petroleum and natural gas, service activities incidental to oil and gas extraction, excluding surveying.	3	36,623	25,164	44.9
Manufacture of food products and beverages	1	822	700	1.3
Manufacture of wood & products of wood and cork, except furniture, manufacture of articles of straw and planting materials.	1	1,150	759	1.3
Manufacture of paper and paper products	2	3,900	2,524	4.5
Publishing, printing and reproduction of recorded media	1	590	590	1.1
Manufacture of rubber and plastic products	1	1,124	744	1.3
Manufacture of other non-metallic mineral products	7	29,317	15,956	28.5
Manufacture of basic metals	2	1,442	1,177	2.1
Manufacture of fabricated metal products, except machinery and equipment	9	11,079	8,424	15.0
Total	**27**	**86,047**	**56,038**	**100.0**

The previous table indicates that manufacture of extraction of crude petroleum and natural gas service activities ranked first, accounting for 44.9% of industrial loans commitments in year 2017, this is due to financing 3 industrial projects for a financing amount of KD 25.2 million; while other non-metallic mineral products came second representing 25.2% of industrial loans commitments in year 2017 with an amount of KD 16 mn.

the Bank's total Industrial loans commitments during the years 2013-2017 are shown in the following table:

Industrial Loan Commitments during 2013-2017

	2013	2014	2015	2016	2017	TOTAL 1974-2017
Number of industrial Loans	40	19	26	28	27	1,072
Total Cost of Projects Financed (KD 000)	51,641	67,732	79,255	92,365	86,047	2,187,655
Total Commitments (KD 000)	33,990	49,286	57,251	63,879	56,038	1,233,315
Percent of Commitments-to-Total Project Costs (%)	65.8	72>8	72.2	69.2	65.1	56.4
Average Project Cost (KD 000)	1.291	3,565	3,048	3,299	3,187	2,041
Average IBK Financing/project (KD 000)	850	2,594	2,202	2,281	2,075	1,150

Cumulative industrial loans commitments since the Bank commenced lending operations in year 1974 until end year 2017 reached KD 1.233bn, representing 56.4% of the aggregate project costs of KD 2.188 bn for 1,072 projects financed by IBK.

Commercial Lending

The Bank continued, during 2017, to offer a full range of commercial banking facilities to the industrial sector clients in Kuwait by providing banking facilities such as working capital, project finance, short/medium term loans, etc. The Bank also provided bridge financing to industrial clients pending approval / disbursement of long term industrial loans. The facilities granted by the Bank are priced at market rates. In addition, the Bank is also responsible for the establishment and monitoring of treasury lines to domestic and international banks and financial institutions.

During 2017, the portfolio witnessed a slight decrease of less than 1% compared to last year, declining from KD 175.8 mn as of end 2016 to KD 174.5 mn at 2017 year-end. This decrease (in cash facilities) was mainly a result of one of the companies settling around KD 15mn during the first half of 2017, in addition to writing-off the debt of one of the major clients (KD 8.9 mn) at 2017 year-end. As for the non-cash side, the portfolio witnessed an increase of 11.5% compared to year 2016, increasing from KD 79.4 mn as of end 2016 to KD 88.5 mn as a result of financing new projects and contracts.

On the other hand, the Bank contiued granting some facility packages to existing as well as new customers, particularly in the petrochemical, construction, engineering, metal and food products sectors.

Continuing its policy of primary focus on the domestic market, the Bank's activity on the international side was low-key during 2017.

Direct Investment

During year 2017, the Bank continued investing in promising opportunities within the Private Equity space with existing fund managers as well as establishing new relationships with carefully selected fund managers who enjoy consistent top-quartile track record within their Asset Class. Further, the Bank has been actively screening & exploring direct investment opportunity in the local industrial sector. As a result of the Bank local and international activities, the investment book of the bank has increased by 2.5% reaching KD 98.3 mn in 2017 compared to 95.9 mn in 2016.

Moreover, the Assets Under Management grew by 4.6% reaching KD144.2 mn in 2017 compared to KD137.9 mn in 2016.

In addition, the positive performance of the global markets led to exceptional performance in the investment portfolio. The Bank will continue to carefully explore lucrative local and international investment opportunities in the industrial and industrial related sectors, supporting Kuwait's strategic development plan and pursuing the Bank's objective of actively participating in new industrial projects and activities.

Treasury and Securities

The Bank continued its treasury business activities during the year 2017 in the basic financial instruments such as Money Market Deposits, Foreign Exchange, and Fixed Income and Floating Rate Securities that could ensure risk free returns and positive contributions to the Bank's overall profit.

The Bank's strategy was to build a strong portfolio of Government and CBK bonds in order to secure stable growth. The Bank was active in Islamic Murabaha dealings in order to manage and fund short-term liabilities, and to keep the cost of funding at very competitive rates. The Bank utilized the opportunities in the interbank money market for cash flow management and liquidity management.

As for the foreign currency the Bank managed to meet and serve its customers' need of foreign currency at a competitive exchange rate and provide technical advice services while satisfying its own need in foreign currency.

Through the constant efforts of the ALM committee, the bank managed to implement CBK's instructions and avoid any price fluctuations to avert any liquidity risk, besides forecasting future trends of FX prices and interest rates in the financial markets.

Research

The Bank provides the latest research studies and economic reports for its departments and committees. The Bank in 2017 conducted quarterly economic reports, in addition to other economic reports about the future expectations of Kuwait's industrial sector performance during the period 2018-2020. In 2017 two studies titled: "The performance of the Petrochemical Industry's Sector in Kuwait" and "The Effects of Interest Rates on The Economy" were conducted.

During the year 2017, the Bank 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. Also the Bank published a report on "The Demography of Kuwait's Population during 2013-2022", and completed a special study on "The International Standard Industrial Classification of All Economic Activities" and a sectoral study on "Tires Recycling Industry".

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 which corpus was increased to KD 150 mn, The Agriculture Finance Portfolio with a corpus of KD 50 mn, and The Islamic Industrial Finance Portfolio with a corpus of KD 100 mn.

The AL Senai For Small Enterprises Portfolio Objective are to finance Kuwaiti nationals who wish to setup their own business, through Islamic instrument.

The portfolio activities had stopped in the first half of 2017 and start operation after increasing its share capital from KD 50 mn to KD 150 mn, The portfolio approved the financing of 199 projects with a total cost of KD 25 mn, while total portfolio finance reached KD 19.4 mn, representing 77.8 % of the total investment cost.

The cumulative amount of loans from the start of the portfolio to the end of 2017 was around KD 135.4 mn, for 1,498 projects with a total cost of KD 179.4 mn.

The following table shows the details of portfolio financing during 2017:

Financing by Al Senai for Small Enterprises Portfolio, 2017

Activity	No. of projects	Projects Cost (KD)	Portfolio financing (KD)	Percentage (%)
Manufacturing	25	3,463,330	2,790,841	14.35
Accommodation and food service activities	49	6,276,763	4,570,360	23.51
Wholesale & Retail trade	45	2,326,260	2,073,130	10.66
Human health and social work activities	12	4,207,960	2,744,905	14.11
Professional, scientific and technical activities	11	820,300	636,294	3.27
Other service activities	10	1,103,694	836,688	4.30
Information and communication	12	1,169,341	1,033,057	5.30
Arts, Entertainment and recreation	6	960,236	771,550	4.00
Administrative and support service activities	19	3,204,363	2,862,281	14.72
Education	4	767,041	566,301	2.91
Construction	1	21,000	21,000	0.11
Transportation and storage	5	656,581	536,850	2.76
Total	**199**	**24,976,869**	**19,443,257**	**100**

The above table indicates that Accommodation and Food service activities occupied the first position, its share reached 23.5% of the total finance provided by the portfolio to 49 projects, followed by Administrative and Support service activities share of 14.7% provided to 19 projects and then Manufacturing activities with a share of 14.4% provided to 25 projects. These three sectors occupied 52.6% of the total financing by the portfolio in 2017.

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.

The agricultural loans committee approved to granted 64 agricultural loans during 2017. The total project cost was about KD 15 mn however, the agricultural portfolio's contribution was KD 8.4 mn, representing 56%of the total cost.

Agriculture Portfolio Financing during 2017

Sector	No. of projects	Total Projects Cost (KD)	Agricultural portfolio financing (KD)	Percentage of Finance (%)
Planting	33	8,438,506	4,873,000	58.3
Food Security (Sheep Breeding)	10	1,063,400	662,000	7.9
Integrated Farm	9	1,325,500	990,000	11.8
Fishers	6	3,192,404	1,587,000	19.0
Short Term	5	656,813	100,000	1.2
Diary	1	295,460	150,000	1.8
Total	**64**	**14,972,083**	**8,362,000**	**100.0**

As is evident from the above table, the planting sector has the highest agricultural financing to the total financing around 58%, fishers comes second with 19 %.

The Cumulative amount of loans from the agricultural Financing portfolio, from 2001 to the end of 2017, reached KD 121.7 mn for 740 loans.

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). During the year 2017, the portfolio financed 3 expansion projects with a total cost of KD(000) 635, in which the portfolio's finance reached KD(000) 494, representing77.8 % of the total cost.

Cumulative industrial loan financing commitments since the portfolio commenced its financing operations in year 2009 until the end of 2017 reached KD 42.1 mn, presented to 26 industrial projects.

Cumulative Finance Commitments During 2009 - 2017

	2017	Cumulative 2009 – 2017
Number Of Projects	3	26
Total Project Cost (KD 000)	635	115,984
Portfolio Finance (KD 000)	494	42,095

Information Technology

In the Year 2017, the Bank continued upgrading its IT system, the most significant contribution to the organization was enablement of Go Live of Finacle Core Banking system. The key business benefit was the implementation of a robust core banking system that met the needs of all the business units and automation of reporting mechanism with Data Ware House remaining the single repository for data with minimal manual intervention and reduction in reporting errors.

The New Help Desk System (Manage Engine) has been effectively put to use during the User Acceptance Testing (UAT) phase by the business users. This has facilitated them to use the same post Go Live and now all observations are raised, monitored and closed through this system. It resulted in IT handling Incident Management from a “reactive” model to a “pro-active” model.

A New Demand Management process has been introduced which tracks the list of new requirements raised by different business units. This will enable the senior management to review the same and set priorities and seek Board approval for planning and execution.

Human Resources and Corporate Social Responsibility

In the year 2017, the Bank continued to adopt special importance to the development of human resources as a driving force for the development of work and activities of the bank and as a long-term assets investment, which will enhance its role in the development of the industrial sector.

The Bank was eager to employ national fresh graduates and experienced professionals in relevant fields in the bank activities. The Bank also conducted several specialized training programs for its employees in and outside of Kuwait. The number of national employees at the end of year 2017 was amounted to 133 employees, representing 70% of the total employees in the Bank.

During 2017, the Bank participated in 445 conferences, specialized seminars and training programs to enhance the level of employees’ career development, among which 87 specialized training programs were attended by the Bank’s employees. According to the instructions of the Central Bank of Kuwait, the Bank held a specialized lecture about anti-money laundering with full attendance by its all staff members.

The Bank is committed to its clear institutional message and social responsibility concerning all issues related to the development and support of local industry and society as a whole. The efforts include increasing awareness about the local industrial products in the consumer market, locally and regionally. This commitment was reflected in its sponsorship, cooperation and partnership in various activities and events with many entities which have a common massage and goal with the bank.

The IBK was one of the pioneered sponsors to the “Maker Fair- Kuwait” exhibition, which displayed many ideas and innovative small enterprises that could be the first building block for promising future projects and useful patents for the young Kuwaitis.

In cooperation with the Kuwaiti Industries Union, the Bank continued to support the national industry by renewing its annual sponsorship of the campaign entitled «Industry is the Knight of the Future” and a program entitled «Knights of Industry» which aims at training and encouraging young citizens to work in the industrial sector. A media campaign accompanied the program, is set to boost awareness of the society about the local industrial sector, and giving the real picture of national industry through highlighting the major factories and their productive achievements. it also creates a true belief in all the segments of the society about the importance of national industry sector in achieving economic security and a promising future.

The Bank also participated in Kuwait Industries Union>s Exhibition entitled «Jusoor», which promoted the significant role of the bank in financing, developing and supporting the industrial sector.

Senior Executive Management

Mr. Ali A. Khajah

Chief Executive Officer

Joined IBK in 1981

Has a Master degree in Economics (1976)

Mr. Abdulla I.Al-Hunaidi

Deputy CEO

Operations & Financial Control

Joined IBK in 1984

Has a Bachelor degree in Accounting (1984)

Mr. Rasheed A. Al-Sharhan

Deputy CEO

Projects & Portfolios

Joined IBK in 1978

Has a Master of Science in Industrial Management (1977)

Mr. Jawad H. Al-Qallaf

Deputy CEO

Finance & Investment

Joined IBK in 1983

Has a Bachelor degree in Accounting (1981)

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 2017, 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	Nb. Of Staff	Remuneration Paid (annual)			
		Fixed	Mode of Payment	Variable	Mode of Payment
First Category		Salaries: KD 419,640 Tickets: KD 3,552 Insurance benefits: KD 14,324 Yearly bonus: KD 62,946 Social Security: KD 15,180	Cash Cash Cash Cash Deferred Cash	Special bonus: KD 162,280	Cash
Second Category		Salaries: KD 187,716 Tickets: KD 5,811 Insurance benefits: KD 10,571 Yearly bonus: KD 28,157 Social Security: KD 3,011	Cash Cash Cash Cash Deferred Cash	Special bonus: KD 41,302	Cash
Third category		Salaries: KD 357,108 Tickets: KD 7,787 Insurance benefits: KD 15,361 Yearly bonus: KD 53,566 Social Security: KD 26,565	Cash Cash Cash Cash Deferred Cash	Special bonus: KD 95,047	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 KD. 1,034,072.

The financial remuneration package paid to the Board of Directors amounted to KD. 300,000.

External auditor’s certificate on the evaluation of the Bank’s internal control systems

The Industrial Bank of Kuwait KSC Accounting and Other Records and Internal Control Systems for the year ended 31 December 2016

To,

Members of the Board of Directors,

The Industrial Bank of Kuwait K.S.C.

19th March 2018

Subject: Evaluation and Review of Internal Control Systems for the financial year ended 31ST December 2016

Based on our contract letter dated 10th April 2017, we have attached the internal control review and evaluation report prepared as per the Central Bank of Kuwait Instructions as of 14th of November 1996 regarding the General Guidelines Booklet for Banks’ internal control systems, and the audit reports regarding these systems, and as per the instructions issued on 3rd of May 2004 regarding the sound management principles in financial institutions.

We have evaluated and reviewed the internal control systems of the Industrial Bank of Kuwait K.S.C. (Closed) for the year ended 31st December 2016. The audit covered the overall regulatory environment of the Bank, compliance with and compliance with the rules of bank governance issued by the Central Bank. Because of inherent limitations in any accounting 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.

Based on our review of the internal controls of the Industrial Bank of Kuwait K.S.C. (Closed), we believe that the Bank's internal control systems have been implemented in accordance with the CBK's rules and the bank policies and procedures approved by the Board of Directors, except for matters that have been presented in the sections of this report.

Your sincerely,

Abdullatif Mohamed Al-Aiban,
Partner,
License No. 94 Category A.

Grant Thornton

Risk Management Disclosures 2017

Risk Management Disclosures per Basel III Pillar III-31.12.2017

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 Risk Committee. The risk management function is responsible for independently assessing and managing credit, market, liquidity and all types of operational risks. Additionally, IT risk function (operating independently of the IT department), reports to the CRO while an Information Security function reports independently to the CEO. 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 2017 Kuwait Manufacturing business volumes and margins remained flat 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 interest rates in Kuwait are gradually rising after a long period of low rates. The crude oil prices appeared to be moderately volatile, hovering between USD50-USD60 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.

There is a change in the Financial Reporting Standards with the introduction of IFRS9 from 1st January 2018. The Provisions will be based on expected credit loss in forward looking scenarios, instead of "incurred loss method". In FY2017, the Bank started the IFRS9 Project to be in line with targets for 2018.

Risk Rating by External Rating Agencies:

On October 16, 2017, 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+
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 AA- for 2017 (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 41.01% as on December 31, 2017.

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 earlier provided a fund of KD 50 Million and this year with need based additional fund of KD 100 Million. 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, 2017 (All figures in KD'000)

Tier I Capital	**225,322**
Permanent Shareholder Equity	20,000
Reserves:	
Legal reserves	35,102
Voluntary reserves	139,391
Fair value reserve	2,756
Retained Earnings	28,073
Additional Tier I capital	Nil
Tier 2 Capital	**6,620**
General Provision as allowed	6,620
Total Eligible Capital after deductions	231,942

Capital Requirement for Credit Risk Weighted Assets as on 31.12.2017

KD '000

	Asset Categories for Credit Risk (Standard Portfolio)	**Net Credit Exposure** (after CRM)	**Risk Weighted Capital Charge**
1	Cash Items	176	---
2	Claims on Sovereigns	147543	---
3	Claims on International Organizations.	---	---
4	Claims on PSE	---	---
5	Claims on MDB	---	---
6	Claims on Banks	87418	17,483
7	Claims on Corporates	414,520	414,520
8	Claims on Securitized Assets	---	---
9	Credit Derivative Claims	---	---
10	Regulatory Retail	---	---
11	Past Due Exposures	591	591
12	Other Exposures	96,984	96,984
	Total Exposure	747,232	529,578

Capital Requirement for Credit Risk	62,421
Capital Requirement for Market Risk	
Total Market Risk Weighted Exposure	3,347
Minimum Capital Requirement for Market risk	435
Capital Requirement for Operational Risk	
Total Operational Risk Weighted Exposure	43,666
Minimum Capital Requirement for Operational Risk	5,677
Total Risk Weighted Exposure	565,635
Total Minimum Capital Requirement for credit, market and operational risks	73,533
Eligible Capital	321,942
Tier 1 225,322	
Tier 2 6,620	
Unused but Eligible Capital	158,409
Capital Adequacy Ratio	
Capital Adequacy Ratio per Basel III / CBK	41.01 %
Capital Adequacy Ratio based on Tier I Capital only.	39.84 %
CET1 Capital Adequacy Ratio	39.84 %

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, 2017 -Consolidated

	Item	Leverage ratio Framework (000)
	On-balance sheet exposures	
1.	On-balance sheet items	671,272
2.	(Amounts of assets deducted when calculating theT1 of the capital)	0
3.	Total On-balance sheet exposures	671,272
	Derivative Exposures	
4.	Gross Exposure(including the amount of additional factor)	0
5.	(Adjustments)	0
6.	Total derivative exposures	0
	Securities financing transaction exposures	
7.	SFT Assets	0
8.	Total securities financing transaction exposures	0
	Off Balance sheet items	
9.	Commitments	171,912
10.	(Adjustments for conversion to credit equivalent amounts)	(137,530)
11.	Total Commitments	*34,382*
12.	Contingencies	88,535
13.	(Adjustments for conversion to credit equivalent amounts)	(52,238)
14.	Total Contingencies	*36,297*
15.	Total Off Balance sheet items	70,679
	Capital & Total Exposures	
16.	Tier 1 Capital	225,322
17.	Total Exposures	741,951
	Leverage Ratio	
18.	Basel III Leverage Ratio	30.37%

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 31.12.2017

Past Due Category	Outstanding amount (KD <000)	% of Total Past Dues
0 - 30 days	11749.52	88.13%
31 - 60 days	935.45	7.01%
61 - 90 days	285.97	2.14%
91 - 180 days	51.98	0.40%
181 - 364 days	308.07	2.32%
Above 1 year	0.00	
Total ==>	13330.99	100.00%

The ratio of Non-Performing Loans (NPL) to credit exposure stood at 0.15% as on 31.12.2017.

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 31.12.2017 (All figures in KD'000)

	Asset Categories (standard portfolios)	**On Balance Sheet**	**Off Balance Sheet ******
1	Cash Items	176	0
2	Claims on Sovereigns	147543	0
3	Claims on Internatio0nal Organizations.		
4	Claims on PSE		
5	Claims on MDB		
6	Claims on Banks	87418	0
7	Claims on Corporates	357254	88535
8	Claims on Securitized Assets		
9	Credit Derivative Claims		
10	Regulatory Retail		
11	Qualifying Residential Housing Loans		
12	Past Due Exposures	565	52
13	Other Exposures	89306	171912
	Total	682262	260499

Geographical Distribution of Exposures as on: 31st December, 2017 (All figures in KD '000')

	Total Loans and Advances				Loans & Advances- Industrial Loan-I				Loans & Advances-Commercial Facilities			
	December, 2017		December, 2016		December, 2017		December, 2016		December, 2017		December, 2016	
Kuwait	455861	99.48%	334,097	99.82%	188393	99.01%	158896	100.00%	267468	99.81%	175,200	99.65%
Others	2392	0.52%	617	0.18%	1881	0.09%	0	0%	511	0.19%	617	0.35%
Grand Total	458253	100.00%	334,714	100.00%	190274	100.00%	158,896	100.00%	267979	100.00%	175,817	100.00%

Residual Maturity of the Loans and Advances Portfolio as on 31st December, 2017 (All figures in KD'000)

	Total Portfolio		Industrial Loan at encouraged rates		Loans & Advances at Commercial rate	
	December, 2017	December, 2016	December, 2017	December, 2016	December, 2017	December, 2016
Up to 1 Month	***34515***	74,216	***13165***	19,919	***21350***	54,297
1 to 3 Month	***50995***	52,463	***6001***	2,610	***44994***	49,852
3 to 12 Month	***105132***	42,755	***28623***	20,172	***76509***	22,603
Over 1 Year	***271135***	165,260	***154940***	72,279	***116195***	49,064
Balance at Year end	***461777***	334,714	***202729***	158,897	***259048***	175,817

Loans and Advances Portfolio by Sector as on 31st December, 2017 (Outstanding Balances in KD'000)

	Outstanding Balance % of Total Exposure ('000)	As a % of Total Exposure	Outstanding Balance ('000)	As a % of Total Exposure
	2016		2017	
Chemicals	27,409.36	8.19%	36489	8.10%
Food & Beverages	18,454.28	5.51%	35920	7.97%
Metal Products & Engineering	91,431.84	27.32%	102221	22.71%
Construction & Building Material	67,770.30	20.25%	77153	17.14%
Furniture	2,338.10	0.70%	4298	0.96%
Textile	275.62	0.08%	319	0.08%
Paper & Printing	8,080.56	2.41%	12989	2.88%
Government	616.84	0.18%	0	0.00%
Oil and Gas	77,600.64	23.18%	130936	29.07%
Agriculture and Fishing	341.66	0.10%	1055	0.23%
Others (Non-Financial)	40,394.80	10.60%	48921	10.86%
Non-Financial Sectors	334,713.99	100.00%	450301	100.00%
Financial Sectors	0.01	0.00%	0	0.00%
Total Sectors	**334,714.00**	**100.00%**	**450301**	**100.00%**

Impaired Loans – Geographical Distribution as on 31st December, 2017

(All figures in KD '000)

	Outstanding loans		Provision provided for impaired loans	
	2017	2016	2017	2016
Kuwait	1777.98	651	1160.64	651
Other GCC countries	0.00	0	0	0
Grand total	1777.98	651	1160.64	651
Impaired loans as a percentage of outstanding loans portfolio	**0.15%**	**0.19%**		
Coverage percentage			**65.28%**	**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 risk mitigation and credit conversion factor as on 31st December, 2017

Credit Exposure after Credit Risk Mitigation (CRM) and credit conversion factor: 31.12.2017

(All figures in KD <000)

Asset Categories	Credit Exposure before CRM	Credit Exposure after CRM	Credit Risk Weighted Assets
Cash items	176	176	0
Claims on Sovereigns	147543	147543	0
Claims on International Organizations	0	0	0
Claims on PSEs	0	0	0
Claims on MDBs	0	0	0
Claims on Banks	87418	87418	17483
Claims on Corporates	420256	414520	414520
Regulatory Retail	0	0	0
Qualifying Residential Housing Loans	0	0	0
Past Due Exposures	591	591	591
Other Exposures	96984	96984	96984
Total	752968	747232	529578

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, 2017 (All figures in KD '000)		
	Risk Category	**Capital Charge**
1	Interest Rate Risk	
2	Equity Position Risk	
3	Foreign Exchange Risk	435
4	Commodities Risk	
	Minimum Capital Requirement for Market Risk	
	Total Market Risk Weighted Assets: 3347	

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, 2017	
Description	Total Weighted Value (KD <000)
Notional Exposure of Foreign Exchange Forward Contracts	0
Positive MTM	0
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, 2017 (Currency: KD)

Currency (Kuwaiti Dinar) (All figures in KD <000)

	Up to 1 Year	1 - 5 Years	Over 5 Years
Interest Earning Assets	152,346.10	201,565.78	39,747.61
Interest Bearing Liabilities	26,111.82	0.00	285,456.28
GAP	126,234.28	201,565.78	(245,708.67)
Cumulative GAP	126,234.28	327800.06	82,091.39
Sensitivity to 1% interest rate change in the next 1 year			820.96

Interest Rate Sensitivity – 31st December, 2017 (Foreign Currency: USD)

(All figures in KD <000)

	Up to 1 Year	1 - 5 Years	Over 5 Years
Interest Earning Assets	7227.93	0	0
Interest Bearing Liabilities	38428.45	0	0
GAP	(31200.52)	0	0
Cumulative GAP	(31200.52)	0	0
Sensitivity to 1% interest rate change (in KD terms, after conversion) ==>			**-312.00**
Overall Interest Rate Sensitivity (Combine Position) for 1% Interest Rate Change ==>			**508.96**

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 2017. 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.

Disclosure on Liquidity Coverage Ratio (LCR): Based on the CBK guidelines on Liquidity Coverage Ratio, the LCR disclosure for the period ended 31.12.2017 is as under:

(All values in KD '000)

Group	ID	Description	Values	Values After Flow Rates
HIGH QUALITY LIQUID ASSE	1	TOTAL HIGH QUALITY LIQUID ASSETS (BEFORE REVISIONS)		176,244
CASH OUTFLOWS	2	RETAIL DEPOSITS AND SMES:	34,938	7,788
	3	> STABLE DEPOSITS		
	4	> LESS STABLE DEPOSITS	24,871	5,542
	5	OTHER UNSECURED DEPOSITS AND FUNDS FROM WHOLESALE FUNDING EXCLUDING DEPOSITS O	65,913	55,744
	6	> OPERATIONAL DEPOSITS		
	7	> NON-OPERATIONAL (OTHER UNSECURED FUNDING)	65,913	55,744
	8	SECURED FUNDING		
	9	OTHER CASH OUTFLOWS, INCLUDING:	169,336	28,013
	10	> FROM DERIVATIVES		
	11	> FROM ASSET-BACKED SECURITIES AND COMMERCIAL PAPERS (ASSUMING NON-FEASIBILITY (		
	12	> COMMITTED CREDIT AND LIQUIDITY DRAWBACKS	169,336	28,013
	13	OTHER PROSPECTIVE FUTURE FUNDING OBLIGATIONS	87,702	4,385
	14	OTHER CASH CONTRACTUAL OUTFLOWS	18	18
	15	TOTAL CASH OUTFLOWS		95,946
CASH INFLOWS	16	SECURED LENDING TRANSACTIONS		
	17	CASH INFLOWS FROM PERFORMING LOANS	148,075	74,038
	18	OTHER CASH INFLOWS	1,012	1,012
	19	TOTAL CASH INFLOW	149,087	75,049
LIQUIDITY COVERAGE RATI	20	TOTAL HIGH QUALITY LIQUID ASSETS (AFTER REVISIONS)		176,244
	21	NET CASH OUTFLOWS		26,385
	22	LIQUIDITY COVERAGE RATIO		689.15%

Disclosure on Net Stable Funding Ratio (NSFR): Based on the guidelines received from Central Bank of Kuwait, on Net Stable Funding Ratio, the disclosure details are as under:

Table 4: NSFR Common Disclosure Template for the period ending on: 31.12.2017 (All values in KD <000) Unweighted Values (before applying relevant factors)						
Sr	**Item**	**No specified maturity**	**Less than 6 Months**	**More than 6 months & less than 1 year**	**Over 1 Year**	**Total weighted value**
Available Stable Funding (ASF):						
1	Capital:	231,876.00	-	-	-	231,876.00
2	* Regulatory Capital	231,876.00				231,876.00
3	* Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and Deposits from small business customers :	9,959.11	1,463.08	5.00	-	1,321.27
5	* Stable Deposits					
6	* Less Stable Deposits	9,959.11	1,463.08	5.00	-	1,321.27
7	Wholesale funding:	17,202.66	43,178.51	-	342,768.04	357,192.63
8	* Operational Deposits					
9	* Other wholesale funding	17,202.66	43,178.51	-	342,768.04	357,192.63
10	Other Liabilities:	61,536.15	1,477.62	5.77	37.17	37.17
11	* NSFR Derivative Liabilities					
12	* All other liabilities not included in the above categories	-	26,568.06	-	-	-
13	Total ASF					590,427.07
Required Stable Funding (RSF):						
14	Total NSFR high - quality liquid assets (HQLA)	147,889.83	5,800.27	-	-	7,315.30
15	Deposits held at other financial institutions for operational purposes	7,415.00	50,000.00	10,000.00	-	10,000.00
16	Performing Loans & Securities:	-	138,230.56	53,486.24	171,240.89	267,099.29
17	* Performing Loans to financial institutions secured by Level 1 HQLA					
18	* Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans to financial institutions					
19	* Performing loans to non - financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs,of which:	-	138,230.56	53,486.24	171,240.89	267,099.29
20	** With a risk weight of less than or equal to 35% as per Capital Adequacy Ratio - Basel 3 Guidelines					
21	* Performing residential mortgages, of which:					
22	** With a risk weight of less than or equal to 35% under CBK Capital Adequacy Ratio - Basel III Guidelines					
23	* Securities that are not in default and do not quality as HQLA, including exchange - traded equities					
24	Other Assets:	-	5,215.58	308.07	101,292.27	104,054.10
25	* Physical traded commodities, including gold					
26	* Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27	* NSFR derivative assets					
28	* NSFR derivative liabilities before deduction of variation margin posted					
29	* All other assets not included in the above categories	-	5,215.58	308.07	101,292.27	104,054.10
30	Off - Balance Sheet Items		88,535.26	-	-	4,426.76
31	Total RSF					392,895.45
32	**NSFR (%)**					**150.28%**

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 minimize 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 FY2017 is: KD5.68Millions.

Industrial Bank of Kuwait Disclosure on Operational Risk (Using Standardized Approach) as on 31st December, 2017	
Description	**Value(KD <000)**
Total Operational Risk Weighted Assets	43,666
Total Capital Charge	5,677
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 license 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 (NRC): 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: 7 meetings were held in 2017.

Members (full-time) of the NRC:

Mr. Salah M. Al-Kulaib,	Chairman
Mr. Khaled H. Al-Shatti	Vice Chairman
Mr. Meshal A. Al-Othman	
Mr. Naser D. Al-Sabah	

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 2017 (in KD)

Category 1: 4 employees

Fixed

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
500462	14324	15180

Variable

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	162280	

Category 2: 7 employees

Fixed

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
433822	15361	26565

Variable

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	95047	-

Category 3: 5 employees

Fixed

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
232256	10571	3011

Variable

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	41302	

IBK Participation in the Kuwait Industries Union Exhibition

Honoring IBK Staff

Honoring IBK for Sponsoring “Industry is the Knight of the Future” Campaign

Honoring IBK for Sponsoring “Kuwait Makers Exhibition 2017”

الصناعي
IBK

الصناعي
IBK

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 2017

Independent auditor's report

The Shareholders
The Industrial Bank of Kuwait K.S.C. (closed)
State of Kuwait

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 2017, 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 2017, 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, as amended, 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, as amended, 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 2017 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 2017 that might have had a material effect on the business of the Group or on its consolidated financial position.

Safi A. Al-Mutawa

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

Kuwait: 31 January 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ASAT 31 DECEMBER 2017

	Note	2017 KD'000	2016 KD'000
Assets			
Cash and cash equivalents	4	**1,998**	1,511
Treasury bills and bonds	5	**146,296**	152,241
Deposits with banks and other financial institutions		**85,404**	106,840
Investments available for sale	6	**70,137**	69,798
Loans and advances to customers	7	**345,439**	304,133
Investment in associates	8	**6,643**	6,480
Other assets		**11,425**	11,519
Land and buildings	9	**3,929**	3,779
Total assets		**671,271**	656,301
Liabilities			
Deposits from banks and other financial institutions		**14,456**	37,025
Deposits from customers		**57,331**	42,822
Other liabilities		**22,097**	15,694
Term loans	10a	**42,767**	26,512
Loan from the State of Kuwait	10b	**300,000**	300,000
Total liabilities		**436,651**	422,053
Equity			
Share capital	11	**20,000**	20,000
Statutory reserve	11	**35,108**	33,806
Voluntary reserve	11	**139,397**	138,095
Retained earnings		**28,054**	24,132
Proposed dividend	11	**6,000**	6,000
Fair value reserve	11	**6,061**	12,215
Total equity		**234,620**	234,248
Total liabilities and equity		**671,271**	656,301

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

Salah Mohamed Al-Kulaib
Vice Chairman

Ali A. Khajah
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KD'000	2016 KD'000
Interest income		**20,924**	18,495
Interest expense		**(3,550)**	(2,844)
Net interest income		**17,374**	15,651
Fee and commission income		**4,618**	4,846
Foreign exchange (loss) / gain		**(638)**	462
Dividend income		**709**	731
Income from investments available for sale		**10,902**	6,664
Share of results from associates	*8*	**341**	330
Bad debts written off recovered		**3,745**	76
Net other income		**80**	92
Total income		**37,131**	28,852
Staff costs	*12*	**(10,901)**	(7,243)
Depreciation		**(180)**	(124)
Other expenses		**(2,282)**	(1,896)
Provision for loans and advances	*7*	**(10,164)**	(5,992)
Other provisions charged		**(557)**	(43)
Impairment of investments		**(32)**	(1,465)
Total expenses		**(24,116)**	(16,763)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Board of Directors' remuneration and Zakat		**13,015**	12,089
Contribution to KFAS		**(119)**	(116)
Board of Directors' remuneration	*13*	**(242)**	(300)
Zakat		**(128)**	(123)
Net profit for the year		**12,526**	11,550
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		**(6,217)**	287
Changes in fair value of available for sale investments of subsidiaries		**(54)**	136
Share of other comprehensive income of associates		**117**	(1)
Other comprehensive income for the year		**(6,154)**	422
Total comprehensive income for the year		**6,372**	11,972
Basic and diluted earnings per share (KD)	*14*	**6.263**	5.775

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Proposed dividend	Fair value reserve	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
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
Balance at 31 December 2016	**20,000**	**33,806**	**138,095**	**24,132**	**6,000**	**12,215**	**234,248**
Net profit for the year	**-**	**-**	**-**	12,**526**	**-**	**-**	12,**526**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(6,154)**	**(6,154)**
Total comprehensive income for the year	**-**	**-**	**-**	**12,526**	**-**	**(6,154)**	**6,372**
Transfer to reserves (Note 11)	**-**	**1,302**	**1,302**	**(2,604)**	**-**	**-**	**-**
Dividends for 2016	**-**	**-**	**-**	**-**	**(6,000)**	**-**	**(6,000)**
Proposed dividends for 2017 (Note 11)	**-**	**-**	**-**	**(6,000)**	**6,000**	**-**	**-**
Balance at 31 December 2017	**20,000**	**35,108**	**139,397**	**28,054**	**6,000**	**6,061**	**234,620**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KD'000	2016 KD'000
Cash flow from operating activities			
Net profit for the year		**12,526**	11,550
Adjustments for:			
Income from investments available for sale		**(10,902)**	(6,664)
Share of results from associates	*8*	**(341)**	(330)
Depreciation		**180**	124
Foreign exchange differences		**1,167**	(274)
Provision for loans and advances	*7*	**10,164**	5,992
Other provisions charged		**557**	43
Impairment of investments		**32**	1,465
		13,383	11,906
Changes in:			
- Treasury bills and bonds		**5,945**	(6,140)
- Deposits with banks and other financial institutions		**21,436**	(8,651)
- Loans and advances to customers		**(51,471)**	(40,722)
- Other assets		**(237)**	(1,211)
- Deposits from banks and other financial institutions		**(22,569)**	27,474
- Deposits from customers		**14,509**	(2,057)
- Other liabilities		**5,848**	1,181
Net cash used in operating activities		**(13,156)**	(18,220)
Cash flow from investing activities			
Net movement in investments available for sale		**4,260**	2,128
Proceed from sale of investment in subsidiary		**-**	750
Cash dividends received from associates	*8*	**296**	296
Net cash flow generated from investing activities		**4,556**	3,174
Cash flow from financing activities			
Proceed from term loans	*10*	**15,087**	-
Dividends paid	*11d*	**(6,000)**	(6,000)
Net cash generated from / (used in) financing activities		**9,087**	(6,000)
Net increase / (decrease) in cash and cash equivalents		**487**	(21,046)
Cash and cash equivalents at 1 January		**1,511**	22,557
Cash and cash equivalents at 31 December	*4*	**1,998**	1,511

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 ("the CBK") to provide banking services to the industrial projects and investments in related activities and purposes, as set out below:

- Contribute to developing the 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 2017 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.

Name of subsidiary	Country of incorporation	Prinwcipal activities	Percentage of ownership	
			2017	2016
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 2017 is 189 (2016: 199).

The consolidated financial statements were authorized for issue by the Board of Directors on 31 January 2018. 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 recognized 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:

- Annual Improvements to IFRSs 2014–2016 Cycle – various standards; and
- Disclosure Initiative (Amendments to IAS 7).

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 annual periods beginning after 1 January 2017 with earlier application permitted, however, the Group has not early adopted any new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 9: Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments in July 2014, that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group will avail of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are required to be recognised in opening retained earnings and reserves as at 1 January 2018.

In 2017, the Group has performed a detailed impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group, until the Group presents its first consolidated financial statements that include the date of initial application.

(a) Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") (with and without recycling of gains or losses to profit or loss on derecognition of debt and equity instruments, respectively) and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Group has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements with respect to the business model and contractual cash flow characteristics ("CCC") / Solely payment of principal and interest ("SPPI").

The impact from the adoption of classification and measurement approach of IFRS 9 is as follows:

- The Group does not expect a significant impact on its consolidated statement of financial position from applying the classification and measurement requirements of IFRS 9 except for financial assets held as available-for-sale representing Bank's investment in funds and equity investments will, instead, be measured at FVTPL.
- Loans and advances will continue to be held under the business model to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.
- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.
- Upon adoption of the new classification and measurement principles under IFRS 9 as noted above, the fair value reserve will decrease by KD 6,061 thousand and increase in the retained earnings by KD 6,061 thousand as at 1 January 2018.

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Under IFRS 9, the impairment requirements apply to financial assets measured at amortised cost and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk or default event, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Management has calculated the impact of the ECL provision according to the IFRS 9 requirements. Based on the calculations, management got to believe that the current level of the Group's loans and advances provisions is exceeding the calculated ECL provision according to IFRS 9.

(c) Hedge accounting

As at 31 December 2017, the Group does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 will not have a significant impact on Group's consolidated financial statements.

(d) Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group's assessment included an analysis to identify data gaps against current process and the Group is in process of implementing the system and controls changes that it believes will be necessary to capture the required data.

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

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The Group is in the process of evaluating the effect of IFRS 15 on the amounts reported and disclosed in the Group's consolidated financial statements.

IFRS 16: Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements

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 entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases.

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

b) Financial instruments

Classification

(i) Financial assets

The Group classifies financial assets into the following categories: "Financial assets at fair value through statement of profit or loss", "loans and receivables" and "available for sale financial assets".

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 advances 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 interest method.

Those classified as "available for sale" are subsequently measured and carried at fair value. 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 The 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

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

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.

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 are 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

	2017 **KD'000**	2016 KD'000
Balances with the Central Bank of Kuwait	**424**	558
Cash on hand and in current accounts with other banks	**1,574**	953
	1,998	1,511

5. Treasury bills and bonds

	2017 **KD'000**	2016 KD'000
CBK bonds	**5,990**	3,492
Treasury bills	**140,306**	148,749
	146,296	152,241

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

	2017 **KD'000**	2016 KD'000
Bonds	**1,394**	1,520
Quoted securities	**9,524**	10,664
Unquoted securities	**2,069**	2,141
Funds	**57,150**	55,473
	70,137	69,798

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

	2017 KD'000	2016 KD'000
Industrial loans at preferential lending rates	**188,743**	158,897
Loans and advances at commercial lending rates	**174,488**	175,816
	363,231	334,713
Less: general and specific provision	**(17,792)**	(30,580)
	345,439	304,133

The movement in provision:

2017	**Industrial loans**			**Commercial loans**			**Total**
	Specific KD '000	**General KD '000**	**Total KD '000**	**Specific KD '000**	**General KD '000**	**Total KD '000**	**KD '000**
Balance at 1 January 2017	**414**	**14,220**	**14,634**	**237**	**15,709**	**15,946**	**30,580**
Charge for the year	**1,620**	**279**	**1,899**	**8,291**	**(26)**	**8,265**	**10,164**
Transfer between loans	**12,190**	**(11,487)**	**703**	**415**	**(1,118)**	**(703)**	**-**
Written off loans	**(14,190)**	**-**	**(14,190)**	**(8,762)**	**-**	**(8,762)**	**(22,952)**
Balance at 31 December 2017	34	3,012	3,046	181	14,565	14,746	17,792

2016	Industrial loans			Commercial loans			Total
	Specific KD '000	General KD '000	Total KD '000	Specific KD '000	General KD '000	Total 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

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 14,007 thousand (2016: KD 26,614 thousand) above the CBK requirements. Provision relating to non-cash facilities amounting to KD 2,514 thousand (2016: KD 1,882 thousand) is included in other liabilities.

8. Investment in associates

	Country of incorporation	Principal Activities	Ownership 2017	Ownership 2016	Carrying value 2017 KD '000	Carrying value 2016 KD '000
Al Rawdatain Water Bottling Co. K.S.C.C.	State of Kuwait	Production and bottling of mineral water	30%	30%	**3,881**	3,723
Qaroh P.E.T. Products Co. K.S.C.C.	State of Kuwait	Produce P.E.T	30%	30%	**1,465**	1,479
Technology Industrial Gases Production Company K.S.C.C	State of Kuwait	Build gas plant	20%	20%	**1,297**	1,278
					6,643	6,480

As at and for the year ended 31 December 2017, the aggregate assets, liabilities, income and expenses of associates, not adjusted for the percentage held by the Group, was KD 31,228 thousand, KD 8,471 thousand, KD 8,364 thousand and KD 7,225 thousand respectively. (2016: assets, liabilities, income and expenses amounting KD 30,454 thousand, KD 8,268 thousand, KD 9,276 thousand and KD 8,032 thousand respectively).

The Group's share of results of associates and dividend distributed by associates to the Group during the year ended 31 December 2017 was KD 341 thousand and KD 296 thousand respectively (2016: KD 330 thousand and KD 296 thousand respectively).

9. Land and buildings

	Land	Buildings	Total
	KD'000	KD'000	KD'000
Cost			
Balance at 1 January 2016 and 31 December 2016	3,672	9,068	12,740
Additions	-	164	164
Balance at 31 December 2017	**3,672**	**9,232**	**12,904**
Accumulated depreciation			
Balance at 1 January 2016	-	8,947	8,947
Charge for the year	-	14	14
Balance at 31 December 2016	-	8,961	8,961
Charge for the year	-	**14**	**14**
Balance at 31 December 2017	-	8,975	8,975
Carrying amounts			
At 31 December 2017	**3,672**	**257**	**3,929**
At 31 December 2016	3,672	107	3,779

10. Loans

a. Term loans

In May 2015, the Bank secured a medium term loan facility of Euro 35 million 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. As at 31 December 2017 the outstanding balance was equivalent to KD 12,593 thousand (2016: KD 11,210 thousand).

In September 2015, the Bank secured a medium term loan facility of USD 50 million 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 2017, the effective rate of interest for this loan is 2.752% (2016: 1.904%) per annum. The loan is repayable in September 2018. As at 31 December 2017 the outstanding balance was equivalent to KD 15,087 thousand (2016: KD 15,302 thousand).

In August 2017, the Bank secured a medium term loan facility of USD 50 million from a foreign bank. The loan carries interest rate of one month LIBOR plus a spread of 1.50%. The interest resets every month. As of 31 December 2017, the effective rate of interest for this loan is 2.861%. The loan is repayable in July 2020. As at 31 December 2017 the outstanding balance was equivalent to KD 15,087 thousand (2016: KD nil).

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 (2016: 2 million shares of KD 10 each).

b) As required by the Companies Law No. 1 of 2016, as amended, 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 1,302 thousand (10% of the profit) to voluntary reserve for the year ended 31 December 2017 (2016: KD 1,209 thousand).

d) For the year ended 31 December 2017, the Board of Directors have proposed a cash dividend of 30% equivalent to KD 3 per share (2016: 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 investments available for sale held by the Group.

12. Staff costs

	2017	2016
	KD'000	KD'000
Salaries and wages	**5,020**	4,702
Indemnity and social security contributions	**4,125**	866
Other benefits	**1,756**	1,675
	10,901	7,243

During the year, an amendment to the Kuwait Labor Law no (6) of 2010 has been issued by the Public Authority of Manpower with regard to the indemnity for Kuwaiti employees with retrospective effect. Accordingly, the Group has recorded the impact due to the amendment of labor law amounting to KD 2,926 thousand in respect of prior years under the indemnity and social security contributions in the consolidated financial statements.

13. Board of Directors' remuneration

The Board of Directors' meeting recommended a payment of KD 242 thousand towards remuneration to members of Board of Directors and committees for the year ended 31 December 2017 (2016: KD 300 thousand).

The Annual General Assembly Meeting of the shareholders held on 6 June 2017, approved Board of Directors' and committees remuneration of KD 300 thousand for the year ended 31 December 2016.

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.

	2017	2016
Net profit for the year (KD'000 s)	**12,526**	11,550
Weighted average number of outstanding shares during the year (000's)	**2,000**	2,000
Basic and diluted earnings per share (KD)	**6.263**	5.775

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 8 Directors (2016: 10 Directors) and 15 Executive Officers (2016: 15 Executive Officers).

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

	2017	2016
	KD '000	KD '000
Consolidated statement of financial position		
Cash and cash equivalents	**424**	557
Treasury bills and bonds	**146,296**	152,241
Deposits with banks and other financial institutions	**-**	30,746
Loans and advances to customers	**5,332**	5,351
Investment in associates	**6,643**	6,480
Other assets	**1,339**	1,323
Deposit from customers	**13,546**	6,520
Other liabilities	**27**	34
Loan from the State of Kuwait	**300,000**	300,000
Commitments and contingent liabilities	**3,069**	4,072
Consolidated statement of profit or loss and other comprehensive income		
Share of results from associates	**341**	330
Other expenses*	**36**	48

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

Details of compensation to key management personnel comprise the following:

	2017	2016
	KD '000	KD '000
Salaries and other short term benefits	**497**	491
End of service indemnity	**107**	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.

	2017	2016
	KD '000	KD '000
Acceptances	**4,319**	5,452
Documentary letters of credit	**22,249**	18,756
Letters of guarantee	**61,967**	55,217
	88,535	79,425

Substantially all acceptances and letters of credit commitments expire within a period not exceeding one year and 49.6 % (2016: 70%) of the guarantees expire within one year.

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

	2017	2016
	KD '000	KD '000
Foreign exchange contracts- long	**-**	642

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 contingent liability

As at 31 December 2017, the contingent liability related to a subsidiary of the Bank amounting to KD 464 thousand (2016: KD 666 thousand).

d) Other commitments

At 31 December 2017, the Group had commitments in respect of uncalled capital contribution relating to investments amounting to KD 46,018 thousand (2016: KD 45,461 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 313,303 thousand (2016: KD 234,909 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 91.7 % (2016: 94.2%) and Government of the State of Kuwait is 8.3 % (2016: 5.58%). 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	
	2017	2016
	KD '000	KD '000
Credit risk exposures relating to financial assets on consolidated statement of financial position:		
Cash and cash equivalents	**1,851**	1,403
Treasury bills and bonds	**146,296**	152,241
Deposits with banks and other financial institutions	**85,404**	106,840
Investments available for sale	**1,394**	1,520
Loans and advances to customers	**345,439**	304,133
Other assets	**11,425**	11,519
Total	**591,809**	577,656
Credit risk exposures relating to items off consolidated statement of financial position:		
Acceptances	**4,319**	5,452
Letters of credit	**22,249**	18,756
Letters of guarantees	**61,967**	55,217
Total	**88,535**	79,425
Total credit risk exposure	**680,344**	657,081

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 loans and advances customers outstanding as a percentage of total loans and advances to customers as at 31 December 2017 is 44.58% (2016: 44.34%).

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.

2017	Total		Derivative type			
			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	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-

2016	Total		Derivative type			
			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	642	5	337	-	305	5
Derivative financial liabilities	642	-	337	-	305	-

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.

2017	**Neither Past due nor Impaired**		
	High Grade	**Standard Grade**	**Total**
	KD '000	**KD '000**	**KD '000**
Loans and advances to customers			
- Industrial loans	**48,904**	**136,340**	**185,244**
- Commercial loans	**50,147**	**114,510**	**164,657**
Total	**99,051**	**250,850**	**349,901**

2016	Neither Past due nor Impaired		
	High Grade	Standard Grade	Total
	KD '000	KD '000	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

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

2017	**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	**3,082**	**-**	**75**	**308**	**3,465**
- Commercial loans	**8,633**	**935**	**30**	**52**	**9,650**
Total	**11,715**	**935**	**105**	**360**	**13,115**
Fair value of collateral	**24,199**	**4,939**	**1,985**	**788**	**31,911**

2016	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	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

Past due and individually impaired loans are as follows:

2017	**Gross exposure**	**Impairment**	**Fair value of Collateral**
	KD '000	**KD '000**	**KD '000**
Loans and advances			
- Industrial loans	**34**	**34**	**-**
- Commercial loans	**181**	**181**	**-**
Total	**215**	**215**	**-**

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	-

2017	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	805	230	344	617	2	-	1,998
Treasury bills and bonds	146,296	-	-	-	-	-	146,296
Deposits with banks and other financial institutions	85,404	-	-	-	-	-	85,404
Investments available for sale	4,655	15,910	14,562	24,186	8,150	2,674	70,137
Loans and advances to customers	345,439	-	-	-	-	-	345,439
Investment in associates	6,643	-	-	-	-	-	6,643
Other assets	11,425	-	-	-	-	-	11,425
Land and buildings	3,929	-	-	-	-	-	3,929
Total assets	604,596	16,140	14,906	24,803	8,152	2,674	671,271
Liabilities and equity							
Deposits from banks and other financial institutions	8,662	1,207	4,587	-	-	-	14,456
Deposits from customers	57,327	-	-	-	4	-	57,331
Other liabilities	22,097	-	-	-	-	-	22,097
Term loans	-	30,175	12,592	-	-	-	42,767
Loan from the State of Kuwait	300,000	-	-	-	-	-	300,000
Equity	234,620	-	-	-	-	-	234,620
Total liabilities and equity	622,706	31,382	17,179	-	4	-	671,271
Acceptances, letters of credit and guarantees	71,625	6,640	7,968	151	2,151	-	88,535

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

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 2017 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	**14,469**	**-**	**-**	**-**	**-**	**14,469**
Deposits from customers	**54,733**	**350**	**2,274**	**-**	**-**	**57,357**
Other liabilities	**-**	**-**	**22,097**	**-**	**-**	**22,097**
Term loans	**-**	**-**	**28,087**	**15,991**	**-**	**44,078**
Loan from the State of Kuwait	**-**	**-**	**-**	**-**	**316,157**	**316,157**
Total undiscounted financial liabilities	**69,202**	**350**	**52,458**	**15,991**	**316,157**	**454,158**

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
Total undiscounted financial liabilities	61,258	3,511	31,439	27,137	318,407	441,752

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

2017	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	**16,112**	**8,850**	**32,364**	**31,209**	**-**	**88,535**

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

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

2017	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	1,998	-	-	1,998
Treasury bills and bonds	32,569	95,977	17,750	146,296
Deposits with banks and other financial institutions	85,404	-	-	85,404
Investments available for sale	-	1,394	68,743	70,137
Loans and advances to customers	190,548	79,582	75,309	345,439
Investment in associates	-	-	6,643	6,643
Other assets	8,925	-	2,500	11,425
Lands and buildings	-	-	3,929	3,929
Total assets	319,444	176,953	174,874	671,271
Liabilities and equity				
Deposits from banks and financial institutions	14,456	-	-	14,456
Deposits from customers	57,331	-	-	57,331
Other liabilities	22,097	-	-	22,097
Term loans	27,680	15,087	-	42,767
Loan from the State of Kuwait	-	-	300,000	300,000
Equity	-	-	234,620	234,620
Total liabilities and equity	121,564	15,087	554,620	671,271
Gap on consolidated statement of financial position	197,880	161,866	(359,746)	-

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	-	1,520	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	329,911	218,504	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)	-

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:

2017			
Currency	**Change in currency rate in %**	**Effect on profit KD '000**	**Effect on other comprehensive income KD '000**
USD	**±1 %**	**(425.71)**	**424.63**
GBP	**±1 %**	**0.48**	**-**
Euro	**±1 %**	**(179.26)**	**146.88**

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

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

	2017	2016
	Long/(short) KD '000	Long/(short) KD '000
US Dollar	**(108)**	5,886
Japanese Yen	**-**	3
Euro	**(3,238)**	129
Pound Sterling	**48**	(188)
UAE Dirham	**58**	13
Other	**275**	194
	2,965	6,037

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2017	Less than 1 year	1 to 5 Years	Over 5 years	Non-interest bearing items	Total	Effective interest rate / range
	KD '000	KD '000	KD '000	KD '000	KD '000	
Assets						
Cash and cash equivalents	1,851	-	-	147	1,998	0.135% - 0.595%
Treasury bills and bonds	32,569	95,977	17,750	-	146,296	1.778% - 2.001%
Deposits with banks and other financial institutions	85,404	-	-	-	85,404	1.933% - 1.952%
Investments available for sale	5,019	627	-	64,491	70,137	8.610% - 11.930%
Loans and advances to customers	193,912	74,855	94,464	(17,792)	345,439	3.598% - 4.385%
Investment in associates	-	-	-	6,643	6,643	-
Other assets	-	-	-	11,425	11,425	-
Lands and buildings	-	-	-	3,929	3,929	-
Total assets	318,755	171,459	112,214	68,843	671,271	
Liabilities and equity						
Deposits from banks and financial institutions	14,456	-	-	-	14,456	0.466% - 0.607%
Deposits from customers	30,169	-	-	27,162	57,331	0.514% - 3.526%
Other liabilities		-	-	22,097	22,097	-
Term loans	42,767	-	-	-	42,767	1.632% - 2.950%
Loan from the State of Kuwait	14,544	-	285,456	-	300,000	0.562% - 0.597%
Equity	-	-	-	234,620	234,620	-
Total liabilities and equity	101,936	-	285,456	283,879	671,271	
On- consolidated statement of financial position gap	216,819	171,459	(173,242)	(215,036)		
Cumulative interest rate sensitivity gap	216,819	388,278	215,036	-		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2016	Less than 1 year	1 to 5 Years	Over 5 years	Non-interest bearing items	Total	Effective interest rate / range
	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	5,131	641	-	64,026	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	366,468	210,102	7,539	72,192	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	-		

The sensitivity to 1% rate change on overall net interest long position amounts to KD 2,150 thousand (2016: KD 1,904 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 2017) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2017	2016
	KD '000	KD '000
Change in the Kuwait Stock Exchange index:		
Effect on investment portfolios on 10% change in index	± 952	**± 1,066**

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 (i.e. derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (i.e. 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 the Funds under available-for-sale was determined significantly based on Level 2 fair value measurement, derived after applying a haircut on the net assets value of the funds reported by the investment managers. During the year ended 31 December 2017, 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:

2017	**Level 1 KD '000**	**Level 2 KD '000**	**Level 3 KD '000**	**Total KD '000**
Bonds	**-**	**-**	**1,394**	**1,394**
Quoted securities	**9,524**	**-**	**-**	**9,524**
Funds	**-**	**57,150**	**-**	**57,150**
Total	**9,524**	**57,150**	**1,394**	**68,068**

2016	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total 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

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 2017 by KD 126 thousand (2016: KD 88 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 items, 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 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;

	2017	2016
	KD '000	KD '000
Risk weighted assets	**565,635**	529,879
Total minimum capital required	**73,532**	68,884
Common Equity Tier 1(CET1) Capital	**225,322**	222,752
Additional Tier 1(AT1) Capital	**-**	-
Tier 2 Capital	**6,620**	6,274
	231,942	229,026
CET 1 capital adequacy ratio	**39.84%**	42.04%
Tier 1 capital adequacy ratio	**39.84%**	42.04%

Total capital adequacy ratio	**41.01%**	43.22%

The Group's financial leverage ratio for the year ended 31 December 2017, is calculated in accordance with CBK circular number 2/BS/342/2014 dated 21 October 2014 and is shown below:

	2017	2016
	KD '000	KD '000
Tier 1 Capital	**225,322**	222,752
Total exposure	**741,951**	689,121
Leverage ratio	**30.37%**	%32.32

الصناعي
IBK

الصناعي

IBK

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

Chairman of the board
22337602 - 22337603

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: 22337500

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

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

UCs 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

الصناعي
IBK

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