

# Financial Statements and Auditors' Report

## For the Year ended 31 December 2005

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## Board of Directors' Report

### 2005 Profit and Loss Account:

National Bank of Kuwait Group generated a net profit after minority interests of KD 205.6 million in 2005, a rise of 36.8% over the KD 150.3 million earned in 2004. Net operating profit before provisions, minority interests, taxes, and mandatory contributions to KFAS was KD 238.5 million compared to KD 172.7 million in 2004, a rise of 38.1%.

Net profit was principally allocated as follows:

1. KD 112.85 million to the dividend account for the distribution of a cash dividend of 70 fils per share (60 fils in 2004) subject to the approval of shareholders at the annual general meeting.
2. KD 16.25 million to the share capital account to cover the issuance of bonus shares equal to 10% of share capital at the end of 2005 (equivalent to 162,528,830 shares with a nominal value of 100 fils per share) subject to the approval of shareholders at the annual general meeting.
3. KD 3.87 million to the statutory reserve account to increase the balance to the minimum requirement of 50% of share capital.
4. KD 72.17 million to retained earnings.

Net interest income was KD 219.7 million, rising by 44.4% from the 2004 level. The figure reflects an improvement in net interest margins in part due to the general increase in interest rates following Central Bank of Kuwait (CBK) actions to raise the discount rate five times during the year by a total increase of one and a quarter percent. An increase in business volumes and a rich product mix also contributed to the increase. Interest income was 44.9% higher, while interest expense rose by 46.0%.

Non-interest income increased by 17.2% to reach KD 91.7 million. Fees and commissions, the largest contributor to this increase and second largest source of income for the Group, rose by 15.6% to KD 64.3 million. Net gains from dealing in foreign currencies rose by 15.7% to KD 13.1 million and net gains from investment securities increased by 16.2% to KD 10.8 million. This improvement reflected in part the excellent performance of local and regional markets.

Operating expenses, excluding provisions, rose by 26.3% during 2005. This increase in costs was generally driven by higher staff expenses as well as expenditures on technology, sales and marketing in line with our strategy and designed to add sustainable long-term value to the Group. Despite the rise in cost, the cost-to-income ratio continued to improve, falling from 25.1% in 2004 to 23.4%. Credit loss provisions were KD 23.7 million compared to KD 15.1 million in 2004, with the increase largely reflecting the growth in the loan portfolio. The Group sets aside 2% of its outstanding credit facilities as general provisions in accordance with Central Bank of Kuwait regulations.

The Group saw an increase in the amounts paid in taxes to various Kuwaiti authorities as a result of higher net profit. The National Labour Support Tax rose to KD 4.8 million in 2005 from KD 3.8 million in 2004, while the mandatory contribution to the Kuwait Foundation for the Advancement of Science (KFAS) increased to KD 2.0 million from KD 1.5 million in 2004.

**2005 Balance Sheet:**

Total assets of the Group stood at KD 6,200 million at the end of 2005, up 11.3% from KD 5,573 million at the end of 2004. Loans and advances, net of provisions, rose by 22.5% to KD 3,364 million from their level at the end of 2004. The Group continued to adhere to a conservative credit policy, which stresses a balanced diversification of the portfolio across geographic areas and business sectors.

In accordance with the policies of the Central Bank of Kuwait on provisioning for credit losses, the Group's general provisions relating to on-balance sheet credit facilities increased to KD 64.8 million from KD 47.4 million in 2004, while specific provisions stood at KD 42.3 million compared to KD 39.0 million in 2004. The general provision for off-balance sheet credit facilities increased to KD 15.8 million from KD 15.5 million in 2004. The quality of the Group's loan portfolio improved further in 2005 as the ratio of non-performing loans (NPLs) to gross loans dropped to 1.38% from 1.53% in 2004 and NPL coverage by provisions rose to 223% (200% in 2004).

The Group continued to maintain a strong liquidity position. Cash, short-term funds, and debt instruments of the Kuwait Treasury and the Central Bank of Kuwait rose by KD 100 million to KD 1,066 million. In accordance with the 1993 law number 41 concerning the settlement of difficult debts, and the Central Bank of Kuwait's policy in this regard, the Bank's holdings of Debt Purchase Bonds issued by the Government of Kuwait were reduced by 45.5% to KD 53.3 million from KD 97.8 million in 2004, and accounted for 0.9% of total consolidated assets at the end of 2005.

Customer deposits increased by 21.9% to KD 3,957 million compared to KD 3,245 million at the end of 2004. Floating rate bonds issued in 2002 with a principal amount of USD 450 million (equivalent to KD 133.1 million) were redeemed in full on 19 February 2005.

Shareholders' equity, excluding the proposed cash dividend of KD 112.85 million but including the proposed bonus share issue of KD 16.25 million (equivalent to 162.5 million shares at 100 fils each), increased to KD 657 million from KD 562 million in 2004. The cumulative changes in fair values reserve rose to KD 35.9 million from KD 23.9 million in 2004, reflecting higher unrealised gains in the Group's investments.

Loans and facilities provided by the Bank to members of the Board of Directors and to related parties amounted to KD 134 million in cash facilities and KD 73 million in non-cash facilities (L/Cs and L/Gs) against collateral of KD 433 million. Deposits of Board members and related parties were KD 43 million. Loans and facilities to the Bank's executive management amounted to KD 451 thousand in cash and non-cash facilities, while deposits of the Bank's executive management amounted to KD 440 thousand.

## Consolidated Statement of Income

For the year ended 31 December 2005

	Notes	2005 KD 000's	2004 KD 000's	2005 USD 000's	2004 USD 000's
Interest income	4	331,092	228,445	1,133,877	782,346
Interest expense	5	111,344	76,251	381,315	261,134
<b>Net Interest Income</b>		<b>219,748</b>	152,194	<b>752,562</b>	521,212
Fees and commissions		64,300	55,605	220,205	190,428
Net gains from investment securities		10,828	9,319	37,082	31,915
Net gains from dealing in foreign currencies		13,086	11,310	44,815	38,733
Dividend income		1,766	1,601	6,048	5,483
Share of profit of associate		1,457	168	4,990	575
Other income		278	278	952	952
<b>Operating Income</b>		<b>311,463</b>	230,475	<b>1,066,654</b>	789,298
Staff expenses		43,750	34,395	149,829	117,791
Other administrative expenses		26,310	20,660	90,103	70,753
Depreciation		2,916	2,747	9,986	9,408
<b>Operating Expenses</b>		<b>72,976</b>	57,802	<b>249,918</b>	197,952
<b>Operating profit before provision for credit losses</b>		<b>238,487</b>	172,673	<b>816,736</b>	591,346
Provision charge for credit losses - specific	7	5,760	1,325	19,726	4,538
Provision charge for credit losses - general	7	17,913	13,785	61,346	47,209
<b>Operating Profit</b>		<b>214,814</b>	157,563	<b>735,664</b>	539,599
National labour support tax		4,811	3,783	16,476	12,956
Contribution to KFAS		1,989	1,529	6,811	5,236
Taxation on overseas branches and subsidiaries		2,112	1,792	7,233	6,137
<b>Net profit for the year</b>		<b>205,902</b>	150,459	<b>705,144</b>	515,270
Attributable to:					
Shareholders of the parent Bank		205,612	150,289	704,151	514,688
Minority interests		290	170	993	582
		<b>205,902</b>	150,459	<b>705,144</b>	515,270
<b>Earnings per share attributable to shareholders of the parent bank</b>	22	<b>127 fils</b>	93 fils	<b>44 cents</b>	32 cents

The attached notes 1 to 28 form part of these financial statements.

## Consolidated Balance Sheet

As of 31 December 2005

	Notes	2005 KD 000's	2004 KD 000's	2005 USD 000's	2004 USD 000's
<b>Assets</b>					
Cash and short term funds	6	580,434	391,660	1,987,788	1,341,302
Central Bank of Kuwait bonds		9,900	-	33,904	-
Kuwait Government treasury bills		-	330,693	-	1,132,510
Kuwait Government treasury bonds		475,282	243,116	1,627,678	832,589
Deposits with banks and other financial institutions		1,049,259	750,222	3,593,353	2,569,253
Loans and advances to customers	7	3,363,654	2,744,722	11,519,363	9,399,733
Investment securities	8	501,615	861,026	1,717,859	2,948,719
Kuwait Government debt bonds	9	53,262	97,773	182,404	334,839
Investment in associate	10	23,680	16,435	81,096	56,284
Land, premises and equipment		78,957	40,942	270,401	140,212
Other assets	11	64,279	96,394	220,133	330,117
<b>Total assets</b>		<b>6,200,322</b>	<b>5,572,983</b>	<b>21,233,979</b>	<b>19,085,558</b>
<b>Liabilities</b>					
Due to banks and other financial institutions		1,322,308	1,397,440	4,528,452	4,785,753
Customers' deposits		3,956,523	3,244,640	13,549,736	11,111,781
Certificates of deposit issued	12	9,638	20,776	33,007	71,151
Floating rate bonds issued	13	-	133,088	-	450,000
Other liabilities	14	136,910	121,149	468,870	420,675
<b>Total liabilities</b>		<b>5,425,379</b>	<b>4,917,093</b>	<b>18,580,065</b>	<b>16,839,360</b>
<b>Equity</b>					
<b>Equity attributable to shareholders of the parent Bank</b>					
Share capital	15	162,529	154,790	556,607	530,103
Proposed bonus shares	16	16,253	7,739	55,661	26,503
Statutory reserve	15	81,265	77,395	278,305	265,052
Share premium account	15	37,862	37,862	129,664	129,664
Treasury shares	15	(17,595)	(10,431)	(60,257)	(35,723)
General reserve	15	115,188	117,396	394,479	402,041
Retained earnings		225,202	153,033	771,240	524,086
Cumulative changes in fair values	15	35,923	23,866	123,024	81,733
Total share capital and reserves		656,627	561,650	2,248,723	1,923,459
Proposed cash dividend	16	112,853	92,413	386,482	316,482
		769,480	654,063	2,635,205	2,239,941
Minority interests		5,463	1,827	18,709	6,257
<b>Total equity</b>		<b>774,943</b>	<b>655,890</b>	<b>2,653,914</b>	<b>2,246,198</b>
<b>Total liabilities and equity</b>		<b>6,200,322</b>	<b>5,572,983</b>	<b>21,233,979</b>	<b>19,085,558</b>

Mohammed Abdul Rahman Al-Bahar  
Chairman

Nasser Musaed Abdullah Al-Sayer  
Vice Chairman

Ibrahim Shucri Dabdoub  
Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2005

	Note	2005 KD 000's	2004 KD 000's	2005 USD 000's	2004 USD 000's
<b>Operating activities</b>					
Net profit for the year		205,902	150,459	705,144	515,270
Adjustments for non-cash items:					
Share of profit of associate		(1,457)	(168)	(4,990)	(575)
Depreciation		2,916	2,747	9,986	9,408
Provision for credit losses		23,673	15,110	81,072	51,747
Translation adjustment		(2,252)	729	(7,712)	2,496
Operating profit before changes in operating assets and liabilities		228,782	168,877	783,500	578,346
Changes in operating assets and liabilities:					
Central Bank of Kuwait bonds		(9,900)	-	(33,904)	-
Kuwait Government treasury bills		330,693	87,652	1,132,510	300,178
Kuwait Government treasury bonds		(232,166)	(15,334)	(795,089)	(52,514)
Deposits with banks and other financial institutions		(299,037)	457,308	(1,024,099)	1,566,123
Loans and advances to customers		(642,279)	(265,968)	(2,199,586)	(910,849)
Kuwait Government debt bonds		44,511	37,547	152,435	128,586
Other assets		32,115	(40,818)	109,983	(139,787)
Due to banks and other financial institutions		(75,132)	11,884	(257,301)	40,699
Customers' deposits		711,883	242,064	2,437,955	828,986
Certificates of deposit issued		(11,138)	(199,224)	(38,144)	(682,274)
Other liabilities		19,022	(14,180)	59,363	(48,562)
Net cash from operating activities		97,354	469,808	327,623	1,608,932
<b>Investing activities</b>					
Purchase of investment securities		(125,311)	(428,444)	(429,147)	(1,467,274)
Sale/redemption of investment securities		496,779	295,658	1,701,298	1,012,528
Proceeds from sale of land, premises and equipment		196	48	671	164
Acquisition of land, premises and equipment		(41,127)	(4,144)	(140,846)	(14,192)
Investment in associate		(5,985)	(16,267)	(20,497)	(55,709)
Net cash from (used in) investing activities		324,552	(153,149)	1,111,479	(524,483)
<b>Financing activities</b>					
Redemption of floating rate bonds issued		(133,088)	-	(450,000)	-
Dividends paid		(92,713)	(73,344)	(317,510)	(251,178)
Sale of treasury shares		7,285	-	24,949	-
Purchase of treasury shares		(14,616)	(10,431)	(50,055)	(35,723)
Net cash used in financing activities		(233,132)	(83,775)	(792,616)	(286,901)
<b>Increase in cash and short term funds</b>		<b>188,774</b>	<b>232,884</b>	<b>646,486</b>	<b>797,548</b>
Cash and short term funds at the beginning of the year		391,660	158,776	1,341,302	543,754
<b>Cash and short term funds at the end of the year</b>	6	<b>580,434</b>	<b>391,660</b>	<b>1,987,788</b>	<b>1,341,302</b>

The attached notes 1 to 28 form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Equity attributable to shareholders of the parent Bank											KD 000's	
	Share capital	Proposed bonus shares	Statutory reserve	Share premium account	Treasury shares	General reserve	Retained earnings	Proposed cash dividend	Cumulative changes in fair values	Total	Minority interests	Total	
At 31 December 2004	154,790	7,739	77,395	37,862	(10,431)	117,396	153,033	92,413	23,866	654,063	1,827	655,890	
Transfer to statutory reserve (Note 15)	-	-	3,870	-	-	-	(3,870)	-	-	-	-	-	
Issue of bonus shares	7,739	(7,739)	-	-	-	-	-	-	-	-	-	-	
Dividends paid on treasury shares sold	-	-	-	-	-	-	(300)	300	-	-	-	-	
Sale of treasury shares	-	-	-	-	7,452	-	(167)	-	-	7,285	-	7,285	
Purchase of treasury shares	-	-	-	-	(14,616)	-	-	-	-	(14,616)	-	(14,616)	
Dividends paid	-	-	-	-	-	-	-	(92,713)	-	(92,713)	-	(92,713)	
Net profit for the year	-	-	-	-	-	-	205,612	-	-	205,612	290	205,902	
Proposed bonus shares	-	16,253	-	-	-	-	(16,253)	-	-	-	-	-	
Proposed cash dividend 70 fils per share	-	-	-	-	-	-	(112,853)	112,853	-	-	-	-	
Net fair value reserve movement	-	-	-	-	-	-	-	-	12,057	12,057	-	12,057	
Translation adjustment	-	-	-	-	-	(2,208)	-	-	-	(2,208)	(44)	(2,252)	
Acquired/incorporated subsidiaries	-	-	-	-	-	-	-	-	-	-	3,390	3,390	
<b>At 31 December 2005</b>	<b>162,529</b>	<b>16,253</b>	<b>81,265</b>	<b>37,862</b>	<b>(17,595)</b>	<b>115,188</b>	<b>225,202</b>	<b>112,853</b>	<b>35,923</b>	<b>769,480</b>	<b>5,463</b>	<b>774,943</b>	
At 31 December 2003	147,419	7,371	73,710	37,862	-	116,410	106,216	73,709	13,420	576,117	1,914	578,031	
Transfer to statutory reserve (Note 15)	-	-	3,685	-	-	-	(3,685)	-	-	-	-	-	
Issue of bonus shares	7,371	(7,371)	-	-	-	-	-	-	-	-	-	-	
Dividend on treasury shares	-	-	-	-	-	-	365	(365)	-	-	-	-	
Purchase of treasury shares	-	-	-	-	(10,431)	-	-	-	-	(10,431)	-	(10,431)	
Dividends paid	-	-	-	-	-	-	-	(73,344)	-	(73,344)	-	(73,344)	
Net profit for the year	-	-	-	-	-	-	150,289	-	-	150,289	170	150,459	
Proposed bonus shares	-	7,739	-	-	-	-	(7,739)	-	-	-	-	-	
Proposed cash dividend 60 fils per share	-	-	-	-	-	-	(92,413)	92,413	-	-	-	-	
Net fair value reserve movement	-	-	-	-	-	-	-	-	10,446	10,446	-	10,446	
Translation adjustment	-	-	-	-	-	986	-	-	-	986	(257)	729	
At 31 December 2004	154,790	7,739	77,395	37,862	(10,431)	117,396	153,033	92,413	23,866	654,063	1,827	655,890	

The attached notes 1 to 28 form part of these financial statements.

# Notes to the Consolidated Financial Statements

31 December 2005

## 1. INCORPORATION AND REGISTRATION

The consolidated financial statements of National Bank of Kuwait S.A.K. (“the Bank”) and its subsidiaries (collectively “the Group”) for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 3 January 2006. The Bank is a public shareholding company incorporated in Kuwait in 1952 and is registered as a bank with the Central Bank of Kuwait. The Bank’s head office is at Abdullah Al Ahmed Street, PO Box 95 Safat, 13001 Kuwait.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for a collective provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

The consolidated financial statements comprise the financial statements of National Bank of Kuwait S.A.K. and its subsidiaries as at 31 December each year.

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives and investment securities other than held to maturity investments. In addition, as more fully described below, assets and liabilities that are hedged, in fair value hedging relationships, are carried at fair value to the extent of the risk being hedged.

The financial statements have been presented in Kuwaiti Dinars (thousands) which is the functional currency of the Bank.

The accounting policies, with the exception of the adoption of the revised versions of IAS 32 and IAS 39, are consistent with those used in the previous year.

### Adoption of revised versions of IAS 32 and IAS 39

The Group has adopted the revised versions of IAS 32 and IAS 39 which have become mandatory for the financial years beginning on or after 1 January 2005. The principal effects of these changes in policies are as follows:

The Group now classifies investment securities upon initial recognition into the following three categories:

- Held to maturity
- Available for sale
- Investments carried at fair value through statement of income

### Impairment of available for sale investments

In the case of available for sale equity investments, reversal of previously recognised impairment losses are no longer recorded through the statement of income but as increases in cumulative changes in fair value. There was no impact on the statement of income for 2005 as there were no such reversals in that year.

### Derecognition of financial assets

With effect from 1 January 2005 a financial asset (in whole or in part) is derecognised when the contractual rights to cash flows from the financial asset expire, the Group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of National Bank of Kuwait S.A.K. and its subsidiaries. The financial statements of subsidiaries and associates are prepared using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full.

## **Subsidiaries**

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are unconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference (negative goodwill) is recognised directly in the statement of income.

## **Associates**

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is initially recognised at cost and subsequently accounted for by the equity method of accounting. The Bank's investment in associates includes goodwill identified on acquisition. The Bank's share of its associate's post-acquisition profits or losses is recognised in the statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

## **2.3 Foreign currencies**

Foreign currency transactions are recorded in Kuwaiti dinars at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Kuwaiti dinars at rates of exchange ruling at the balance sheet date. Any resultant gains or losses are taken to the statement of income.

Translation differences arising from the application of closing rates of exchange to the opening net assets of overseas subsidiaries are taken directly to reserves.

## **2.4 Revenue recognition**

Interest income and fees which are considered an integral part of the effective yield of a financial asset, are recognised using the effective yield method, unless collectibility is in doubt. The recognition of interest income is suspended when loans become impaired, such as when overdue by more than 90 days. Other fees receivable are recognised as the services are provided. Dividend income is recognised when the right to receive payment is established.

## **2.5 Cash and short term funds**

Cash and short term funds consist of cash in hand and on current account with other banks together with money at call and deposits with banks and other financial institutions maturing within seven days.

## **2.6 Central Bank of Kuwait bonds**

Central Bank of Kuwait bonds are initially recognised at cost. Premiums and discounts are amortised on a systematic basis to their maturity. These Central Bank of Kuwait bonds are considered as liquid assets.

## **2.7 Kuwait Government treasury bills**

Kuwait Government treasury bills are initially recognised at cost. Premiums and discounts are amortised on a systematic basis to their maturity. These treasury bills are issued by the Central Bank of Kuwait on behalf of the Ministry of Finance and are considered as liquid assets in accordance with the instructions of the Central Bank of Kuwait.

## Notes to the Consolidated Financial Statements

31 December 2005

### **2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **2.8 Kuwait Government treasury bonds**

Kuwait Government treasury bonds are initially recognised at cost. Premiums and discounts are amortised on a systematic basis to their maturity. These treasury bonds are issued by the Central Bank of Kuwait on behalf of the Ministry of Finance and are considered as liquid assets in accordance with the instructions of the Central Bank of Kuwait.

#### **2.9 Deposits with banks and other financial institutions**

Deposits with banks and other financial institutions are stated at cost less any amounts written off and provision for impairment. The carrying value of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged.

#### **2.10 Loans and advances to customers**

Loans and advances are stated at cost less any amounts written off, and net of suspended interest and provision for impairment. The carrying value of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged.

#### **2.11 Investment securities**

These are classified as follows:

- Held to maturity
- Available for sale
- Investments carried at fair value through statement of income

All investments are initially recognised at cost, being the fair value of the consideration given including directly attributable transaction costs.

Premiums and discounts on non-trading investments (excluding those carried at fair value through statement of income) are amortised using the effective yield method and taken to interest income.

##### **Held to maturity**

Investments which have fixed or determinable repayment dates which are intended to be held to maturity, are carried at amortised cost, less provision for impairment in value.

##### **Available for sale**

After initial recognition, investments which are classified as "available for sale" are normally remeasured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes which are not part of an effective hedging relationship, are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported as "cumulative changes in fair values" within equity, is included in the statement of income for the period. In case of a reversal of previously recognised impairment losses, such changes will not be recognised in the current statement of income but will be recorded as an increase in the reserve for cumulative changes in fair values.

That portion of any fair value changes relating to an effective hedging relationship is recognised directly in the statement of income.

##### **Investments carried at fair value through statement of income**

Investments are classified as fair value through statement of income if the fair value of the investment can be reliably measured and the classification as fair value through statement of income account is as per the documented strategy of the Group. Investments classified as "investments carried at fair value through statement of income" are remeasured at fair value with all changes in fair value being recorded in the statement of income.

## **2.12 Significant accounting judgements and estimation uncertainty**

### **Accounting judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

#### **Classification of investments**

Management has to decide on acquisition of an investment whether it should be classified as held to maturity, available for sale or investments carried at fair value through statement of income.

For those deemed to be held to maturity, the Group ensures that the requirements of IAS 39 are met and in particular the Group has the intention and ability to hold these to maturity.

The Group classifies investments as carried at fair value through statement of income if they are acquired primarily for the purpose of short term profit making.

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 judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### **Impairment losses on loans and advances and investment in debt instruments**

The Group reviews problem loans and advances and investment in debt instruments on a quarterly basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. 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.

#### **Valuation of unquoted investments**

Valuation of unquoted investments is normally based on one of the following:

- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics
- recent arm's length market transactions
- current fair value of another instrument that is substantially the same or
- valuation models

The determination of the cash flows and discount factors for unquoted investments requires significant estimation.

## **2.13 Kuwait Government debt bonds**

Kuwait Government debt bonds are stated at cost less provision for impairment in value, if any.

## **2.14 Land, premises and equipment**

Land and premises comprise mainly branches and offices. All premises and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

## Notes to the Consolidated Financial Statements

31 December 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.14 Land, premises and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building on leasehold land	term of lease (maximum 20 years)
Building on freehold land	50 years
Equipment	3-5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of income.

#### 2.15 Customers' deposits

All customer deposits are carried at cost, less amounts repaid and adjustments for effective fair value hedges.

#### 2.16 Certificates of deposit issued

Certificates of deposit are recognised initially at cost being their issue proceeds less transaction costs. Subsequently, certificates of deposit are stated at amortised cost less amounts repaid.

#### 2.17 Floating rate bonds issued

Floating rate bonds issued are recognised initially at cost being their issue proceeds less transaction costs. Subsequently, floating rate bonds issued are carried at amortised cost less amounts redeemed.

#### 2.18 Treasury shares

The Bank's holding of its own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve amount. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### 2.19 Fair values

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

For financial instruments where there is no active market, fair value is normally based on one of the following:

- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics
- brokers' quotes
- recent transactions
- option pricing models

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

#### 2.20 Repurchase and resale agreements

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

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

### **2.21 Offsetting**

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

### **2.22 Impairment of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income.

Impairment is determined as follows:

- for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate
- for assets carried at fair value, impairment is the difference between cost and fair value
- for assets carried at cost, impairment is the difference between actual cost and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset

For available for sale equity investments reversal of impairment losses are recorded as increases in the cumulative changes in fair values reserve.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 2% is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

### **2.23 Taxation**

Taxation is provided for in accordance with the fiscal regulations of the respective countries in which the Group operates.

### **2.24 Derivative instruments**

The Group enters into derivative instrument transactions including futures, forwards, swaps and options in the foreign exchange and capital markets. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

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

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument is recognised immediately in the statement of income. The hedged items are adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the statement of income. Where the adjustment relates to a hedged interest-bearing financial instrument, the adjustment is amortised to the statement of income on a systematic basis such that it is fully amortised by maturity.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in equity and any ineffective portion is recognised in the statement of income. The gains or losses on cash flow hedges recognised initially in equity are transferred to the statement of income in the period in which the hedged transaction impacts the statement of income. Where the hedged transaction results in the recognition of an asset or liability the associated gains or losses that had initially been recognised in equity are included in the initial measurement of the cost of the related asset or liability.

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

## Notes to the Consolidated Financial Statements

31 December 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.24 Derivative instruments (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting or is revoked by the Group. For cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs. In the case of fair value hedges of interest-bearing financial instruments, any adjustment relating to the hedge is amortised over the remaining term to maturity. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of income.

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

#### 2.25 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### 2.26 Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in these consolidated financial statements.

#### 2.27 Basis of translation

The United States dollar amounts in the consolidated statement of income, consolidated balance sheet and consolidated statement of cash flows represent supplementary information and have been translated at a rate of KD 0.292 per USD which represents the mid-market rate at 31 December 2005.

### 3. GEOGRAPHICAL AND BUSINESS SEGMENTS

#### (a) Geographical segments

The Group operates in two geographic markets, domestic and international. Kuwait is designated as domestic. These markets form the basis on which the Group reports its primary segmental information.

The geographical analysis of operating income, profit, total assets and total liabilities is based primarily upon the location of the branch or subsidiary responsible for reporting the results.

Transactions between segments are conducted at market rates on an arm's length basis.

	Domestic		International		Total	
	2005 KD 000's	2004 KD 000's	2005 KD 000's	2004 KD 000's	2005 KD 000's	2004 KD 000's
Operating income	267,149	193,237	44,314	37,238	311,463	230,475
Profit for the year	182,021	132,400	23,881	18,059	205,902	150,459
Total assets	4,265,734	3,663,105	1,934,588	1,909,878	6,200,322	5,572,983
Total liabilities	3,594,998	3,251,645	1,830,381	1,665,448	5,425,379	4,917,093

#### (b) Business segments

Although the management of the Group is based primarily on geographical segments, it operates in two major business segments; Commercial Banking and Investment Banking & Asset Management. Commercial Banking delivers a variety of products and services to NBK customers which include, lending, deposit taking, trade finance, foreign exchange and custody.

Investment Banking provides cross border financial advisory services and other corporate finance services to corporate and institutional clients and Government agencies in Kuwait and the Middle East region.

Asset Management offers investment services through a diverse range of investment funds to retail customers and portfolio management to high net worth individuals and institutional clients. These services include the management of a variety of mutual funds, some of which are in association with other professional fund managers. The assets of these funds do not form part of the Group's assets and, accordingly, are not included in the consolidated financial statements. As at 31 December 2005 the funds under management are KD 1,876 million (2004: KD 1,845 million).

	2005 KD 000's	2004 KD 000's
<b>Operating income</b>		
Commercial Banking	293,515	215,848
Investment Banking and Asset Management	17,948	14,627
	<b>311,463</b>	230,475
<b>Assets</b>		
Commercial Banking	6,134,789	5,486,803
Investment Banking and Asset Management	65,533	86,180
	<b>6,200,322</b>	5,572,983

#### 4. INTEREST INCOME

	2005 KD 000's	2004 KD 000's
Deposits with banks and other financial institutions	49,979	35,576
Loans and advances to customers	238,744	152,917
Other	42,369	39,952
	<b>331,092</b>	228,445

#### 5. INTEREST EXPENSE

	2005 KD 000's	2004 KD 000's
Due to banks and other financial institutions	37,154	30,573
Customers' deposits	72,753	40,240
Other	1,437	5,438
	<b>111,344</b>	76,251

#### 6. CASH AND SHORT TERM FUNDS

	2005 KD 000's	2004 KD 000's
Balances with Central Bank of Kuwait	1,768	37
Cash on hand and on current account with other banks	88,442	96,313
Money at call	107,740	41,039
Deposits with banks and other financial institutions maturing within seven days	382,484	254,271
	<b>580,434</b>	391,660

## Notes to the Consolidated Financial Statements

31 December 2005

### 7. LOANS AND ADVANCES TO CUSTOMERS

	Middle East KD 000's	North America KD 000's	Europe KD 000's	Asia KD 000's	Other KD 000's	Total KD 000's
<b>2005</b>						
Commercial	2,085,302	63,848	90,394	55,847	10,285	2,305,676
Personal	1,159,799	301	4,923	-	-	1,165,023
Loans and advances	<b>3,245,101</b>	<b>64,149</b>	<b>95,317</b>	<b>55,847</b>	<b>10,285</b>	<b>3,470,699</b>
Provision for credit losses						<b>(107,045)</b>
						<b>3,363,654</b>
<b>2004</b>						
Commercial	1,744,492	66,787	96,435	72,300	29,810	2,009,824
Personal	816,154	-	5,162	-	-	821,316
Loans and advances	2,560,646	66,787	101,597	72,300	29,810	2,831,140
Provision for credit losses						<b>(86,418)</b>
						2,744,722

Provisions for credit losses on cash facilities are as follows:

	Specific		General		Total	
	2005 KD 000's	2004 KD 000's	2005 KD 000's	2004 KD 000's	2005 KD 000's	2004 KD 000's
Balance at beginning of year	<b>38,982</b>	44,141	<b>47,436</b>	36,681	<b>86,418</b>	80,822
Amounts written off and foreign exchange movements	<b>(602)</b>	(389)	<b>(466)</b>	216	<b>(1,068)</b>	(173)
Adjustments under Law 41/93	<b>(1,850)</b>	(6,095)	-	-	<b>(1,850)</b>	(6,095)
Provision in subsidiary acquired	-	-	<b>198</b>	-	<b>198</b>	-
Provided during the year	<b>5,760</b>	1,325	<b>17,587</b>	10,539	<b>23,347</b>	11,864
Balance at end of year	<b>42,290</b>	38,982	<b>64,755</b>	47,436	<b>107,045</b>	86,418

The provision charge for the year on non-cash facilities is KD 326 thousand (2004: KD 3,246 thousand). The available provision on non-cash facilities of KD 15,801 thousand (2004: KD 15,475 thousand) is included under other liabilities (Note 14).

The analysis of specific and general provisions set out above is based on the requirements of the Central Bank of Kuwait. According to the Central Bank of Kuwait instructions, a general provision of 2% has been made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

For further details regarding Law 41/93 refer to note 9.

Non-performing loans and advances and specific provisions are split between facilities granted pre-invasion and post-liberation, as follows:

	Pre-invasion KD 000's	Post-liberation KD 000's	Total KD 000's
<b>2005</b>			
Loans and advances	<b>20,131</b>	<b>27,769</b>	<b>47,900</b>
Provisions	<b>19,851</b>	<b>22,439</b>	<b>42,290</b>
<b>2004</b>			
Loans and advances	22,026	21,211	43,237
Provisions	21,744	17,238	38,982

## 8. INVESTMENT SECURITIES

	Debt securities KD 000's	Equities KD 000's	Other investments KD 000's	2005 Total KD 000's	2004 Total KD 000's
Held to maturity	21,879	-	-	21,879	38,628
Available for sale	328,646	91,380	28,312	448,338	651,057
Investments carried at fair value through statement of income	-	-	31,398	31,398	171,341
	<b>350,525</b>	<b>91,380</b>	<b>59,710</b>	<b>501,615</b>	861,026

## 9. KUWAIT GOVERNMENT DEBT BONDS

The Central Bank of Kuwait purchased resident Kuwaiti and GCC customers' debts existing at 1 August 1990, in addition to related interest up to 31 December 1991, on behalf of the Government of Kuwait in accordance with Decree 32/92 and Law 41/93, as amended, in respect of the purchase by the Government of such debts and the procedure for their collection.

The purchase value of these debts was determined in accordance with the Decree and has been settled by the issue of bonds, with a value date of 31 December 1991 and maturing over a maximum period of twenty years from the date of issuance. During 2005 there was a net redemption of KD 45 million (2004: KD 38 million). Interest is at a rate fixed semi-annually by the Central Bank of Kuwait, and is payable semi-annually in arrears. The average rate of interest paid by the Central Bank of Kuwait for 2005 was 2.64 % (2004: 1.82%).

Under the terms of the purchase agreement with the Central Bank of Kuwait, the amount of the bonds will be adjusted in respect of any difference arising, once the balances of the related debts have been agreed with the customers concerned. The Group, therefore, has a contingent liability in this regard.

## 10. INVESTMENT IN ASSOCIATE

Investment in associate represents the Bank's investment in 20% of the equity of The International Bank of Qatar Q.S.C. (formerly Grindlays Bank Qatar Q.S.C.). The movement in the carrying amount during the year represents the Bank's participation in a rights issue at a cost of KD 6.0 million and its share of profit net of dividend. The goodwill paid on acquisition of the associate amounted to KD 10.4 million. During the year no impairment loss was recognised and the fair value is not significantly different from the carrying value.

## 11. OTHER ASSETS

	2005 KD 000's	2004 KD 000's
Interest receivable	48,669	39,987
Sundry debtors and prepayments	7,816	5,169
Other	7,794	51,238
	<b>64,279</b>	96,394

## 12. CERTIFICATES OF DEPOSIT ISSUED

Certificates of deposit outstanding at the balance sheet date amounted to KD 10 million (2004: KD 21 million). These certificates of deposits are issued in USD and bear interest payable at maturity at rates ranging from 3.66% to 4.58% (2004: 2.4% to 2.94%). These certificates of deposit mature within 12 months from the balance sheet date.

## 13. FLOATING RATE BONDS ISSUED

On 19 February 2002, the Bank issued floating rate bonds with a principal amount of USD 450 million at an issue price of 100%. The bonds carried an interest rate of 0.25% per annum above the London inter-bank offered rate for three month US dollar deposits, payable quarterly in arrears. The bonds were in bearer form in denomination of USD 100,000 and were redeemed in full on 19 February 2005.

## Notes to the Consolidated Financial Statements

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### 14. OTHER LIABILITIES

	2005 KD 000's	2004 KD 000's
Interest payable	19,655	22,230
Interest received in advance	15,636	10,804
Taxation and contribution to KFAS	11,179	7,643
General provision on non-cash facilities	15,801	15,475
Other	74,639	64,997
	<b>136,910</b>	<b>121,149</b>

### 15. SHARE CAPITAL AND RESERVES

The authorised, issued and fully paid share capital as of 31 December 2005 comprised 1,625,288,306 shares of KD 0.100 each (2004: 1,547,893,625 shares of KD 0.100 each).

In accordance with the Law of Commercial Companies and the Bank's Articles of Association, the Bank has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. Accordingly the transfer to statutory reserve, which is less than 10% of the profit for the year, is that amount required to raise the reserve to 50% of paid up share capital.

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

The balance in the share premium account is not available for distribution.

At 31 December 2005, the Bank held 13,106,262 treasury shares (2004: 7,670,250) representing 0.81% (2004: 0.50%) of the issued share capital of the Bank as at that date. The cost and market value of the treasury shares at 31 December 2005 was KD 17,595 thousand and KD 28,834 thousand respectively (2004: KD 10,431 thousand and KD 10,278 thousand respectively). A part of the Bank's reserves that is proportionate to the treasury share holding is not available for distribution.

The general reserve was created in accordance with the Bank's Articles of Association and is freely distributable.

The cumulative changes in fair values reserve is analysed as follows:

	Cash flow hedges KD 000's	Available for sale portfolio KD 000's	Total KD 000's
Balance at 31 December 2004	(61)	23,927	23,866
Net unrealised gains	-	13,190	13,190
Net realised losses (gains)	61	(1,194)	(1,133)
<b>Balance at 31 December 2005</b>	<b>-</b>	<b>35,923</b>	<b>35,923</b>
Balance at 31 December 2003	(291)	13,711	13,420
Net unrealised (losses) gains	(61)	11,492	11,431
Net realised losses (gains)	291	(1,276)	(985)
Balance at 31 December 2004	(61)	23,927	23,866

### 16. PROPOSED DIVIDEND

The Board of Directors recommended distribution of a cash dividend of 70 fils per share (2004: 60 fils per share) and bonus shares of 10% (2004: 5%) on outstanding shares as at 31 December 2005. The proposed dividend, if approved, shall be payable to the shareholders registered in the Bank's records as of the date of the general assembly meeting.

## 17. SUBSIDIARY COMPANIES

Principal operating subsidiaries:

Name of company and country of incorporation	Principal business	% Capital held
National Bank of Kuwait (International) plc - United Kingdom	Banking	100.0
NBK Investment Management Limited - United Kingdom	Investment management	60.0
National Bank of Kuwait (Suisse) S.A. - Switzerland	Investment management	100.0
National Bank of Kuwait (Lebanon) S.A.L. - Lebanon	Banking	85.5
National Investors Group Holdings Limited - Cayman Islands	Investment management	100.0
Credit Bank of Iraq S.A. - Iraq	Banking	75.0
Watani Investment Company K.S.C.(Closed) - Kuwait	Investment company	90.0

At 31 December 2005, 38.14% (2004: 38.14%) of the Group's interest in National Bank of Kuwait (Lebanon) S.A.L. was held by an intermediate holding company, NBK Holding (Liban) S.A.L.

During the year the Bank acquired 75% of the share capital in Credit Bank of Iraq S.A. for a purchase consideration of KD 4,449 thousand. Goodwill arising on the acquisition was immaterial.

During the year the Bank incorporated Watani Investment Company K.S.C.(Closed) with an authorised, issued and paid up capital of KD 15,000 thousand. The Bank's investment is KD 13,500 thousand.

The Bank also holds voting capital in certain special purpose companies, which have been established to manage funds and fiduciary assets on behalf of the Bank's customers. The Bank does not have a beneficial interest in the underlying assets of these companies.

## 18. COMMITMENTS AND CONTINGENT LIABILITIES

	2005 KD 000's	2004 KD 000's
Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned:		
Acceptances	90,753	115,958
Letters of credit	324,216	391,366
Guarantees	808,945	706,004
Irrevocable commitments to extend credit	671,770	347,654
	<b>1,895,684</b>	<b>1,560,982</b>

In the normal course of business the Group has exposure to various indirect credit commitments which, though not reflected in the balance sheet, are subject to normal credit standards, financial controls and monitoring procedures. These credit commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Credit losses, if any, which may result from exposure to such commitments are not expected to be significant.

## 19. DERIVATIVE INSTRUMENTS

The Group deals in interest rate and foreign exchange derivatives to earn fees, generate trading revenues and manage its asset and liability exposures.

Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group.

## Notes to the Consolidated Financial Statements

31 December 2005

### 19. DERIVATIVE INSTRUMENTS (continued)

Exchange-traded contracts are subject to daily margin requirements and are therefore deemed to have no additional credit risk.

	Up to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Total KD 000's
<b>2005</b>				
<b>Notional principal</b>				
Financial futures	936	-	-	936
Forward rate agreements	15,279	33,665	15,739	64,683
Interest rate swaps	305,651	81,550	50,592	437,793
Forward foreign exchange	1,063,900	124,529	11,122	1,199,551
	<b>1,385,766</b>	<b>239,744</b>	<b>77,453</b>	<b>1,702,963</b>
<b>2004</b>				
<b>Notional principal</b>				
Financial futures	1,782	-	-	1,782
Interest rate swaps	426,534	163,916	39,238	629,688
Forward foreign exchange	729,015	167,769	5,951	902,735
	<b>1,157,331</b>	<b>331,685</b>	<b>45,189</b>	<b>1,534,205</b>

The fair value (equivalent to market value) of derivative instruments included in the financial records as at 31 December 2005 is summarised as follows, and predominately reflects forward foreign exchange and interest rate swap contracts:

#### Derivative instruments held as:

	Net positive (negative) fair value KD 000's	Description of hedged items
<b>2005</b>		
Trading (and non-qualifying hedges)	(73)	
Fair value hedges (interest rate swaps)	(2,667)	Fixed rate bonds and loans
	<b>(2,740)</b>	
<b>2004</b>		
Trading (and non-qualifying hedges)	(32)	
Fair value hedges (interest rate swaps)	(15,644)	Fixed rate bonds and loans
Cash flow hedges (interest rate swaps)	(62)	Floating rate loans/deposits
	<b>(15,738)</b>	

### 20. RELATED PARTY TRANSACTIONS

Certain related parties (directors and officers of the Bank, companies of which they are principal owners and entities associated with the Group) were customers of the Bank and its subsidiaries in the ordinary course of business. Such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

In accordance with Central Bank regulations regarding lending to Board Members and their related parties such lending is secured by tangible collateral.

Details of the interests of Board Members and Executive Officers are as follows:

	Number of Board Members or Executive Officers		Number of related parties		2005 KD 000's	2004 KD 000's
	2005	2004	2005	2004		
<b>Board Members</b>						
Loans (secured)	5	4	20	11	133,944	50,134
Contingent liabilities	2	1	17	7	73,402	42,368
Credit cards	7	6	1	1	42	34
Deposits	8	7	18	6	43,018	29,771
Collateral against loans	5	4	20	11	433,202	172,031
Interest and fee income					9,002	4,457
Interest expense					527	220
<b>Executive Officers</b>						
Loans	7	4	-	-	438	314
Contingent liabilities	2	2	-	-	3	7
Credit cards	8	6	-	-	10	16
Deposits	9	11	-	-	440	425
Interest income					14	11
Interest expense					8	5

There are no material transactions or balances with the associate.

## 21. KEY MANAGEMENT COMPENSATION

Details of compensation for key management, including Executive Officers, comprise the following:

	2005 KD 000's	2004 KD 000's
Salaries and other short term benefits	2,457	2,283
Post-employment benefits	711	430
	<b>3,168</b>	<b>2,713</b>

## 22. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2005 KD 000's	2004 KD 000's
Net profit attributable to shareholders of the parent Bank	205,612	150,289
Weighted average number of shares outstanding during the year (thousands)	1,614,276	1,618,492
Earnings per share	127 fils	93 fils

Earnings per share calculations for 2004 have been adjusted to take account of the bonus shares issued in 2005.

## 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

In the opinion of management, with the exception of Government Debt Bonds, the carrying values of all other financial instruments are not significantly different from fair values.

It is not practicable to determine the fair value of Government Debt Bonds with sufficient accuracy, as the future cash flows are not determinable. Information on the principal characteristics of these bonds is presented in note 9.

## Notes to the Consolidated Financial Statements

31 December 2005

### 24. RISK MANAGEMENT

In accordance with the Central Bank of Kuwait's directives, the Group has implemented a comprehensive system for the measurement and management of risk, including the establishment of an independent unit for this purpose.

#### 24.1 Credit Risk

All policies relating to credit are reviewed and approved by the Board of Directors.

Credit limits are established for all customers after a careful assessment of their creditworthiness. Standing procedures, outlined in the Group's Credit Policy Manual, require that all credit proposals be subjected to detailed screening by the domestic or international credit control divisions pending submission to the appropriate credit committee. Whenever necessary, all loans are secured by acceptable forms of collateral to mitigate the related credit risks.

In accordance with the instructions of the Central Bank of Kuwait dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee comprising competent professional staff and having as its purpose the study and evaluation of the existing credit facilities of each customer of the Group. This committee is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The committee, which meets regularly throughout the year, also studies the positions of those customers whose irregular balances exceed 25% of their total debt, in order to determine whether further provisions are required.

The Group further limits risk through diversification of its assets by geography and sector. In addition, all credit facilities are continually monitored based on a periodical review of the credit performance and account rating.

#### EXPOSURE TO CREDIT RISK UNDER FINANCIAL INSTRUMENTS

	Middle East KD 000's	North America KD 000's	Europe KD 000's	Asia KD 000's	Other KD 000's	Total KD 000's
<b>2005</b>						
<b>Geographic region</b>						
Cash and deposits with banks and other financial institutions	1,170,259	62,011	317,806	76,692	2,925	<b>1,629,693</b>
Central Bank of Kuwait bonds	9,900	-	-	-	-	<b>9,900</b>
Kuwait Government treasury bonds	475,282	-	-	-	-	<b>475,282</b>
Loans and advances to customers	3,159,816	62,937	93,420	46,665	816	<b>3,363,654</b>
Investment securities	208,861	103,156	88,693	75,156	25,749	<b>501,615</b>
Kuwait Government debt bonds	53,262	-	-	-	-	<b>53,262</b>
Investment in associate	23,680	-	-	-	-	<b>23,680</b>
Other assets	48,745	2,165	10,749	2,553	67	<b>64,279</b>
	<b>5,149,805</b>	<b>230,269</b>	<b>510,668</b>	<b>201,066</b>	<b>29,557</b>	<b>6,121,365</b>
Commitments and contingent liabilities (Note 18)	1,534,805	26,558	160,444	168,696	5,181	<b>1,895,684</b>
	<b>6,684,610</b>	<b>256,827</b>	<b>671,112</b>	<b>369,762</b>	<b>34,738</b>	<b>8,017,049</b>

#### Sector

Trading and manufacturing	<b>2,268,449</b>
Banks and other financial institutions	<b>2,548,544</b>
Construction and real estate	<b>533,219</b>
Personal	<b>1,157,460</b>
Other	<b>1,509,377</b>
	<b>8,017,049</b>

Credit risk exposure in respect of earning assets and off-balance sheet financial items represents the carrying values of assets and contingencies which could be impacted as a result of failures by the Group's counterparties to discharge their obligations under these contracts.

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the sector in which they are engaged or the geographical location in which they operate such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions. Significant concentrations of the Group's risk assets by region and sector are set out above.

	Middle East KD 000's	North America KD 000's	Europe KD 000's	Asia KD 000's	Other KD 000's	Total KD 000's
<b>2004</b>						
<b>Geographic region</b>						
Cash and deposits with banks and other financial institutions	961,053	43,329	109,093	20,322	8,085	1,141,882
Kuwait Government treasury bills	330,693	-	-	-	-	330,693
Kuwait Government treasury bonds	243,116	-	-	-	-	243,116
Loans and advances to customers	2,497,935	65,652	99,783	62,941	18,411	2,744,722
Investment securities	365,874	225,912	144,107	102,386	22,747	861,026
Kuwait Government debt bonds	97,773	-	-	-	-	97,773
Investment in associate	16,435	-	-	-	-	16,435
Other assets	83,936	1,681	10,762	-	15	96,394
	4,596,815	336,574	363,745	185,649	49,258	5,532,041
Commitments and contingent liabilities (Note 18)	1,205,035	18,546	136,191	194,564	6,646	1,560,982
	5,801,850	355,120	499,936	380,213	55,904	7,093,023
<b>Sector</b>						
Trading and manufacturing						1,983,896
Banks and other financial institutions						2,447,862
Construction and real estate						416,553
Personal						814,054
Other						1,430,658
						7,093,023

#### 24.2 Foreign exchange risk

Foreign exchange risks are controlled through limits pre-established by the Board of Directors on counterparty and currency position exposures. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Appropriate segregation of duties exists between the front and back office functions while compliance with position limits is independently monitored on an ongoing basis.

Hedging transactions are used to manage risks in other currencies. At 31 December 2005 there were no significant foreign currency exposures.

## Notes to the Consolidated Financial Statements

31 December 2005

### 24. RISK MANAGEMENT (continued)

#### 24.3 Interest rate risk

The Group is not excessively exposed to interest rate risk as its assets and liabilities are repriced relatively frequently and exposures arising on any medium term fixed rate lending are immediately covered by interest rate swaps. Furthermore, the reverse cumulative interest rate gap is carefully monitored on a daily basis and adjusted where necessary to reflect changing market conditions.

#### INTEREST RATE SENSITIVITY

	Up to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Non-interest sensitive KD 000's	Total KD 000's	Effective interest rate %
<b>2005</b>						
<b>Assets</b>						
Cash and deposits with banks and other financial institutions	1,520,666	12,939	16,746	79,342	<b>1,629,693</b>	3-5
Central Bank of Kuwait bonds	9,900	-	-	-	<b>9,900</b>	4-5
Kuwait Government treasury bonds	161,591	313,691	-	-	<b>475,282</b>	3-4
Loans and advances to customers	2,601,164	420,979	341,129	382	<b>3,363,654</b>	6-10
Investment securities	175,882	53,875	149,894	121,964	<b>501,615</b>	4-7
Kuwait Government debt bonds	-	53,262	-	-	<b>53,262</b>	3
Investment in associate	-	-	-	23,680	<b>23,680</b>	
Land, premises and equipment	-	-	-	78,957	<b>78,957</b>	
Other assets	-	-	-	64,279	<b>64,279</b>	
	<b>4,469,203</b>	<b>854,746</b>	<b>507,769</b>	<b>368,604</b>	<b>6,200,322</b>	
<b>Liabilities and shareholders' equity</b>						
Due to banks and other financial institutions	1,265,940	47,494	5,549	3,325	<b>1,322,308</b>	3-4
Customers' deposits	3,655,981	201,469	47,613	51,460	<b>3,956,523</b>	0-5
Certificates of deposit issued	7,594	2,044	-	-	<b>9,638</b>	4
Other liabilities	-	-	-	136,910	<b>136,910</b>	
Proposed cash dividend	-	-	-	112,853	<b>112,853</b>	
Shareholders' equity and minority interests	-	-	-	662,090	<b>662,090</b>	
	<b>4,929,515</b>	<b>251,007</b>	<b>53,162</b>	<b>966,638</b>	<b>6,200,322</b>	
On-balance sheet gap	(460,312)	603,739	454,607	(598,034)	-	
Off-balance sheet gap	163,819	(3,551)	(160,268)	-	-	
Interest rate sensitivity gap	(296,493)	600,188	294,339	(598,034)	-	
Cumulative gap	(296,493)	303,695	598,034			

Maturities of assets and liabilities have been determined on the basis of contractual pricing or maturity dates, whichever is earlier.

The off-balance sheet gap represents the net notional amounts of off-balance sheet financial items such as forward rate agreements and interest rate swaps which are used to manage interest rate risk.

A proportion of Customers' deposits consists of non-interest bearing current and trust accounts.

	Up to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Non-interest sensitive KD 000's	Total KD 000's	Effective interest rate %
<b>2004</b>						
<b>Assets</b>						
Cash and deposits with banks and other financial institutions	953,113	111,475	444	76,850	1,141,882	2-3
Kuwait Government treasury bills	310,868	19,825	-	-	330,693	2-3
Kuwait Government treasury bonds	36,889	206,227	-	-	243,116	3
Loans and advances to customers	1,394,136	1,009,084	341,394	108	2,744,722	4-9
Investment securities	300,757	96,184	194,495	269,590	861,026	3-6
Kuwait Government debt bonds	-	97,773	-	-	97,773	2
Investment in associate	-	-	-	16,435	16,435	
Land, premises and equipment	-	-	-	40,942	40,942	
Other assets	-	-	-	96,394	96,394	
	2,995,763	1,540,568	536,333	500,319	5,572,983	
<b>Liabilities and shareholders' equity</b>						
Due to banks and other financial institutions	1,270,982	121,950	-	4,508	1,397,440	1-2
Customers' deposits	3,014,471	137,088	26,939	66,142	3,244,640	1-4
Certificates of deposit issued	7,394	13,382	-	-	20,776	2-3
Floating rate bonds issued	133,088	-	-	-	133,088	2
Other liabilities	-	-	-	121,149	121,149	
Proposed cash dividend	-	-	-	92,413	92,413	
Shareholders' equity and minority interests	-	-	-	563,477	563,477	
	4,425,935	272,420	26,939	847,689	5,572,983	
On-balance sheet gap	(1,430,172)	1,268,148	509,394	(347,370)	-	
Off-balance sheet gap	241,507	(24,708)	(216,799)	-	-	
Interest rate sensitivity gap	(1,188,665)	1,243,440	292,595	(347,370)	-	
Cumulative gap	(1,188,665)	54,775	347,370			

## Notes to the Consolidated Financial Statements

31 December 2005

### 24. RISK MANAGEMENT (continued)

#### 24.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements and does not take account of the effective maturities as indicated by the Group's deposit retention history.

The maturity profile of the assets and liabilities at 31 December 2005 was as follows:

	Up to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Total KD 000's
<b>2005</b>				
<b>Assets</b>				
Cash and deposits with banks and other financial institutions	1,588,180	31,284	10,229	<b>1,629,693</b>
Central Bank of Kuwait bonds	9,900	-	-	<b>9,900</b>
Kuwait Government treasury bonds	161,591	313,691	-	<b>475,282</b>
Loans and advances to customers	1,490,897	572,749	1,300,008	<b>3,363,654</b>
Investment securities	71,068	42,325	388,222	<b>501,615</b>
Kuwait Government debt bonds	-	53,262	-	<b>53,262</b>
Investment in associate	-	-	23,680	<b>23,680</b>
Land, premises and equipment	-	-	78,957	<b>78,957</b>
Other assets	56,485	7,445	349	<b>64,279</b>
	<b>3,378,121</b>	<b>1,020,756</b>	<b>1,801,445</b>	<b>6,200,322</b>
<b>Liabilities and shareholders' equity</b>				
Due to banks and other financial institutions	1,235,018	81,741	5,549	<b>1,322,308</b>
Customers' deposits	3,707,644	201,266	47,613	<b>3,956,523</b>
Certificates of deposit issued	7,594	2,044	-	<b>9,638</b>
Other liabilities	113,025	-	23,885	<b>136,910</b>
Proposed cash dividend	112,853	-	-	<b>112,853</b>
Shareholders' equity and minority interests	-	-	662,090	<b>662,090</b>
	<b>5,176,134</b>	<b>285,051</b>	<b>739,137</b>	<b>6,200,322</b>
Net liquidity gap	(1,798,013)	735,705	1,062,308	-

	Up to 3 months KD 000's	3 to 12 months KD 000's	Over 1 year KD 000's	Total KD 000's
<b>2004</b>				
<b>Assets</b>				
Cash and deposits with banks and other financial institutions	1,099,778	39,294	2,810	1,141,882
Kuwait Government treasury bills	310,869	19,824	-	330,693
Kuwait Government treasury bonds	36,889	206,227	-	243,116
Loans and advances to customers	1,127,429	551,477	1,065,816	2,744,722
Investment securities	416,774	89,727	354,525	861,026
Kuwait Government debt bonds	-	97,773	-	97,773
Investment in associate	-	-	16,435	16,435
Land, premises and equipment	-	-	40,942	40,942
Other assets	88,629	7,392	373	96,394
	<b>3,080,368</b>	<b>1,011,714</b>	<b>1,480,901</b>	<b>5,572,983</b>
<b>Liabilities and shareholders' equity</b>				
Due to banks and other financial institutions	1,169,350	218,031	10,059	1,397,440
Customers' deposits	3,080,612	137,088	26,940	3,244,640
Certificates of deposit issued	7,394	13,382	-	20,776
Floating rate bonds issued	133,088	-	-	133,088
Other liabilities	90,867	-	30,282	121,149
Proposed cash dividend	92,413	-	-	92,413
Shareholders' equity and minority interests	-	-	563,477	563,477
	<b>4,573,724</b>	<b>368,501</b>	<b>630,758</b>	<b>5,572,983</b>
Net liquidity gap	(1,493,356)	643,213	850,143	-

#### 24.5 CONCENTRATION OF DEPOSIT LIABILITIES

	2005 KD 000's	2004 KD 000's
<b>Geographic region</b>		
Middle East	<b>4,680,439</b>	3,887,984
North America	<b>181,715</b>	166,377
Europe	<b>251,454</b>	389,191
Asia	<b>147,465</b>	154,569
Other	<b>17,758</b>	43,959
	<b>5,278,831</b>	4,642,080

## Notes to the Consolidated Financial Statements

31 December 2005

### **24. RISK MANAGEMENT** (continued)

#### **24.6 Equity price risk**

Equity price risk arises from the change in fair values of equity investments. The Group manages the risk through diversification of investments in terms of geographical distribution and industry concentration.

#### **24.7 Operational risk**

The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by the Operational Risk function, which ensures compliance with policies and procedures and monitors operational risk as part of overall global risk management.

The Operational Risk function of the Group is in line with the CBK instructions dated 14 November 1996, concerning the general guidelines for internal controls and the instructions dated 13 October 2003, regarding the sound practices for managing and supervising operational risks in banks.

### **25. MANAGEMENT OF PURCHASED DEBTS**

In accordance with Decree 32/92 and Law 41/93 in respect of the financial and banking sector, the Bank is required to manage the purchased debts without remuneration in conformity with the terms of the debt purchase agreement.

### **26. COMPARATIVE FIGURES**

Certain of the comparative figures have been restated to conform with the presentation in the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.

### **27. NUMBER OF STAFF**

The number of staff (full time equivalent) employed by the Group at 31 December 2005 was 2,463 (2004: 1,815).

### **28. BOARD OF DIRECTORS REMUNERATION**

The Board of Directors does not receive any emoluments in the form of fees, salaries or bonuses for their services rendered to the Bank.

## Auditors' Report to the Shareholders

National Bank of Kuwait

We have audited the accompanying consolidated balance sheet of National Bank of Kuwait S.A.K. and its subsidiaries (the Group) as of 31 December 2005, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Furthermore, in our opinion proper books of account have been kept by the Group and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Bank's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2005 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our examination, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2005.

**WALEED A. AL OSAIMI**

LICENCE NO. 68 A

ERNST & YOUNG

AL AIBAN, AL OSAIMI & PARTNERS

**JASSIM AHMAD AL-FAHAD**

LICENCE NO. 53 A

DELOITTE

AL-FAHAD & CO.

3 January 2006

Kuwait

# Group Directory

## Head Office

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PO Box 95, Safat 13001  
Kuwait City, Kuwait  
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Fax: +965 243 1888

### Management Executive Committee

**Ibrahim S. Dabdoub**  
Chief Executive Officer  
Ext: 2000 Fax: 246 2469

**Isam J. Al-Sager**  
Deputy Chief Executive Officer  
Ext: 2111 Fax: 246 2469

**Adel A. Al-Majed**  
Group General Manager  
Consumer Banking  
Ext: 3098 Fax: 246 0160

**Shaikha K. Al-Bahar**  
Group General Manager  
Corporate Banking  
Ext: 2166 Fax: 245 9032

**George Y. Nasra**  
CEO  
NBK Capital  
Ext: 6906 Fax: 224 6905

**Hanafi Hussain**  
Group General Manager  
Credit Control, Operations  
& Legal Affairs  
Ext: 2115 Fax: 246 4162

**Waleed K. Al-Yaqout**  
Group General Manager  
Administration &  
Human Resources  
Ext: 6620 Fax: 244 8353

**Salah Y. Al-Fulaij**  
Group General Manager  
Investment Services &  
Treasury  
Ext: 6655 Fax: 224 6984

**Randa Sadik**  
Group General Manager  
International Branches  
and Subsidiaries  
Tel: +44 20 73175500  
Fax: +44 20 72242142

### Consumer Banking Group

**Retail Banking**  
Ext: 3100 Fax: 246 0160

**Domestic Branches**  
Ext: 2232 Fax: 246 7929

**Call Center**  
Ext: 4950 Fax: 241 7641

**Central Cash**  
Ext: 2128 Fax: 242 9453

**Internet**  
Ext: 3020 Fax: 241 2373

**Direct Sales**  
Ext: 5064 Fax: 224 6987

**Consumer Credit & Marketing**  
Ext: 2188 Fax: 241 9512

**Cards Services**  
Ext: 2517 Fax: 246 0165

**Consumer Lending**  
Ext: 2377 Fax: 246 4770

**Marketing**  
Ext: 3107 Fax: 241 2373

**Advertising**  
Ext: 3068 Fax: 240 9235

**Retail Sales**  
Ext: 3388 Fax: 241 6738

**Private Banking**  
Ext: 3280  
Fax: 241 8415 or 224 6619

### Corporate Banking Group

**Corporate Banking**  
Ext: 2411 Fax: 246 8032

**Trade Finance**  
Ext: 2161 Fax: 245 8972

**Foreign Corporate**  
Ext: 2307 Fax: 242 6813

**Marketing & Business Development**  
Ext: 2316 Fax: 246 8032

**Investment Services & Treasury**  
  
**Investment Services**  
Ext: 6956 Fax: 224 6984

**Treasury**  
Ext: 3355 Fax: 246 7627

### International Branches and Subsidiaries Group

**Regional Institutional Banking**  
Ext: 3013 Fax: 246 4156

*Please refer to International Network for a complete listing*

### Credit Control, Operations & Legal Affairs Group

**Operations**  
Ext: 3104 Fax: 242 7809

**Domestic Credit Control**  
Ext: 2462 Fax: 246 4162

**Legal Affairs**  
Ext: 3091 Fax: 244 5098

**Bad Loans Collection**  
Ext: 2100 Fax: 241 7625

**Risk Management**  
Ext: 3011 Fax: 246 7926

### Administration & Human Resources Group

**Administration**  
Ext: 5221 Fax: 246 6864

**Human Resources**  
Ext: 5155 Fax: 224 6986

**Information Technology**  
Ext: 2400 Fax: 245 9233

**Economic Research**  
Ext: 3042 Fax: 246 5098

**Internal Audit & Quality Assurance**  
Tel: 572 4182 Fax: 571 1785

**Financial Control**  
Ext: 2482 Fax: 242 4069

**Public Relations**  
Ext: 3166 Fax: 246 5190

**International Legal Affairs**  
Ext: 2065 Fax: 243 6208

## Local Branches

### Head Office

Tel: 242 2011  
Fax: 241 6922

### Ahmadi

Tel: 801 801  
Fax: 398 5643

### Ahmed Al-Jaber

Tel: 801 801  
Fax: 241 9442

### Andalus

Tel: 801 801  
Fax: 499 1802

### Ardiah

Tel: 801 801  
Fax: 488 3927

### Bayan

Tel: 801 801  
Fax: 538 9382

### Burj Al-Tahreer

Tel: 801 801  
Fax: 247 3764

### Cinema Al Salmiya

Tel: 801 801  
Fax: 571 0950

### Dahyat Abdullah Al-Salem

Tel: 801 801  
Fax: 256 1854

### Daiyah

Tel: 801 801  
Fax: 256 3820

### Dasma

Tel: 801 801  
Fax: 252 6485

### Doha

Tel: 801 801  
Fax: 487 4696

### Fahad Al-Salem

Tel: 801 801  
Fax: 241 7642

### Fahaheel

Tel: 801 801  
Fax: 392 4447

### Faiha

Tel: 801 801  
Fax: 251 6741

### Farwaniya

Tel: 801 801  
Fax: 474 0013

### Fintas

Tel: 801 801  
Fax: 390 3552

### Ghazali

Tel: 801 801  
Fax: 483 4752

### Hawalli

Tel: 801 801  
Fax: 261 2407

### Ibraq Kheitan

Tel: 801 801  
Fax: 472 4084

### Jabriya

Tel: 801 801  
Fax: 531 7742

### Jahra

Tel: 801 801  
Fax: 455 3121

### Jleeb Al-Shuyoukh

Tel: 801 801  
Fax: 431 7449

### Kaifan

Tel: 801 801  
Fax: 483 9016

### Ministries Complex

Tel: 801 801  
Fax: 245 2721

### Mishref

Tel: 801 801  
Fax: 538 9832

### MTC Headquarters

Tel: 801 801  
Fax: 481 3699

### Nuzha

Tel: 801 801  
Fax: 255 0858

### Othman

Tel: 801 801  
Fax: 265 6425

### Qadisiya

Tel: 801 801  
Fax: 254 6738

### Qurain

Tel: 801 801  
Fax: 544 0772

### Qurtuba

Tel: 801 801  
Fax: 534 4780

### Ras-Al Salmiya

Tel: 801 801  
Fax: 572 9216

### Rawdha

Tel: 801 801  
Fax: 252 2358

### Riqqa

Tel: 801 801  
Fax: 394 4147

### Rumaithiya

Tel: 801 801  
Fax: 564 0980

### Sabah Al-Nasser

Tel: 801 801  
Fax: 480 7577

### Sabah Al-Salem

Tel: 801 801  
Fax: 551 7215

### Sabahiya

Tel: 801 801  
Fax: 361 7013

### Sabhan

Tel: 801 801  
Fax: 474 0074

### Salmiya

Tel: 801 801  
Fax: 574 3681

### Shamiah

Tel: 801 801  
Fax: 484 6254

### Shuwaikh

Tel: 801 801  
Fax: 484 4126

### Social Security (PIFSS)

Tel: 801 801  
Fax: 247 2305

### Souk Sharq

Tel: 801 801  
Fax: 242 3473

### Sour Street

Tel: 801 801  
Fax: 243 0776

### South Surra

Tel: 801 801  
Fax: 987 6303

### Transport Centre

Tel: 801 801  
Fax: 246 9923

### Watya

Tel: 801 801  
Fax: 244 0731

### Yarmouk

Tel: 801 801  
Fax: 532 2635

## International Network

### Bahrain

**National Bank of Kuwait SAK  
Bahrain Branch**  
Seef Tower, Al-Seef District 428  
P.O. Box 5290, Manama  
Bahrain  
Tel: +973 17 583 333  
Fax: +973 17 587 111

### Jordan

**National Bank of Kuwait SAK  
Amman Branch**  
Shareef Abdul Hamid Sharaf St  
P.O. Box 941297  
Shmeisani, Amman 11194  
Jordan  
Tel: +962 6 560 8800  
Fax: +962 6 560 8811

### Saudi Arabia

**National Bank of Kuwait SAK  
Jeddah Branch**  
Al-Andalus Street, Red Sea Plaza  
P.O. Box 15385  
Jeddah 21444, Saudi Arabia  
Tel: +966 2 657 5775  
Fax: +966 2 653 8653

### Qatar

**International Bank of Qatar (QSC)  
(Associated Company)**  
Suhaim bin Hamad Street  
P.O. Box 2001  
Doha, Qatar  
Tel: +974 447 3700  
Fax: +974 447 3710

### Iraq

**Credit Bank of Iraq  
(Associated Company)**  
Street 9, Building 178  
Sadoon Street, District 102  
P.O. Box 3420  
Baghdad, Iraq  
Tel: +964 1 7182198/7191944/  
+964 1 7188406/7171673  
Fax: +964 1 7170156

### Lebanon

**National Bank of Kuwait  
(Lebanon) SAL**  
**Sanayeh Head Office**  
BAC Building, Justinien Street,  
PO Box 11-5727, Riad El-Solh  
1107 2200 Beirut  
Tel: +961 1 741 111/742 222  
Fax: +961 1 747 846/747 866

**Achrafieh Branch**  
Tel: +961 1 201 746  
Fax: +961 1 201 763

**Chiah Branch**  
Tel: +961 1 270 176  
Fax: +961 1 270 177

**Dora Branch**  
Tel: +961 1 899 530  
Fax: +961 1 898 903

**Hamra Branch**  
Tel: +961 1 353 416  
Fax: +961 1 349 825

**Mazraa Branch**  
Tel: +961 1 701 025  
Fax: +961 1 317 076

**Jounieh Branch**  
Tel: +961 9 639 951  
Fax: +961 9 649 954

**Aley Branch**  
Tel: +961 5 556 501  
Fax: +961 5 556 504

**Bhamdoun Branch**  
Tel: +961 5 260 100  
Fax: +961 5 260 102

**Broumana Branch**  
Tel: +961 4 860 660  
Fax: +961 4 860 662

### United Kingdom

**National Bank of Kuwait  
(International) Plc**  
**Head Office**  
13 George Street  
London W1U 3QJ, UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7224 2101

**National Bank of Kuwait  
(International) Plc**  
**Portman Square Branch**  
7 Portman Square  
London W1H 6NA, UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7486 3877

**NBK Investment  
Management Limited**  
13 George Street  
London W1U 3QJ, UK  
Tel: +44 20 7224 2288  
Fax: +44 20 7224 2102

### Switzerland

**National Bank of Kuwait  
(Suisse) SA**  
21 Quai du Mont Blanc  
P.O. Box 1923  
CH-1211 Geneva 1  
Switzerland  
Tel: +41 22 906 4343  
Fax: +41 22 906 4399

### France

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(International) Plc**  
**Paris Branch**  
90 Avenue des Champs-Elysees  
75008 Paris, France  
Tel: +33 1 5659 8600  
Fax: +33 1 5659 8623

### Singapore

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Singapore Branch**  
9 Raffles Place #51-01/02  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

### Vietnam

**National Bank of Kuwait SAK  
Vietnam Representative Office**  
Room 2006, Sun Wah Tower  
115 Nguyen Hue Blvd, District 1  
Ho Chi Minh City  
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Tel: +84 8 827 8008  
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### China

**National Bank of Kuwait SAK  
Shanghai Representative Office**  
Suite 1003, 10th Floor, Azia Center  
133 Yin Cheng Bei Road, Lujiazui  
Shanghai 200120  
China  
Tel: +86 21 6888 1092  
Fax: +86 21 5047 1011

### United States of America

**National Bank of Kuwait SAK  
New York Branch**  
299 Park Avenue  
New York, NY 10171  
USA  
Tel: +1 212 303 9800  
Fax: +1 212 319 8269