التجاري
Al-Tijari

2022

ANNUAL REPORT

Commercial Bank of Kuwait (K.S.C.P)

His Highness

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Amir of The State of Kuwait

His Highness

Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of The State of Kuwait

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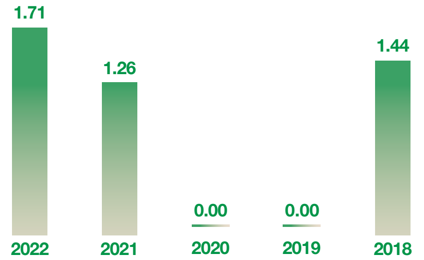
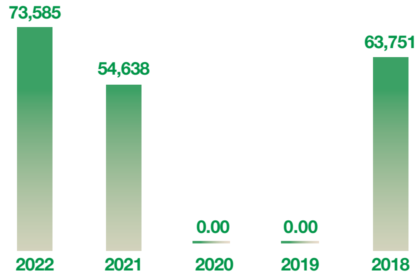


Return on Average Assets %



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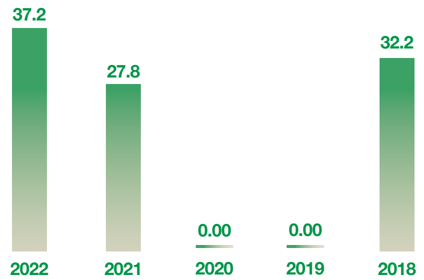

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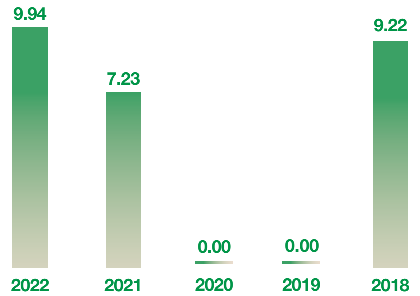

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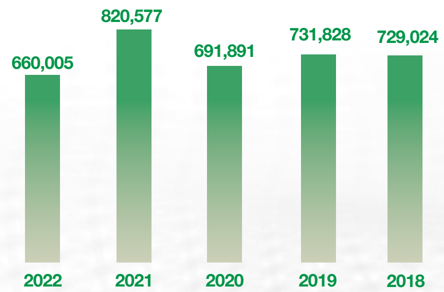

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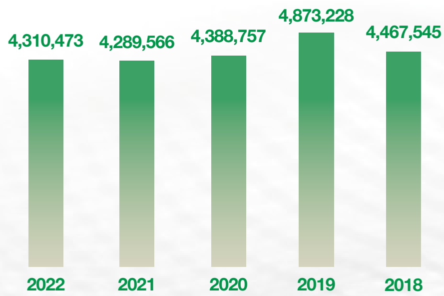
KD 000's



Total Assets
KD 000's

Board of Directors

Sheikh/ Ahmad Duaij Al-Sabah
Chairman

Abdulrahman Abdullah Al-Ali
Vice Chairman

Manaf Mohamed Al-Muhanna
Board Member

Dhari Ali Al-Mudhaf
Board Member

Sheikh/ Talal Mohammad AlSabah
Board Member

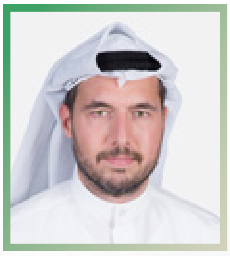
Mohammad A Abdulrazzaq Al-Kandari
Board Member

Yousef Yaqoub Al-Awadhi
Board Member

Fahad Zuhair Al-Bader
Independent - Board Member

Dr. Mahmoud Abdulrasoul Behbehani
Independent - Board Member

Fahad Abdulaziz Al-Jarallah
Independent - Board Member



Ahmad Bader Wahedi
Independent - Board Member

Mona Hussain Al-Abdulrazzaq
Secretary to the Board

Introduction

Introduction

Commercial Bank of Kuwait: Glorious Future..... Inspired by Rich Track Record....

As the banking industry witnesses tremendous development, the Bank has taken the lead, through its strategic vision and investment in the technological infrastructure, to introduce innovative digital banking services to both retail and corporate customers.

Since its establishment in the sixties of the past century, namely in 1960, Commercial Bank of Kuwait has had, and is still having, a clear imprint in driving the growth and development process in the State of Kuwait by contribution to financing major infrastructure projects and other development projects. In fact, the Bank has been a pioneer in offering banking services and products that cater for customer requirements and evolve to their aspirations really reflecting the meaning “Al-Tijari… My Choice”.

During the seventh decade in Al-Tijari’s journey, the Bank will evolve for offering first class cutting-edge digital banking services and innovative investment solutions to its retail and corporate customers. As such, the Bank underlines its solid presence amongst Kuwaiti banks, and deepens the principles it established long ago which are: Citizenship, Leadership, Sustainability and Social Responsibility.

Chairman's Message

Chairman’s Message

Sheikh/ Ahmad Duaij Al-Sabah
Chairman

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

Dear shareholders,

Peace and Blessing of Allah be upon you

It gives me great pleasure to meet you once again in this Annual General Meeting to review together the Bank’s key achievements during the year 2022.

Although geopolitical and economic factors created greater uncertainty, 2022 was a year of momentum across Al-Tijari. Our purpose-led culture, client-focused strategy, and conservative risk appetite guided the efforts of the entire team creating value for all of our stakeholders.

In 2022, our many accomplishments demonstrated that we have truly become a technology-driven bank for a modern world that we set out to build. We see this in new client acquisition and robust top-line growth, as well as in the excitement and engagement across our team every day to help make our clients’ ambitions a reality. Al-Tijari is moving forward with a strong foundation in place and a clear strategy focused on digitalization, client relationship, as well as through growing business and our commitment to a more sustainable future.

Interest rates have moved higher to address rising inflation, and economic growth is forecast to slow in key markets. Our financial results and performance position us well to deliver sustainable performance in coming years by elevating the client experience through continued investments in innovation, empowering our clients to do more and engage with our bank using latest technology.

The increase in FX invome was mainly from rising interest rate scenarios resulted in favourable KD/USD spot rates trading opportunities which the Bank has successfully monetized.

Business update

The front line business areas in the Bank continued to achieve profitability to the Bank and strengthen the Bank’s position in the Kuwaiti market. Corporate Banking Division continued to offer credit facilities through direct finance or participation in syndicated loans to finance government or quasi government/ PPP projects.

Similarly, Treasury & Investment Division continued to further diversify and strengthen the liquidity condition by adding more resident and non-resident customer deposits, and bilateral and syndication loan borrowings.

On the retail business front, Al-Tijari has opened two new branches equipped with the latest technology and digital services, one located in the heart of Kuwait city at Fahad Al Salem Street and the other in Saad Al-Abdullah to meet customers' needs.

The Bank is continuing its swift progress in digitalization, particularly in terms of digital payment innovation. The Bank has also established a comprehensive Digital Payments Ecosystem, providing customers with a variety of options for conducting transactions, including wallets, Apple Pay, Samsung Pay, cardless cash withdrawals, QR codes, and other services that enhance the overall customers banking experience.

The newly launched "Business Islands" are currently available in most of Al-Tijari branches, and have been enhanced with additional features to facilitate the customer journey through providing seamless services at one station. Customers can log into the machines using their Al-Tijari's mobile application registered biometric facial recognition. Al-Tijari aslo launched new virtual debit and pre-paid cards and T-Lockers available 24/7. The Corporate Internet Banking has been enhanced whereby corporate customers can now avail new services through the application.

GO Green

"GO Green" is an area where the Bank has been working on through various initiatives and projects to create a "culture of conservation" and natural resource stewardship within its community.

"GO Green Sustainable Finance": an area where the Bank is proactively pursuing through its financing and investment activities to encourage and support a "green" business that uses sustainable materials to make its products with lower usage of water, energy and raw materials, as well as cutting carbon emissions, or utilizing these materials in renewable and eco-friendly ways.

"GO Green Initiatives": launched by the Bank and to name few; firstly maximising the utilization of QR Codes wherever possible to encourage paperless approach within the Bank; secondly the adoption of energy saving tactics within the premises; third, to enhance the recycling and re-usage efforts through education among staff, as well as usage of environmentally friendly products. Further, the Bank has provided several "GO Green" loans to corporate and international customers. The Bank will continue to fund for projects of national and environmental importance.

The Bank continues to have a tailor-made social program to celebrate and share the various occasions with various segments of society with an overarching goal of deepening the principles of the Bank's corporate social responsibility by means of innovative societal initiatives and activities.

As part of its Corporate Social Responsibility, the Bank supported the "Diraya - Let's Be Aware" Campaign launched by the Central Bank of Kuwait and Kuwait Banking Association, and used its electronic channels to educate customers on protecting their banking information from fraud.

Synopsis of 2022 Financials

The execution of our strategy and the positive results of our team effort were clear in our performance for the year 2022.

Our Bank reported a net profit of KD 73.6 million or 37.2 fils earning per share. These results were 34.8% higher than last year, mainly because of higher interest, fee, foreign exchange income, and lower staff expenses compared to 2021. It is worth mentioning that the net profit is after allocation of KD 30.1 million provision charge against other receivable as part of managements' conservative approach.

In the year 2018, we adopted a proactive policy of early recognition of any expected problems, and achieved a non-performing loans level of zero. The non-performing loans remained at zero for the fifth consecutive year. This is a demonstration of our commitment to operate within our risk appetite, but maintain strong capital and liquidity positions.

As at the end of 2022, total loan loss reserve held with the Bank amounted to KD 219.5 million.

Financial highlights:

- Operating income of KD 139.9 million is higher by 12.0% compared to KD 124.9 million for the year 2021.
- Operating profit before provision at KD 102.8 million is higher by 26.4% compared to last year. Net profit of KD 73.6 million is higher by 34.8% over previous year. It is worth mentioning that net profit for the year 2022 is the highest ever in last ten years. Cost to income ratio is 26.5% depicting highest efficiency. Customer loans and advances at KD 2,419.6 million grew by KD 141.5 million (6.2%) However, the total assets at KD 4,310.5 million marginally increased by 0.5% on year-to-year basis. Robust regulatory ratios, comfortably exceeded the Central Bank's statutory requirement, Capital Adequacy Ratio 17.8%, Liquidity Coverage Ratio 249.7%, Net Stable Funding Ratio of 109.1%, and Leverage ratio of 11.4%.

Looking forward

We are entering 2023 with confidence that our Bank is well positioned for another year of success, with the strength to weather any challenges, and to capitalize on growth opportunities across the spectrum. We have clear momentum, and a client-focused strategy that leverages our advantages in the market to deliver more for our clients and create value for our stakeholders.

Finally, I would like to thank the Government of Kuwait and the regulatory authorities, especially the Central Bank of Kuwait, for their constant support to the banking sector. I also recognize and appreciate shareholders' support, and the dedication and diligence of Al-Tijari management and staff in demonstrating genuine care in undertaking Bank's business and serving our customers.

Sheikh/ Ahmad Duaij Al-Sabah

Executive & Supervisory Management

Executive & Supervisory Management

Elham Yousry Mahfouz
Chief Executive Officer

Sheikha/ Nouf Salem Al Ali Al Sabah
General Manager - Corporate Communications Division

Hussain Ali Al Aryan
General Manager - Treasury & Investment Division

Bader Mohammed Musleh Qamhieh
General Manager - Information Technology Division

Masud Ul Hassan Khalid
Chief Financial Officer
Financial Planning & Control Division

Amr Mohamed El Kasaby
Chief Internal Auditor - Internal Audit Division

Paul Abdoulnour Dawoud
General Manager - Operations Division

Ebtissam Baqer Al Haddad
General Manager - Strategic Planning & Follow up Division

Tan Tat Thong
Chief Risk Officer - Risk Management Division

Kunal Singh
General Manager - International Banking Division

Sadeq Jaafar Abdullah
General Manager - Human Resources Division

Ahmed Hammed Bo-Abbas
Acting General Manager - Corporate Banking Division

Tamim Khaled Al Meaan
General Manager - Compliance & Corporate Governance Division

Abdulaziz Saleh Al-Zaabi
Acting General Manager - Retail Banking Division

Muneer Abdulsalam Saleh
Legal Advisor to Chairman and General Manager - Legal Division

Talal Reyadh Al Nassar
Head - General Services Division

Abdulaziz Mustafa Ali
Head of Anti-Money Laundering and Combating the Financing of Terrorism Department

Mohammed Bader AlHaid
Acting Head of Digital Transformation & Innovation Division

Economic Review

Global Economy:

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

Global inflation forecast is to rise from 4.7 percent in 2021 to 8.8 percent in 2022, but to decline to 6.5 percent in 2023, and to 4.1 percent by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation.

Kuwait Economy:

The rise in oil prices and production has led to an enhanced economic outlook for Kuwait, and is likely to grow by 7 percent in 2022, compared to 2.5 percent in 2021 as stated in one of the economic reports. The report indicated that the abolition of restrictions related to the Coronavirus Pandemic in Kuwait paved the way for a strong recovery in economic activity after a modest decline in the first quarter of the year, expecting the non-oil sector to grow by 4.7% this year, on the back of high consumer spending and strong real estate sales, after a 3.1 percent growth last year.

Oil prices posted their first quarterly loss of 2022 in the third quarter, with local marker Kuwait Export Crude (KEC) declining 17% q/q to $96/bbl. The fall continued into Q4, with prices reaching a year-low of $76.1/bbl in mid-December. Oil's fall has been driven by global economic growth concerns, as central banks ratchet up interest rates aggressively to temper runaway inflation, pressuring consumer pockets, and as China's 'Zero-Covid' policy of citywide lockdowns dents its economic performance and demand for oil.

Kuwait industry is based on oil exploitation. This sector represents 48.4% of the GDP and more than 90% of the country's exports. By 2030, Kuwait is planning to invest more than USD 87 billion in the oil sector, especially in creating new oil refineries. Overall, the industrial sector contributes more than half of GDP (59.6%) and employs 25.4% of the total workforce.

KWD customer and interbank deposit rates were very volatile, and the deposit premium spiked aggressively, which is mainly driven by the rising interest rates and liquidity requirements.

Kuwait is rated A+ by S&P, AA by Fitch, and A1 by Moody's with a stable outlook.

USDKWD traded in a range of 0.3010 to 0.3110 in 2022 that is in line with the market volatility.

Kuwait Stock Market:

Kuwait Premier Market index posted a gain of 6.23% as at the end of 2022 to close at 8115.68, whereas Main Market Index declined by 4.54% to close at 5596.79. Kuwait stock market outperformed GCC market despite a very volatile international market situation. The rebound in the economic activity helped the KSE index perform better in the year 2022. Among Boursa Kuwait's sectors, Consumer Discretionary and Banking sectors gained the most at 11.2% and 10.5% respectively for the year.

Given that Kuwait market is now part of MSCI index, it will be highly impacted by the global financial market sentiment. The investor confidence was hit by rising inflation, interest rate hikes, and global growth concerns, the latter also weighing heavily on oil prices-a major catalyst for GCC equities.

Review of Operations

Retail Banking Division “RBD”

Retail banking services have been undergoing paramount changes and development on a large scale by the adoption of modern technology. The Bank is keen on offering banking services to its customers across all service delivery channels. It has even taken the lead to develop and launch many digital banking services to ensure that customers can get optimal banking services at all times in line with the Bank’s strategy towards digital transformation and innovation for banking services. These efforts come amidst the great momentum witnessed in the field of the digital banking services.

In 2022, action plans and programs related to the development and digitization of the Bank’s services and solutions outreached a wide range of existing customers, and attracted new ones. For realizing this objective, the Bank focused on developing and improving the technological areas related to products, services and devices, whether through CBK Mobile App, Al-Tijari Online services, or the branches’ big network covering diverse prominent locations across Kuwait. These channels enable customers to perform their banking transactions around the clock easily and securely. In this regard, Retail Banking Division has been offering innovative digital services to customers as below:

- Improving international transfer service by adding other fields that enable the transfer originator to enter other data regarding transfer beneficiary.
- Developing and improving Al-Tijari Mobile push notifications to be configured with various internet browsers.
- Upgrading Kiosk Self-Services so customers can issue and print banking cards.
- Naming/renaming cards, including virtual cards.
- The option to send a “Pay-Me” service request via the QR code.
- Improving the “InstaPay” service so that the person who pays can be added through the entries registered on the mobile phone directory, then sends a link directly through the SMS browser.
- Having the option to enter IBAN or Account number when creating CBK beneficiaries.
- Requesting to print a virtual card through Al-Tijari Mobile App with card delivery option only for Premier Banking customers.
- The option for adding or cancelling the card from Al-Tijari Wallet (for Android operating devices).
- Improving and updating the new customers onboarding service (account opening), and enabling the customer to create a username for online services and issue a virtual card.
- Updating the purpose of the transfer to customers.
- Adding a beneficiary for a temporary or permanent transfer.
- Enabling customers to withdraw the interest payment in advance on all Al-Tijari deposits, as per customer’s need, by transferring the interest to any of his accounts through CBK Mobile App.
- Enabling customers to choose the correspondent bank for international transfers when transferring via “CBK Mobile” application for low risk customers known to the Bank.
- Enabling the customer to add a description of the banking transaction when making domestic or international transfers. The account statement includes additional details to facilitate tracking banking activities and transactions.
- Activating the mobile phone’s camera to scan the T-Pay QR code out of CBK Mobile App so that Al-Tijari customers can pay through CBK Mobile App, while non-CBK customers are routed to the K-NET Electronic Payment gateway.
- Enabling Non-CBK customers to use the “Near Field Communication - NFC” feature on Al-Tijari ATMs.
- Adding a QR code on certified cheques to enhance the authentication process.

ATMs Network Upgrade

- The Bank has regularly upgraded its ATMs Network through applying latest technologies, security standards and periodic maintenance to ensure its quality and effectiveness. This achievement has been accomplished in cooperation with “Axis Solutions” within the framework of a strategic partnership with Al-Tijari.

The Bank’s ATMs have been upgraded with Diebold Nixdorf self-service systems designed according to the latest technologies, and compatible with PCI and EMV requirements to provide services pioneering in quality and interactivity. These devices are designed to assist customers with special needs in deposit and withdrawal operations.

- The Bank has enabled customers to avail a wide range of services through the upgraded ATMs. Customers, for example, can open accounts, register for services, and issue cards, cheques and instant account statements through the latest Diebold Nixdorf Self-Service Systems, which give customers easy access to banking services, and guarantee the Bank's presence and spread throughout Kuwait.

This upgrade of the ATMs aims at having in place digital banking branches capable of executing the basic operations within the branches automatically, and instantaneously.

The Bank has in place 58 Auto Teller Machines "ATMs", 74 Smart Teller Machines "STMs", 8 Bulk Teller Machines "BTM", and 75 Smart Deposit Machines "SDMs".

Cards Centre

The Cards Centre provides a wide variety of credit, prepaid and debit cards that are commensurate with customers' segments and needs in cooperation with renowned international financial services institutions, such as MasterCard and Visa Corporations. Holders of Al-Tijari banking cards can avail many features, such as easy access to cash around the clock, acceptance of cards worldwide in payments and withdrawals, chances to participate in big promotions, and get valuable prizes. Al-Tijari credit cards also give access to waiting lounges at many international airports in response to customers' aspirations, particularly Premier Banking customers.

The Bank also launched the Apple Pay, which is an innovative digital service that replaces physical cards with a simple, safe, and secure payment method. Customers can make contactless payments and enjoy payment solutions using their iPhone, Apple Watch, MacBook, and iPad over POS or Online.

Contact Centre

The Contact Centre continues to play a pivotal role to assist customers banking with CBK around the clock through Live Chat service with video and WhatsApp, providing video and audio contact options, along with co-browsing the latest banking products and services on the Bank's website and CBK Mobile App. Contact Centre responds to all customers inquiries, and provides all protection tools whenever customers need to stop their banking cards in case of reporting fraud or theft.

Marketing Campaigns

- Marketing Unit continuously strives to provide the best services, products and offers for all customer segments. Several major customer-centric campaigns were launched. The "Salary Transfer" Campaign, attracting customers to transfer their salary to Al-Tijari, providing them with a choice of either to get an interest free loan up to KD 25,000, or a cash gift up to KD 1,400 and an option to add-on a free credit card.
- The annual summer campaign, launched in June and entitled "Sea/Sky", provided credit card users with the summer-themed prizes, such as jet skis, kayaks, and sea scooters by entering a draw when issuing and using Al-Tijari Credit cards, in addition to grand prizes that provide traveling benefits such as vacations to the Maldives, Mauritius and Seychelles. Furthermore, as a separate draw campaign for football lovers, and anyone awaiting the FIFA World Cup Qatar 2022, and in collaboration with VISA, a specially designed VISA Platinum card was launched resembling the FIFA Qatar Logo with Qatar flag colours as a support from Al-Tijari to Qatar, the GCC country hosting the biggest football event. The Card came with a draw for 2 trips (courtesy of Visa) to attend the FIFA World cup.
- To encourage customers' saving behaviour, a campaign was lunched for promoting Al-Najma Account in April to enter the Half year draw, and in October to enter the annual Mega Draw of Kuwaiti Dinars a Million and Half Million (KD 1,500,000).
- The Bank launched the "Cashback" Campaign for marketing and groceries during the Holy Month of Ramadan. It had a great impact and positive feedback from customers, where the Campaign was consistent with our set targets during Ramadan based on customers' behaviour trends.
- The Bank launched a dedicated campaign to attract high school graduates, where the Bank offered

them gifts based on their GPA to be deposited in their new "YOU" Account for youth, in recognition of their efforts throughout the school year.

- The Bank managed to add car dealers on its partners list. Thus, RBD enabled Al-Tijari customers to get special prices from car dealers added by the Bank, all subject to the applicable credit terms and conditions.
- Within the framework of enhancing customer loyalty, the Marketing Unit championed the loyalty and Partners Program, which provides customers with free services and/or discounts with merchants and partners. More than 50 new partners have either been added as long-term service providers, or tactical short and medium term service providers.

The Bank's Participation in the "Let's Be Aware" Campaign

The Bank has been keen to contribute to the "Let's Be Aware" Campaign launched by the Central Bank of Kuwait, in cooperation with the Kuwait Banking Association, for spreading banking and financial awareness amongst the public. Al-Tijari provided assistance and support for that campaign through its website and social networking accounts by publishing informative materials associated with banking awareness and culture. The Bank's efforts in this regard included, but not limited to, the following:

1. Awareness of the risks associated with virtual currencies, such as "Bitcoin", and the like, as these are neither tangible assets nor subject to an existing regulatory authority to supervise and regulate them.
2. Shedding light on the issue of encashing loans, customers are warned off this trap, which constitutes the worst form of exploitation of customers' needs who resort to borrowing. Persons involving in the loan encashment aim primarily to make quick profits through deceitful and illegal ways by exploiting customers' needs.
3. Providing customers with awareness tips on suspicious investments.
4. Warning against risks of unsolicited e-mails and suspicious sites.
5. Educating customers about protecting their banking credentials and not sharing OTP codes, as well as the associated risks.
6. Enhancing the services provided by the Bank to people with special needs. The Bank trained a number of employees on Sign language, and facilitated the access of customers with special needs to ATMs and branches by adjusting branch entrances and exits, and providing ramps to enable the use of wheelchairs. In addition, the Bank has allocated six branches across Kuwait's six governorates for offering banking services to people with determination, in addition to serving other banks' customers.
7. Warning against financial fraud and money laundering-related transactions.

RBD will continue its efforts in launching and revamping innovative banking products and services so that Al-Tijari remains "Customers' Best Choice".

Corporate Banking Division

The Corporate Banking Division (CBD) is one of the main business Divisions of the Bank, and is a major contributor to the revenues and profits of the Bank. The Division aims at optimizing the risk and return by focusing on financing high quality assets from diverse sectors of the economy. It focuses on improving the quality of its credit portfolio and reducing the percentage of Non-Performing Loans. Amidst the challenging business environment, CBD continued to provide support to its customers to tide over their temporary cash flow mismatches and meet their specific requirements.

Corporate Banking Division comprises of a team of highly skilled professionals having significant exposure and experience in handling customer relationships, and providing structured solutions. With the restructuring process of the Division in 2021, the Division is operating now under six specialized business units, viz. Contracting Unit, Oil & Gas Unit, Services Unit, Commercial Unit I, Commercial Unit II, and Wealth Management Unit which cater to the requirements of various sectors. A dedicated and specialized Credit Analysis Unit within CBD focuses on conducting detailed financial, industry, and overall risk analysis of customers, which works closely with the aforementioned specialized Units to prepare comprehensive credit proposals, and help in structuring credit proposals to suit the requirements of the corporate customers.

Credit is extended by way of short-term working capital facilities to finance day-to-day operations, and also medium/long term loans for capital expenditure and investment needs. In addition, CBD endeavors to support Kuwait's economic growth by extending credit facilities through direct financing or by participating in syndicated loans to finance mega government/quasi-government projects/PPP projects while also focusing on financing emerging sectors.

During 2022, the Division has managed to onboard 48 new credit relationships as part of the Bank's strategy to further diversify its credit portfolio into a wider client base. Newly financed projects worth about KD 989 Million has further solidified CBK's position as a leading bank in contract financing in the State of Kuwait.

International Banking Division

CBK's relationships with banks and financial institutions located in local, regional, and international markets permit the Bank to support its customers and stakeholders in their cross border banking activities.

International Banking Division (the "Division") facilitates the Bank's proprietary and customers' cross border transactions by maintaining a broad base of reciprocal business activities with local, as well as foreign banks and financial institutions. The Division contributes to the Bank's strategic mandate to diversify its geographical and sectoral exposure by participating in syndicated lending activities outside the country. Additionally, the Division supports various banking needs of multinational companies (MNCs) by providing credit facilities specifically tailored to meet requirements for their businesses in Kuwait.

In 2022, despite continued challenging operating environment saddled with slowdown in global economy and high inflationary pressure, the Division has continued to contribute to the Bank's over-all profitability. Through a combination of syndicated and bilateral transactions, the Division maintained its portfolio of funded and unfunded assets at healthy levels. During 2022, the Division has concluded several bilateral and secondary transactions, remained active in the loan markets, and concluded several unfunded business.

The Division continued to support major businesses in GCC by providing bilateral and unfunded facilities for major corporates in Qatar, Bahrain and UAE. The Division further strengthened its footprints in Far Eastern market by acting as a Mandated Lead Arranger for South Korean enterprise. The Division has been supporting projects and transactions which are strategic to the country. Such transactions also include providing unfunded facilities related to KPC oil export transactions.

After successful execution of strategic USD 0.8 bil Umm Al Hayman PPP (Public Private Partnership) project in Kuwait, the Division will continue to seek participation in such PPP projects to generate stable income in future years. The Division continues to provide complete banking services to Umm Al Hayman Project Company. During the year, the Division issued tax retention bond for a large infrastructure "Clean Fuel and New Refinery" projects in Kuwait.

The Division continued to develop new business relationships with companies from the Far Eastern region, Turkey, and Europe, which are executing projects in Kuwait and maintained diversified exposure towards several key sectors such as Financial Institutions, Airline, Oil and Gas & EPCs.

IBD proactively managed key relationships while assisting several clients and projects to continue performing during these challenging times. IBD continued to hold detailed discussions with the borrowers and other counterparties gauging the impact of global slowdown, high inflationary pressure and provided relief to the clients through deferments of instalments, partial waivers and funding support. The Division has kept continuous engagement with clients based in the Middle East, Africa, South Asia, and the Far Eastern countries.

The Federal Reserve of United States (FED) concludes tapering, i.e. reduction in monthly assets purchases, as it recalibrates monetary policy to fight inflation, and has raised interest rates throughout 2022 to 4.4% in December. In order to grapple persistent inflationary pressure, FED is expected to further increase the interest rates in the short term. The continuous interest rate hikes throughout the year has resulted in the strengthening of USD against all major currencies. Accordingly several regulators have already increased the interest rates in order to curb inflation, which is gripping the global economy.

Euro region has continued to face severe economic crisis, which has worsened by the war in Ukraine. The decision by Gazprom to cut natural gas supplies to Europe to 20% of capacity has caused gas prices to surge, and raised the risk of energy shortages during the winter. The energy crisis would cause currencies to fall further, and industrial production to collapse and push some European countries into deeper recessions.

The Division shall cautiously continue to grow asset book by building on the momentum gained by sourcing/participating in global transactions on an opportunistic basis based on a holistic risk-return analysis. The Division shall also endeavour identifying potential new revenue drivers for the Bank as well as focus on continuously improving operational efficiencies within the Division.

Treasury and Investment Division

The Bank managed to further diversify and strengthen the liquidity condition by adding more resident and non-resident customer deposits, and bilateral and syndication loan borrowings. Even though the Bank's loan book witnessed a better growth comparing previous year, overall balance sheet size remained the same. This optimization was achieved due to the addition of further long-term funding to the Bank's portfolio. Moreover, the relaxation of the liquidity ladder with regard to individual CASA helped the Bank in reducing short-term interbank borrowings significantly.

From the cost of fund perspective, the Bank experienced a significant jump in the cost related to liquidity management this year. The interest rate curves in all major currencies steepened, which resulted in a higher premium for long-dated borrowings and customer deposits. The Bank's proactive measure to raise cheaper long-term financing during the first half of the year helped arresting the rising cost of funds. However, going forward, the liquidity management cost for the Bank is expected to further increase on account of ongoing market tight liquidity conditions, and additional expected hike in the deposit rates by the central banks. Moreover, effective 1st Jan 2023, all regulatory liquidity ratios will be back to pre-pandemic levels, which could intensify funding requirements of the banks in the local market. Our strategy is to continue exploring new markets and source of stable financing that could enhance the Bank's liquidity and profitability.

The investment grade bond portfolio posted an impressive growth without adding any duration risk. Though the bond market tumbled this year due to a series of interest rate hikes, the bond portfolio outperformed the market on account of the hedging strategy followed by the Bank. Since the average duration of the portfolio is short-term, all upcoming reinvestment of maturing bonds will fetch higher yield that will boost the Bank's profitability.

To provide a superior quality 24/7 FX business to our customers, we have developed and integrated an online FX platform with our core banking system that provides live streaming of FX rates at attractive spreads. The auto-hedging feature of this platform is helping the Bank manage the market risk most effectively.

TID is well equipped with the latest technology, fast execution trading portals such as Reuters FX trading, Bloomberg, 360T, and private major bank platforms. Our system efficiency and control features helped us achieve a paperless dealing atmosphere, and improve efficiency. We have purchased a new treasury system to automize various transaction modules that are in line with the Bank's digitalization strategy.

TID's major functions are handled by professionally experienced dealers through:

- **Foreign Exchange Desk:** Trading & covering in FX Spot/Forward & Swaps.

- **Money Market & Fixed Income Desk:** Nostro account cash flow management, Inter-bank lending/borrowing, fixed income securities, liquidity and other related statutory ratio management, hedging of market risk using swaps, investment portfolio, and bilateral / syndicate loans (borrowings), and Repo of bonds.

- **Treasury sales & Investment Desk:** Taking care of corporate client's requirements offering various types of Treasury products such as deposits, FX spot, FX forwards, FX swaps, interest rate swaps, etc. The management of investment book, such as quoted and unquoted equities, and assets pending sale.

Growth is witnessed in non-resident customer deposits, bilateral / syndication loans, term-repo, sovereign USD bond portfolio, and FX interbank trading profitability.

Greater productivity with strict adherence to all regulatory guidelines and ethical practices, combined with innovative technology, helped TID achieve its goal.

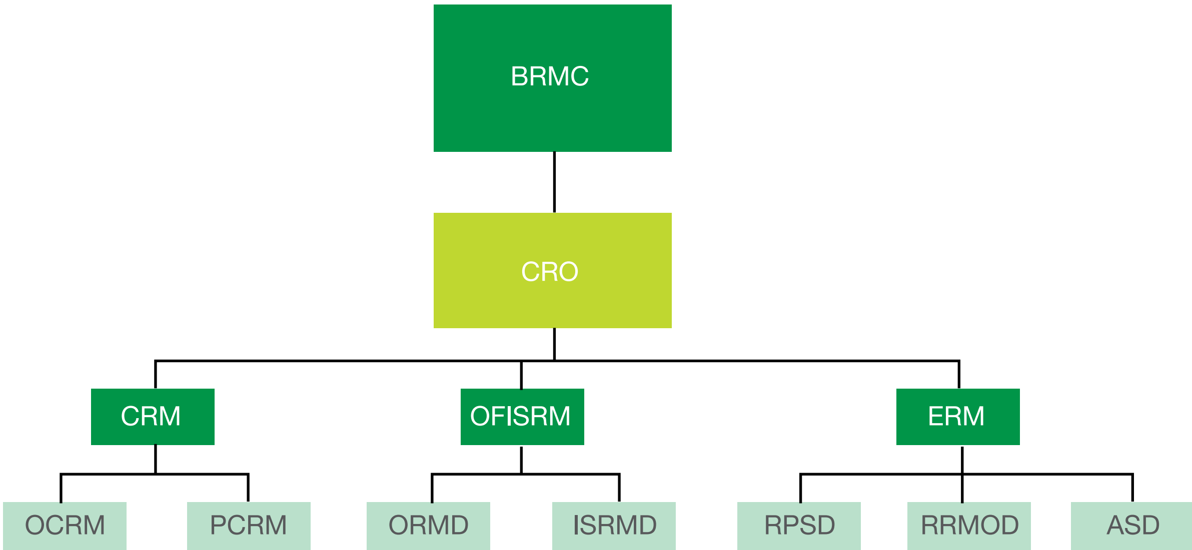
Risk Management

The Bank believes that risk management remains an integral part of ongoing business activity and decision-making process. Hence, the Bank's sustainable and sound performance relies on the ability to successfully identify and manage risk at all levels by adopting prudent risk management approaches, practices, and culture.

In Commercial Bank of Kuwait, Risk Management Division (RMD)'s primary objectives are to anticipate risks through a set of procedures, models, and measures, minimise the impact of identified or emerging risks, and adequately monitor the Bank's risk profile in terms of internal and external factors. The broad risk categories include credit risk, market risk, operational risk, liquidity risk, interest rate risk, reputational risk, strategic risk, and information security risk.

Risk Management Division: Structure and Independence
The Bank's Risk Management Division is an independent dedicated division which reports functionally to Board Risk Management Committee and administratively to the Chairman. The Division is a centralised function, headed by the Chief Risk Officer, providing oversight and proactive advice / guidance of risk decisions assumed by risk-taking units, in addition to reporting on the Bank's risk profile while ensuring appropriate and effective mitigation actions are in place.

For better integration of the risk management process to aid decision making across the organisation, the roles and functions of the Division are departmented according to three broad risk categories, namely Credit Risk Management (CRM) Department, Operational, Fraud and Information Security Risk Management (OFISRM) Department and Enterprise Risk Management (ERM) Department, as illustrated below:



Guided by sound practices, policies, and procedures, Risk Management Division, comprising a team of experienced and dedicated risk professionals, is entrusted for assessing, monitoring, and recommending strategies for control of credit, market, liquidity, operational, information security, and enterprise risks.

During 2022, Risk Management Division continued to work with various departments and functions with its proactive risk management and prudent risk approaches. With a forward looking perspectives of current events, such as the global economic downtrend and geopolitical tensions, the Division revised several policies, internal limits, and exposures to certain higher risk, vulnerable sectors and asset classes to ensure early identification, and efficient mitigation of exposures and counterparties that may be showing signs of distress. One major effort revolves around working with various risk owners with the primary role of recognizing these emerging and new risks the Bank is exposed to and recommending proper mitigations.

Credit Risk Management (CRM) Department

The CRM Department comprises the following Units:

1. Obligor Credit Risk Management Unit (OCRU) with specific focus on pre-fact and post-fact review and assessment of credit facilities from Corporate Banking Division and International Banking Division, including assessment of credit lines for various countries and banks as well as investment proposals as per the Credit Policy/Investment Policy.
2. Portfolio Credit Risk Management Unit (PCRM) is responsible for monitoring the Bank's credit portfolio in line with the broader benchmarks/limits set in various policies. Additionally, the Unit is entrusted to provide independent risk opinion to management to improve the overall credit quality of the portfolio.

Operational, Fraud and Information Security (OFISRM) Department

The OFISRM Department comprises the following Units:

1. Operational Risk Management Unit (ORMU) is responsible for monitoring, measuring, and reporting the operational risks the Bank exposed to, including fraud risks. The Unit collects operational risk data through Risk & Control Self Assessments (RCSA), Key Risk Indicators (KRIs), procedure reviews, and reported risk events. A risk event database is maintained and reported in the periodic risk management reports. ORMD is also responsible for the Bank-wide insurance management and for coordinating the Bank-wide Business Continuity Plan and ensuring regular testing.
2. Information Security Unit (ISD) is responsible for identifying, monitoring, measuring, and reporting all the Bank's information security risks including internal and external threats, whether deliberate or accidental, on all information assets of the Bank. ISD has established and maintains the related policies and procedures; as well as tests the effectiveness of the controls in order to keep the Bank's information assets secure. ISD provides periodic reports to the BRMC and BOD on the Bank's capability to manage information security and cybersecurity risks, in addition to monitoring the implementation of the information security projects. ISD acts as an advisor to provide inputs to follow mandated compliance requirements across the Bank.

In partnership with Human Resource Division, customized Information Security Awareness programs are developed and mandated for all staff in order to embed an information security awareness culture within the Bank. The Bank maintains its compliance with PCI-DSS, ISO 27001, and SWIFT CSP certification requirements, in addition to compliance with Central Bank of Kuwait's Cyber Security Framework requirements. ISD has upgraded the Security Operations Center (SOC), which monitors all anomalous security events, and has developed a cyber incident response plan to ensure timely response to any suspicious cyber activity.

Enterprise Risk Management Department

ERM Department is responsible for providing an integrated and holistic portfolio level perspective of the most significant risks to the Bank by developing a top down enterprise view of all potential risks that might impact the strategic objectives and viability of the Bank's business. This Department comprises three inter-related Units, namely:

1. Risk Policies and Secretariat Unit (RPSD) - with a primary focus to assess new/changes in regulations, and, accordingly, develop/establish risk management policy responses.
2. Risk Reporting and Middle Office Unit (PRMOD) - responsible for the timely and proper preparation of risk management reports with narrative based on descriptive analytics; and
3. Analytics and Simulations Unit (ASD) - concentrates on predictive (forecasting) and prescriptive (simulation and optimization) analytics, and develops financial models to provide forward-looking and proactive insights.

The ERM Department, through its inter-related Units, is responsible for periodic computation, monitoring, and reporting of risk metrics related to market, liquidity, interest rate risks, and the various risk appetite parameters. The Department computes economic capital for various risks under the Bank's Internal Capital Adequacy Assessment Plan and is responsible for conducting periodic stress tests and reporting these to the ALCO, BRMC, BOD, and the Central Bank. The Department conducts regular meetings of ALCO and CIC for investment items, and prepares monthly risk management reports circulated to the ALCO members. It provides vital quantitative inputs like Probability of Defaults and Loss Given Defaults for ECL calculation under IFRS9. The Department ensures that the Division's risk management policies are up to date. It also conducts various special ad-hoc risk-management related projects involving risk analytics and simulation to assess the risks from a quantitative perspective.

Notwithstanding the roles and functions of the Risk Management Division, the Bank's risk management governance framework includes a hierarchy of committees such as the Board of Directors, Board Risk Management Committee, Board Loan Committee, as well as the Bank's Executive Management for approval and reporting purposes. The governance structure of the Bank is explained in detail in the corporate governance section.

Treatment of Different Types of Risks

The treatment of different types of risks by the Bank is elaborated hereunder.

a. Credit Risk

While credits (both on and off- balance sheet) extended to counterparties are approved strictly in accordance with the Central Bank of Kuwait regulations and instructions, Credit Risk Management Department ensures that appropriate policies, guidelines, processes and procedures are in place to thoroughly assess the lending activities with a periodic review and update of credit evaluation processes, mechanisms, and techniques.

The Credit Policy and Credit Risk Management Policy lay down the guiding principles for lending activities and the basis of measuring, monitoring and managing credit risks. The Credit Policy provides guidelines that establish the lending criteria while all credit decisions are made after giving due consideration to the requirements in the Credit Policy.

The Credit Policy is supplemented by the Credit Risk Management Policy which establishes the infrastructure for credit risk management including tools for risk rating, portfolio analysis and independent reviews. Internal limits are also established for credit concentration and credit quality. Credit approvals are preceded by detailed due diligence on credit proposals including reviews that are independent from the risk taking units. The due diligence covers assessment of the quality of financial information, historical financial performance, future prospects, structure of facilities, their relevance to the business needs, management expertise, identifiable sources of repayment, available collateral, additional support available, etc. In addition, comprehensive post sanction reviews at the individual and portfolio levels are conducted to effectively monitor and control the existing credit portfolio.

The appropriate risk analysis ensures that the approved limits are commensurate with the risk profile of the counterparties. Apart from individual lending limits, broader portfolio level exposure limits have been stipulated for perceived higher risk sectors and exposure to these segments are continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings by external credit rating agencies, are in place to ensure adequate portfolio diversification in terms of sovereign ratings and geographies. The Division also utilizes a sector risk assessment model, allowing more granularity in sector classification.

The Bank measures economic capital for credit risk including capital for obligor and collateral concentration under Pillar 2 of Basel III. Measurement of concentration risks is based on a model that comprehensively captures name, sector, and geographic concentration risks.

b. Market Risk

Market risk exposure for the Bank is evident in portfolios of equities and foreign exchange that are actively traded, as well as in other positions whose fair values are directly derived from market parameters.

Market risk limits are in place to adequately control the equity and foreign exchange risks. Foreign exchange risks are daily monitored and controlled through currency-wise absolute limits as well as stop loss limits. Overnight regulatory limits that include overall absolute limits are strictly enforced.

The Bank also assesses the market risk through internally developed Value at Risk (VaR) measures. VaR is based on historical simulation over the relevant observation period, and is computed as the maximum possible loss over the relevant holding period at the 99th percentile. Limits are in place for the maximum permitted VaR for the foreign exchange and equity positions. The VaR models are back tested annually to confirm and validate their robustness. In addition, economic capital for market risk, including concentrations therein, is calculated regularly. Economic capital calculations for market risk are calculated from “Expected Loss” in line with BIS norms.

Investment proposals are subject to detailed due diligence including reviews that are independent from the risk taking units. Investments are classified under pre-defined asset categories and are subject to pre-approved limits for such categories. Further the Bank Department’s overall investment capacity and individual investments are restricted to stipulated limits and guidelines laid down by the Central Bank of Kuwait.

c. Liquidity Risk

The Bank manages liquidity risks that are evident in maturity mismatches and liability-side concentrations. Limits are in place for the control of liquidity risks and these include the maximum allowable cumulative mismatches. Internal alert limits are also laid down to ensure continued adherence to the regulatory limits. Liquidity risk management is further enhanced through limits that attempt to restrict concentration of deposits from significantly sensitive depositors, as well as products. Limits are also stipulated for mismatches in different time buckets thereby ensuring that maturing liabilities and assets remain largely matched. A detailed liability side analysis is conducted periodically to discern rollover patterns, identify core deposits, behavioral trends in short-term funds, and correlations with macro economic variables.

The Bank’s liquidity risk management policy also requires conducting a proper periodic liquidity planning and stress testing based on scenario analyses. A detailed contingency plan also forms part of the liquidity management framework. Economic capital for liquidity risk under pillar two of Basel III using internally developed methodology is also measured regularly.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) are measured and monitored regularly against regulatory limits and internal limits.

d. Interest Rate Risk

Interest rate risk is managed as per the guidelines laid down in the Interest Rate Risk Management Policy. The majority of the assets and liabilities of the Bank mature and / or re-price within one year, and hence there is limited exposure to interest rate risk. Interest rate risk is monitored with the help of an interest rate sensitivity monitor (IRSM) in which assets and liabilities are distributed in pre-defined maturity/re-pricing time bands. The Earnings at Risk (EaR) is computed by applying pre-defined rate shocks to the IRSM and this is compared against internal limits that define the Bank’s appetite for this risk. Varied rate shocks for different time buckets/currencies, as laid down by Basel, are used for calculating the EaR. In addition, the sensitivity of the economic value of equity is also calculated. Economic capital under Pillar 2 for Interest Rate Risk is measured regularly.

e. Operational Risk

Operational risk management is focused on identifying, assessing and minimizing the impact of risk events that may arise through inadequate processes, human errors, system failures, as well as external factors by using a range of assessment methods including Risk Control Self Assessments (RCSA) and a comprehensive review of Group-wide procedures. Key Risk Indicators (KRIs) are also monitored regularly. An objective scorecard is used to assess different operational risk areas based on pre-defined parameters, and to grade them under certain categories.

This gradation is used in the measurement of economical capital for operational risk and legal risk. Internally maintained risk events database, provides information on the frequency and impact of operational risk events. Business continuity policy and plan are in place to tackle any unforeseen contingencies that aim to ensure that business continuity is achieved with minimal disruption to critical processes and systems.

Insurance management, which is an integral part of operational risk, facilitates prudent transfer of risks. Insurance coverage provides partial mitigation for operational risk. The operational risk management policy lays down general guidelines for insurance management, including factors to be considered in structuring insurance policies, definition of policy limits and deductibles, policy reviews, and handling of claims.

f. Other risks
Policies are in place for other risks, including strategic risk and reputational risk. These policies establish roles and responsibilities for various stakeholders in managing and controlling these risks. In addition, quantification methodologies are in place for measuring the economic capital for these risks.

Digital Transformation & Innovation Division

In light of the technological transformation seen in the banking industry, and the trend towards digital banking services shaping the future of the banking industry, and in compliance with the instructions of the Central Bank of Kuwait, Al-Tijari has established a specialized unit in this field named Digital Transformation and Innovation Division "DTID". In 2022, the Bank's DTID developed and launched many banking services for corporate and retail customers, including but not limited to the following:

Launching Al-TijariBot "T-BOT" Service
Live Chat Service via the "WhatsApp" has been upgraded through the virtual assistant Al-TijariBot "T-BOT" where the Bank's customers can get information about the locations of the Bank branches, including details of the products and services easily and smoothly without need to wait for a response from the Bank's employees. In addition, the service enables the customer to directly speak with the Bank's Customer Service agent via the same application.

Upgrading Corporate Online Banking
"Corporate Online Banking" service has been upgraded so that the corporate customer can raise the level of user authorities, and be able to give instant permissions to other users linked to the same account without need to fill in requests, such as creating a new user, changing transfer limits, or adding a new service or account.

A New Feature for Adding Transaction Details
A new service has been developed that allows customers to add a special description for the transactions performed on their accounts for easy reference, know the details of the transaction, and be informed of the reason for debit/debiting party if this information is not available in the pre-programmed system - generated description.

T-Pay Service:
CBK's "T-Pay" service has been upgraded to enable customers to directly pay from any account they have by scanning the QR Code without need to predetermine the debit account.

Family Account Service Upgrade
"Family Account" service has been upgraded, whereby the customer can make direct transfers and issue bank account statements.

"Add Beneficiary" Service Upgrade
The "Add Beneficiary" service has been upgraded. Thus, the customer can display the QR Code of any of his accounts, and then the other CBK customer can scan the Code and add the beneficiary immediately without need to manually enter the beneficiary information.

Introducing "Prepaid and Virtual Debit Card Issuance" Service
The Division has introduced a service for issuing a prepaid card and a virtual debit card without need to print a plastic card.

New Account Opening Service Upgrade via CBK Mobile App.
The new account opening service has been upgraded on the Bank's application. The upgrade permits the customer to enter a username and pin code (login password) during the account opening process.

"Prepaid and Debit Cards Password Change" Service
A service for changing the passwords of prepaid and debit cards has been added via CBK Mobile App.

The development across the Bank will be extended to include upgrading the technological and digital infrastructure to flexible and supportive smart programs and systems for attaining digital transformation in cooperation and coordination with the Information Technology Division and other divisions across the Bank. The Bank is also keen to contribute to realizing the aspirations of digital transformation in line with "Kuwait Vision 2035", which sees digital transformation as a priority for progress and the development of the economy.

Information Technology Division

Information Technology Division ("ITD") started the digital transformation journey of the Bank with the implementation of the early version of the Cash Deposit Machine (CDM) which was operated by the tellers in March 2013. This was done in order to address issues in the handling of cash by the branches.

And today, these CDMs are self-service machines fully operated by the customers. ITD has branded it similar to an ATM machine with added features of accepting cash bills, coins and checks. Focusing on customers' ease of banking, ITD has ensured seamless integration of the Bank in the dynamic landscape of technology. This has been the core agenda of our Omni Channel Banking at Branch or Online/Mobile Banking channels.

During the first quarter of 2022, the T-Locker machine was piloted in few branches. Now these machines have been installed at all our branches, enhancing customer experience (CX). T-Locker has helped streamline operational processes in the delivery of check books, debit and credit cards, documents, such as the Balance Certificate, Liability and Clearance Certificate. Customers can now receive messages in their registered email and cellular phones with a QR code. By scanning the QR code in the T-Locker machine, it opens the locker where the checkbook, document, cash or card requested by the customer is located. Till date, T-Locker has serviced a total of 19,000 requests since its deployment in February 2022.

A new face of self-service offering is implemented in the branch. The Banking Island machine (BI) leverages on the biometric technology using facial recognition for user authentication. Customers can perform banking transactions such as internal fund transfer, swift transactions, check deposit, issuance of managers' checks, and credit card settlements.

Supporting business areas to provide state-of-the-art services and products to customers is the sole objective of ITD whilst implementing the following projects or system enhancements:

a) Digital signature of customers during account opening has been implemented as part of the PACI integration. Customers are given an option of manual signatures or digital signatures coming from PACI. As part of the audit trail, the digital signature appears in our records as digitally signed by PACI.
b) Through the implementation of the Fixed Deposit advance interest payment system, business areas are able to provide customers with the option to collect interest from their deposit prior to the deposit maturity. It's a flexibility provided to the customers in case of emergency needs.
c) Customers can now request the issuance of the Virtual Card without any cost.
d) The NFC function in our STMs can now be used by non-CBK cards. This provides a more convenient way of withdrawing fund in our STM to K-Net customers which others do not provide when doing a K-Net transaction.
e) Digital wallets are being added to our customers' account. This year, the additions have been Swatch Pay and Samsung Pay.
f) Customers are now assured that their debit cards will be renewed automatically, unless they inform the branch or close their account beforehand.
g) Just like our credit cards, recurring transactions can now be processed using our debit cards. The debit card can now be used to pay monthly payments, such as subscriptions or memberships.

Digital transformation is incomplete without digitizing the back-end processes. For this, ITD implemented the auto reconciliation of Swift and Instapay transactions. Blacklist checking is also automated when opening an account, checking the beneficiary of Manager's check.

ITD recognizes the challenges the banking industry faces in terms of advanced technology digitization and will strive to adopt and explore new technologies. In addition to these, stricter regulations are now introduced and compliance to them is a must in order to implement new technologies in the Bank. ITD will continue to build infrastructure to support the Bank in meeting these future challenges.

Operations Division

The Operation Division in Commercial Bank of Kuwait is the pivotal team responsible for the execution & processing of daily transactions initiated by the customers and other departments within the Bank. It renders direct and indirect services to customers and ensures that transactions are processed accurately and appropriately within the defined regulatory framework. The year 2022 was a remarkable year for the Operations Division due to the various efficiency & optimization initiatives undertaken to improve processing turnaround times in an environmental friendly manner.

Cash Management Center (CMC)
CMC ensured 24/7 cash availability to customers during peak salary periods, weekends, and public holidays, including Cash Express deliveries. CMC has re-engineered the work flow to cater to the requirement of replenishments in larger number of machines in comparison to previous years with a view to achieve efficiency.

CMC in collaboration with Information Technology Division (ITD) and Construction & Property Management (CPM) - GSD finalized the Bulk Teller Machine (BTM) project, which are now distributed to all Kuwait governorates, and selected branches.

Additionally, CMC is handling T-Locker machines (TLM), which acts as a smart delivery hub at CBK branches to provide CBK customers with an innovative digital delivery channel; facilitating customers' Banks mail, cards, cheque book, bundled cash etc. in a fast & secure manner with round the clock availability. CMC is also responsible for Branch Mail through TLM. All services are integrated with backend and frontend business systems and leveraging on Quick Response (QR) code and CBK mobile application to process transactions.

The CMC is responsible for the replenishment of all cash dispenser and depositing machines in the Bank. This include the ATMs, the Smart Teller Machines (STM), the Bulk Teller Machines (BTM), the Smart Deposit Machines (SDM) and the T-Locker Machines (TLM).

Treasury & Investment Operations Department
Treasury & Investment Operations Department has successfully managed the activities in the new custody account. With the help of business team, the department has identified the securities to be maintained in both the custody accounts which has successfully brought down the cost to be paid on the portfolio maintenance.

In accordance with Bank's vision to move to digital era, the Department has adopted paperless environment approach for various reports like Limit control, Daily control, EOD control, etc.

Fraud & Risk Monitoring Department (FRMD)
FRMD is responsible for ensuring 24/7 availability to support SWIFT Sanctions Screening, Account opening, CBK Cheque screening presented by non-CBK customers, KYC screening, and Trade Services Screening, and fraud monitoring that proactively identifies the anomalies to mitigate the fraud risk for CBK customers & Merchants. Enhanced Detect TA fraud monitoring system with additional monitoring and alerting features helped in protecting cash owners from new fraud attempts.

FRMD is also responsible for responding to CBK, non-CBK, & Merchants disputes in timely manners by ensuring 24/7availability.

Procedure Documentation Department
The department has supported the Bank in updating and releasing the latest updated processes during

the year required by the regulatory authorities and various business areas of the Bank. The department coordinates with different stakeholders to ensure that responsibilities are clearly documented to provide clarity and avoid any overlap.

Operation Administration Department

The Department consists of Operation Processing Control Unit (OPCU), Record Management Unit (RMU), Legal Operations (LOU), and Data & Process Management Unit (DPMU). The units under Operation Administration continue to drive automation of various tasks to ensure straight through processing, and bring efficiency in work flow.

Retail Credit Admin & Processing Department (RCAP)

The Department continuously co-ordinates with Information Technology Division, to upgrade the Bank's internal systems to enable faster and smoother processing to meet customer & internal stakeholder requirements.

Trade Service Department (TSD)

Trade services is a specialized department supporting our customers in processing their transactions relating to Import & Export, Collections, and Guarantees (Local and Foreign). It also provides short term import finance against trade obligations as well as arranges discounting of export receivables. It is managed and run by highly skilled staff who are aware of international trade rules as well as local laws and regulations.

The Department has been able to provide superior customer service along with best turnaround times in the industry. It is successfully tracking all customers request through FX web-based system and automated World Check screening approval.

Credit Administration Department (CAD)

Credit Administration Department being responsible for credit documentation, collateral creation, processing and setting up of facilities and limits in core banking system apart from periodic updating of collateral valuations, is playing a vital role by providing the necessary support to the business units in ensuring that the Bank's interests are legally protected and the Credit portfolio remains safe by complying with approved credit terms and conditions, Central Bank and internal policy requirements, etc. The Department ensures that the processing and operations of credit facilities for corporate customers are strictly in line with the approved terms, and the interests of both the bank and the client are safe guarded. With the introduction of 'Documentra application', the capturing of data by scanning the documents has become seamless.

Loan Follow Up and Collection Department

The Department consists of Execution Unit, Litigation Unit, and Loan Follow up & Recovery Unit (LFRU). The Department is mainly entrusted with the responsibility of collection of funds from unpaid retail banking customers, and follow the legal proceedings, when needed.

The Department has successfully recovered bad assets in terms of loans and credit cards under Retail Banking, and have achieved a collection growth of 11 % over the previous financial year.

Strategic Planning & Follow Up Division

The Division was established end of September 2021 in line with the Central Bank of Kuwait directive, to ensure the successful formulation and implementation of the Bank "Shaping the Future" strategy for the upcoming five years, which revolves around expediting the digital transformation within the Kuwait Banking Industry, while maintaining customer centricity in addition to supporting national empowerment, environment, society and governance as integral components of the Kuwait Vision 2035.

As such, through collaborative efforts with all the Bank's relevant Divisions and Departments Al-Tijari's "Shaping the Future" strategy has been successfully formulated taking into consideration the country wide vision and direction as it was interwoven into the main key drivers over the upcoming five years.

Since then there has been a prominent paradigm shift within the Bank as a result of the inculcation of a strategic thinking culture and the encouragement of engagement at all organizational levels, which is evident through the referencing of the Bank's strategy and consultation with the Strategic Planning and Follow up, prior to major periodical planning activities such as budgeting and annual action plans formulation.

Towards ensuring the successful implementation of the Bank's Board of Directors approved strategy, key performance indicators and measurement metrics, both qualitative and quantitative have been tailored on a divisional level to facilitate monitoring the execution progress in terms of strategic goals and key drivers in a detailed manner, thus enabling early detection of deviations, identification of root causes leading to preemptive actions and realignment.

Additionally, the strategy periodic reports have been significantly restructured and enhanced to portray collective divisional efforts as pertaining to the Bank wide goals and strategic key drivers through the consolidation of key performance indicators and metrics that were specifically designed for that purpose. Those reports are presented to the Chairman and the Board of Directors on quarterly basis to highlight the achievements, shortcomings, causes and responsibilities in addition to recommendations going forward. The Central Bank of Kuwait quarterly strategy progress report has also been revamped, whereby it currently provides, in addition to the Bank's performance against the strategic goals and key drivers an analytic view of the market trends, risks, and challenges, and their subsequent impact on the Bank in light of the divisional strengths and weaknesses with regards to the resulting opportunities and threats.

Human Resources Division

In order to compete in today's market and create a value brand, it is imperative to align the various strategies in order to achieve the stated vision. The Human Resources Division is committed to attracting high quality talent, investing in fresh graduated Kuwaiti youth, and continuous learning of our employees.

Recruitment Department
Commercial Bank of Kuwait has participated in numerous events throughout the year that align with the mission and vision of the Bank. Commercial Bank of Kuwait aimed to provide job opportunities to fresh Kuwaiti youths to further develop their knowledge and skills in various divisions and departments around the Bank. As the Recruitment Department highly believes that it is their social responsibility to offer part-time opportunities to university students and internships, 76 students have gained a part time job as a branch representative during the year of 2022.

The Recruitment Department participated in career fairs that were held in multiple universities, like the Australian University, Gulf University for Science and Technology, Kuwait Technical College, Kuwait University and American University of the Middle East during 2022, and held on-spot hirings for various divisions and departments across the Bank.

Furthermore, the Human Recourses Division in Commercial Bank of Kuwait built strong relationships with some major universities across Kuwait that would benefit our current employees with educational qualifications, such as special discount on Master's Degree in Business Administration. Furthermore, the recruitment team has carried out workshops in a number of universities to assist students to enhance their CVs, provide guidance on how to present themselves and face interviews as well as choosing their career paths.

The recruitment team has developed a paper-less process to ease the hiring formalities for our new employees. With the collaboration of the Information Technology Division, the recruitment team has created a new digitalized software where the applicants can scan QR code and efficiently apply for vacant positions.

The Bank has been active with job posts on diversified platforms such as Linkedin where active followers went up to more than 28K. As per Central Bank report, CBK has reached 84.3% Kuwaitization across the bank.

Ruwwad - Risk Management Program
Attracting high quality talent has become an increasingly important key indicator for performance, success, and growth in the long term. With this awareness, CBK launched the 2nd Kuwaiti Graduate Program for the Risk Management Division to develop participants, and equip them with the adequate skills and knowledge.

Internships & Collaborations
In view of our goal in hiring potential talents from universities, HRD hosted students from known universities, such as K-Tech, KILAW, GUST & Kuwait University. The interns were exposed to various divisions where they were given new tasks to learn goal-specific skills, and experience the technology, people, and projects that relate to their career goals.

In addition, and to support the employees of the Bank and to provide enriching training activities for the youth, HRD initiated the 2022 Summer Training Program for employees' relatives, children and siblings which aimed at providing an enjoyable learning experience to the students.

The Commercial Bank of Kuwait signed a Memorandum of Understanding with The American University of Beirut at the university's Suliman S. Olayan School of Business Executive Education unit, with the aim of developing collaboration on executive education programs and professional services.

As such, the first module of the Executive Leadership Program "Crucial 5" was launched in November 2022 incorporating various learning resources and offering a transformative learning experience to further develop Leadership competencies.

Furthermore, several premium and exclusive in-house programs were organized in collaboration with reputable institutions such as Informa Connect, Franklin Covey, and Scotwork, to name a few.

"Pulse" - CBK's Wellbeing Initiative
This ability to function and perform at a high level consistently is enhanced by health and wellness programs that traditionally focus on the physical and emotional wellbeing of employees. Hence, CBK is keen on promoting wellbeing at the workplace as it will positively impact both employees and the Bank by increasing productivity, enhancing employee morale, and reducing absenteeism.

As such, various learning resources have been put in place to provide users with the information and practicalities required to address related topics. To name a few:

- Fitness and nutrition workshops were held to provide the employees with tips and techniques to better take care of their physical health, which ultimately affects their work performance and daily lives.
- Happiness and Gratitude Workshops were also organized in collaboration with Alnowair, where participants learned the importance of being positive, and how it can improve their outlook and mental wellbeing.
- An Upcycling Workshop to promote Work Environment Sustainability was conducted and eco-friendly lunchboxes were distributed to employees to lessen everyday waste

Blended Learning
The interactive e-session of the Employee Handbook in both English and Arabic was released on THABER. The latter provides a summary of the updates on the HR's policies and employee benefit, and informs the employees of the standards, obligations and responsibilities which the bank, in turn, expects of them

In addition, The "Knowledge Gateway" was launched and made available on THABER. This database allows employees to access up-to-date product details and evaluates branches staff members' product knowledge through monthly assessments.

Moreover, and in line with HR Digitalization initiatives, the Job Description service platform was launched, which enabled employees to review and acknowledge their JD's.

Finally, and in line with CBK's E-learning initiative geared towards providing employees with continuous learning accessible through THABER, L&D collaborated with "Disprz". Hence, the enterprise learning & development solution provides enhanced e-sessions currently available on the portal.

Corporate Social Responsibility
CBK is keen on contributing towards the sustainable development of the society and environment as a whole by carrying out several CSR activities and initiatives.

As such, CBK collaborated with Dasman Bilingual School to train some of their students affiliated to the Vocational Department in order to provide the latter with an opportunity to apply the skills they have learned during their education.

In addition, L&D launched the "We Sign" initiative to provide access to Sign Language material to employees through an e-booklet and various informative videos while also organizing the professional sign language certification.

GOV HR Summit 2022
The organizing committee of the 10th Annual GOV HR Summit 2022 extended an invitation to the Commercial Bank of Kuwait (represented by Sadeq Abdullah - General Manager/Human Resources) to join as a guest speaker in the CHRO Panel Discussion.

Hosted under the theme of "Together We Transform for a New Era of Work" the GOV HR Summit is the region's largest platform for HR decision-makers from the government, public sector, and state-owned entities to discuss the latest trends in human capital development, meet the best HR solution providers, and benchmark HR practices.

Internal Audit Division

The objective of the Internal Audit Division (IAD) is to provide independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the Bank to accomplish its objectives by bringing a systematic, disciplined risk-based approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Different types of Audit Reports are issued, summarizing the results from each performed audit engagement, which are then communicated to the responsible heads of the auditable groups, divisions, and departments. These reports provide evidences to support the annual evaluation of the overall operating effectiveness of the internal control environment. However, any internal control system can only provide reasonable, but not absolute assurance that the objectives of that control system are met via assessment of process design of internal control points and providing enhancements elevating processes effectiveness and efficiency.

The Internal Audit Division adheres to the standards and guidelines of the Institute of Internal Auditors (IIA), the Information Systems Audit and Control Association (ISACA), the Framework of Committee Of Sponsoring Organizations (COSO) and the Association of Certified Fraud Examiners (ACFE), also ensuring the practices are aligned with the global best practices of the Internal Audit.

Compliance and Corporate Governance Division

Compliance & Corporate Governance Division ("CCGD") is an independent function reporting directly to the Board Compliance and Corporate Governance Committee. The Division has a pivotal role in monitoring and verifying the Bank's compliance with local regulatory instructions & requirements pertinent to the Bank's business activities along with helping the Bank to avert risks that may arise from noncompliance.

CCGD is a reference within the Bank as it reacts to all queries related to compliance with regulatory instructions. CCGD extends its support and assists all divisions & departments across the Bank for the sound understanding of instructions issued by regulatory authorities where CCGD interprets and explains such instructions to ensure the Bank's proper implementation and compliance with the said instructions.

CCGD endeavors for deepening all means of cooperation with all Bank Departments/Divisions, and acts as a liaison point between the Bank and regulators in relation to the issued instructions and compliance related issues. CCGD supports the Board of Directors and Executive Management for enhancing compliance and corporate governance environment & culture for all staff members in the Bank. CCGD undertakes pivotal role contributing to the training and awareness of the Bank's staff in all matters related to Compliance and Corporate Governance.

CCGD is responsible for verifying the Bank's compliance with the Central Bank's instructions, including Corporate Governance principles as well as the rules & controls set forth in the Corporate Governance Manual. The Corporate Governance rules cover disclosure & transparency standards which are diligently applied by the Bank as per the instructions from the Central Bank of Kuwait, Capital Markets Authority and Boursa Kuwait.

CCGD prepares and regularly updates the Bank's compliance policy, and reviews the policies & procedures of all Bank divisions and departments, as well as all existing and new products, services, and channels to ensure their consistency with the regulatory instructions. Furthermore, CCGD reviews and updates Corporate Governance Manual, bylaws, and Corporate Governance policies to ensure their consistency with the Corporate Governance & Disclosure rules as per the local regulatory instructions. CCGD also ensures compliance with disclosure and transparency requirements as per the applicable regulations, and takes the necessary actions for following up the instructions and requirements of the Central Bank by means of regulatory examination activities and associated reporting.

CCGD annually identifies and assesses issues related to the noncompliance risks facing the Bank and the Bank plans for the efficient management of such risks. Thus, reports are prepared and submitted to the Board Compliance and Governance Committee which, in turn, presents them to the Board of Directors. The CCGD undertakes the duties & functions assigned to it to ensure Bank's Compliance with regulatory requirements, and to avert noncompliance risks.

In addition, CCGD conducts a semi-annual assessment of the noncompliance risks at the Bank's Group level by monitoring compliance status of the Bank's subsidiary and verifying how far the subsidiary satisfies the corporate governance requirements.

During 2022, CCGD addressed all requirements for smooth workflow, ensuring the Bank's compliance with all regulatory instructions issued by the Central Bank of Kuwait, Kuwait Capital Markets Authority as well Boursa Kuwait's rules for disclosure and transparency requirements.

Anti-Money Laundering and Combating the Financing of Terrorism Department (AML/CFT)

Money laundering and terrorist financing operations are a gross issue with major concerns for all concerned international institutions and countries across the world, given the devastating impacts of these operations on the economy, society and all life aspects at large. Therefore, the international community has been exerting great efforts to limit these operations and mitigate their consequences. Such efforts have led to applying a set of standards and recommendations in this regard. The relevant international organizations monitor countries' efforts to verify their compliance with these standards and recommendations.

The Bank aims to safeguard its services and operations, monitor and detect suspicious activities, disrupt any support that may be provided to criminals and prevent them from having any access to the financial system, and ensure compliance with regulatory requirements on anti-money laundering and combating the financing of terrorism. For realizing this objective, the Bank has set an AML/CFT Policy for combating money laundering and terrorist financing in line with the requirements of Law No. 106 of 2013, its Executive Regulations No. (37) of 2013, the Central Bank of Kuwait Instructions No. 2/BS-IBS/432/2019, any decisions issued by the Council of Ministers to implement the United Nations Security Council's resolutions related to terrorism and the financing of terrorism, the proliferation of mass destruction weapons under Chapter VII of the Charter of the Security Council- United Nations, as well as the International standards issued by specialized international organizations such as the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision and the Wolfsberg Group.

The Bank has established an independent specialized department for Anti Money Laundering and Combating the Financing of Terrorism "AML/CFT" with mandate to verify the extent of the Bank's compliance with the requirements of Law No. 106 of 2013, its Executive Regulations No. (37) of 2013 concerning Anti Money Laundering and Combating the Financing of Terrorism, relevant ministerial resolutions and Central Bank of Kuwait instructions. The Bank ensures that AML/CFT calibers have the necessary qualifications, experience and skills to assume their duties. The Bank is fully committed to report to Kuwait Financial Intelligence Unit "KFIU" any suspicious transaction or attempt to conduct a suspicious transaction, as soon as sufficient grounds is established for suspicion, in accordance with the instructions of the Central Bank of Kuwait in this regard. The Bank strives to implement a fully integrated system for combating money laundering and terrorism financing. AML/CFT Department has sophisticated technical programs and systems that give automatic alerts about suspicious transactions on customer accounts so that AML staff can sort out alerts, and ensure that transactions are commensurate with the available information about the customers.

Further, the Bank always organizes regular ongoing awareness training programs for members of the Board of Directors, members of the executive and supervisory management, managers and staff whether existing or new. The Bank may outsource the delivery of these programs to specialized professional agencies. The aim of the training programs is to ensure maintaining the necessary understanding and familiarity with the requirements, as stipulated in the Anti-Money Laundering and Terrorist Financing Law, its executive regulations, relevant ministerial decisions, and instructions. Board members, managers and staff are also informed with the penalties that may be imposed on the Bank and its employees in case of non-compliance with the said requirements.

Legal Division

The Bank's in-house Legal Division assumes an effective role in providing the departments & divisions across the Bank with the professional legal services. These services are performed in such a way that meets requirements, safeguards the interests of the Bank & its shareholders and customers, maintains its corporate image, and helps the Bank to compete & outperform its local peers for having a leading edge, consistently enhancing its important role & position in the banking industry. Thus, the Legal Division endeavors, through a professional working environment and clear objectives, to render the required legal services swiftly and professionally.

The Legal Division aims to have in place a competent team specialized in all legal affairs, and able to effectively & efficiently adopt and deal with the Bank's plans & strategies. The Legal Division continuously endeavors to enhance the capabilities of all its employees through practice, training, and development. The Division, in cooperation with the diverse departments and divisions of the Bank, has concluded several successful deliberations & negotiations with defaulting customers, thereby entailing significant financial settlements in favor of the Bank during 2022. These settlements have contributed to consolidating the Bank's legal status and financial position in the coming period.

The Division endeavors to provide the Board of Directors, Executive Management and the Bank's diverse departments & branches with required legal advice and opinions expeditiously and on accurate and flexible basis in consistency with the provisions of laws, regulations & regulatory instructions in force, and the related amendments & changes that may be introduced thereto from time to time.

Undoubtedly, drafting legal contracts & documents related to the Bank's business always comes as a top priority of the Legal Division for organizing the relationship between the Bank, its customers, and others through appropriate & well-balanced legal framework. The Legal Division endeavors to update the Bank's forms & documents from legal perspective, when necessary, to cope with the developments seen in the banking industry, and to satisfy the Bank's requirements and customer needs.

The Legal Division represents the Bank before judicial bodies and investigation authorities, and all related government & non-government entities in Kuwait, and endeavors to assume this primary and essential role successfully.

Additionally, the Division works closely to establish an effective mechanism with a view to rapidly entertain & respond to the Bank diverse departments' requests to obtain legal services, and provide them with the proper solutions, taking into account the related legal rules & regulations, as well as the challenges & developments, and the increasing competition in the banking industry.

The Legal Division also places high importance for contributing in deepening legal knowledge and awareness pertaining to banking business for staff members, particularly the new recruits.

Corporate Communication Division

2022 has been yet another year of challenges and exceptional performance for the Corporate Communication Division "CCD" in the field of social responsibility. Representing the Bank, CCD continued playing its active role, contributing towards enhancing the Bank's endeavors to accentuate its profound footprint and public image as a banking institution that realizes the significance of its corporate social responsibility by providing care and participation in the various social events and activities, covering wide range of humanitarian and charitable areas.

For the key role of social media platforms, CCD continues activating all means of communication with the Bank's customers and the public via various social media networks (Instagram, Facebook, Twitter, Snapchat, LinkedIn and YouTube). The Bank has initiated health awareness tips and media campaigns specifically designed for the public. The Bank always underlines the values and principles that should be applied when working on social media networks. Accordingly, the Bank has trained a professional team of employees on how to deal with media and means of communications by enrolling them in specialized training courses.

CCD continues to supervise the launch of the "Double Your Reward" Campaign renewed under approval from the Ministry of Social Affairs, and increasing the number of new participating charitable societies. The Campaign has been set with the view to boost social solidarity through the Bank's donation of an amount equal to the one donated by any customer in favor of charitable societies and organizations participating in the Campaign through their accounts at the Bank. During the year, CCD team participated in activities, such as distributing food packages to needy families in cooperation with Abdullah Al-Nouri Charity Society, and Kuwait Red Crescent Society for the purpose of satisfying the needs of those families during the Holy Month of Ramadan. The Bank also distributed school bags and uniforms to students getting the back to school in cooperation with Al-Salam Society for Humanitarian and Charitable Works within the framework of the humanitarian role usually undertaken by the Bank.

As the Bank cares for sporting activities, CCD supported and sponsored the first "Padel" Championship held by the Kuwait Banking Association. Padel is a new racket sport widely played in Kuwait, especially by the youth segment. The Bank aims at encouraging people to continue practicing sports to maintain good health.

In the context of solidarity amongst all segments of society, the Bank, through CCD, has paid all care and support towards the disabilities-challenging people. "Café 312", the first of its kind in Kuwait, fully managed by a team of special needs persons, has been hosted over a period of 10 days at the Bank's Head Office (MAK) in Kuwait City and the Bank's building in Beirut Street, Hawalli Governorate. Hosting "Café 312" at the Bank came within the framework of the Bank's prominent role in backing various activities of the disabilities-challenging people.

On the occasion of celebrating the National Day and the Liberation Day, CCD decorated and illuminated the Bank's headquarters with some paintings reflecting Kuwait heritage as a sign marking the Bank's keenness towards the revival of the Kuwaiti heritage, and celebrating these happy days most loved by all citizens and expatriates living in Kuwait.

CCD continued to enhance the Bank's social role by providing sponsorship and support for various social activities and events organized by Kuwait six governorates for their people. Such endeavors cover sports, social, educational, awareness, and environmental activities for serving the whole society.

As for the various aspects of support and sponsorship offered by the Bank on several occasions, including the holy Month of Ramadan, Eid Al-Fitter and Eid-Al Adha, CCD diligently carried out its social programs during Ramadan. The Bank continued providing all support to needy segments of society, and supported several events, such as “Iftarkom Alina”, Iftar meals for the Medical Emergency Sector at the Ministry of Health and visited the Pediatric Department - Chest Diseases Hospital in Al-Sabah Health Region - to celebrate and share the joy of Eid Al-Fitr with children and distribute gifts. The Bank also distributed Eid clothes to construction and road cleaning workers within the framework of “Hawwen Alihom” Campaign.

CCD underlines its support for the “Let’s Be Aware” Campaign launched by the Central Bank of Kuwait in cooperation with Kuwait Banking Association for spreading awareness tips to all segments of the society. CCD has diligently posted awareness messages, press releases and informative articles covering various banking aspects using the Bank’s accounts on social media networks, website, branches, and FAQ Page on the Bank’s Portal.

Al-Tijari stresses its constant care and prominent role for the revival of the rich Kuwaiti heritage that should remain vivid in the minds and hearts of the Kuwaiti society. CCD team has undertaken many activities as part of “Ya Zain Turathna” Campaign, including sponsorship of Bait Al-Othman Museum and its heritage village, and holding a competition by taking photographs of “Ya Zain Turathna” booth set by the Bank at 360 Mall. These activities were organized with the aim of linking the past with the present and highlighting our national customs, traditions and the cultural heritage, as well as various aspects of the social life of our ancestors in old Kuwait.

In the same context, Al-Tijari Calendar for 2022 contained paintings with glimpses of the traditional Kuwaiti dress. Kuwaiti people have intrinsic sense of the importance of preserving their traditional dress as a symbol of national identity. Moreover, the Kuwaiti traditional dress signifies Kuwait’s environment, both sea and desert. Over time, the Kuwaiti dress remains a touch of originality that reflects a proud history, identity, and culture of a nation that has always remained faithful to the values of art, beauty, innovation, and creativity.

Al-Tijari will continue exerting efforts for the revival of the Kuwait heritage through the Bank’s publications and campaigns specifically designed for this purpose.

Environment preservation and recycling are key themes in 2022. The Bank launched the “Go Green” environmental campaign with the aim of spreading awareness amongst society about the disastrous consequences of damaging the environment, and the importance of environment preservation and recycling. In this regard, the Bank cooperated with “Yadawi Team” to hold a workshop for schoolchildren to raise their awareness in this regard, and explain how to benefit from recycling, reduce paper and printing consumables, and encourage the use of recycled materials.

Given the Bank’s diverse activities within the concept of sustainable development under the three pillars: Environment, Social and Governance (ESG), it issued its booklet entitled “Sustainable Development: Environment, Social and Governance”. The Bank believes that these three pillars draw our focus as a comprehensive and balanced action plan driving success at all levels.

General Service Division

General Services Division comprises of six departments and is an operational corporate support wing of the Bank, aiming to relentlessly provide professional and unbiased support to the business and non-business areas of the Bank. GSD strives to ensure business contiunity in accordance with the Bank’s policies and procedures.

Purchasing & Stationery Department

Purchasing and Stationery Department continuously strives to guarantee the procurement and supply of reasonably priced and quality standard goods across the Bank, and manages the logistical aspects effectively to minimize delays in delivery of requested items to the end users. Outsourced services are handled by the Department, and the team emphasizes on quality and sustainable services to all the concerned stakeholders. The Department has maneouvred to ‘Go Green’ by ensuring a paperless envoironment, chanelling all bank-wide requests to GSD via the ticketing system and the discarding of the empty plastic drinking water bottles and its recycling.

Centralization of the computer hardware (Multi-functional printers) across the Bank is a noteable move towards digitalization of the activities and processes at the Purchasing Department.

Construction & Property Management Department

The Bank’s Construction and Property Management Department aims at providing quality-engineering services in construction, construction management, planning and design of new branches, refurbishing and upgrading existing branches, and operation process involving project planning, cost and quality management, risk evaluation, and providing timely and efficient maintenance services required at the Bank’s various premises and branches.

Under the Bank’s ambitions and successful expansion program, new branches had been successfully completed during the year which includes Fahad Al Salem Branch and Saad Al Abdulla (standalone branch), adding to the large branch network spread over Kuwait.

The other projects undertaken during this period include redesigning and upgrading the Head Office Branch, Beirut St. Branch and various branches and installing STM’s, SDM’s, T-lockers, Banking-Islands, in moving towards the new Digital Banking Operations concept.

Additionally, in line with the energy saving drive, automatic sensor faucets and light /occupancy sensor had been installed at the Head Office Building. Currently we are in process of installing the same for other building premises.

Security Department

Security Department, in coordination with ITD and other areas of the Bank, monitors and manages the ‘Bank’s access control system’ to safeguard the staff and Bank premises at all times. The Visitor Management and attendance systems enables the Bank to digitialize the visits by using a scanner in order to promote e-tracking of access records. The attendance / biometric system managed by HRD and ITD further facilitates Security Department in tracking the attendance records of both the staff and employees of the outsourced companies.

System modification to the CCTV monitoring system was coordinated with ITD, and the installation of CCTV cameras is being planned for new CBK locations in compliance to the Ministry of Interior directives.

Fire Drill was conducted by Security Department by the end of 2022, as was done on a yearly basis prior to the pandemic. The Public Address System (PAS) was enabled for auto announcements to facilitate the evacuation process.

Mail Department

Mail Department has introduced the electronic mail package tracking that involves QR verification of the Bank’s internal mail, GSD receives and processes Bank-wide requests routed through the CBK Ticketing System.

Corporate Governance Rules and Systems

Introduction

When applying Corporate Governance rules and systems, Commercial Bank of Kuwait ("CBK/the Bank") follows the instructions issued by the Central Bank of Kuwait and the international standards issued by Basel Committee on Banking Supervision. As an essential part of its commitment to the highest standards of Corporate Governance, the Bank applies a set of bylaws, policies, and practices with the objective of enhancing and promoting Corporate Governance principles, establishing sustainable development pillars, and deepening the Bank's culture in these areas.

The Bank continues to enhance its policies, procedures and practices with a view to effectively apply all laws, instructions, & regulations issued by various regulatory authorities pertaining to the practice of sound Corporate Governance rules to safeguard the Bank, its rights, and the rights of its shareholders, depositors, creditors, customers, staff members and other stakeholders. The Bank has taken the necessary actions for updating its bylaws and policies, and ensuring their consistency with the requirements of the said laws, regulations, and instructions.

During the year, the Bank was able to streamline its position to cope with the updated instructions of the Corporate Governance Rules and Principles issued by the Central Bank of Kuwait "CB" in September 2019 within the designated deadlines as per instructions. The Bank continues its endeavors to complete the implementation of these rules in compliance with the instructions and for maintaining the principles of sound corporate governance. The Bank is keen on adopting the highest levels of transparency and disclosing all its material information according to the Capital Markets Authority's instructions and Boursa Kuwait rules. Furthermore, the Bank posts disclosed information and the approved Corporate Governance Manual on the Bank's website.

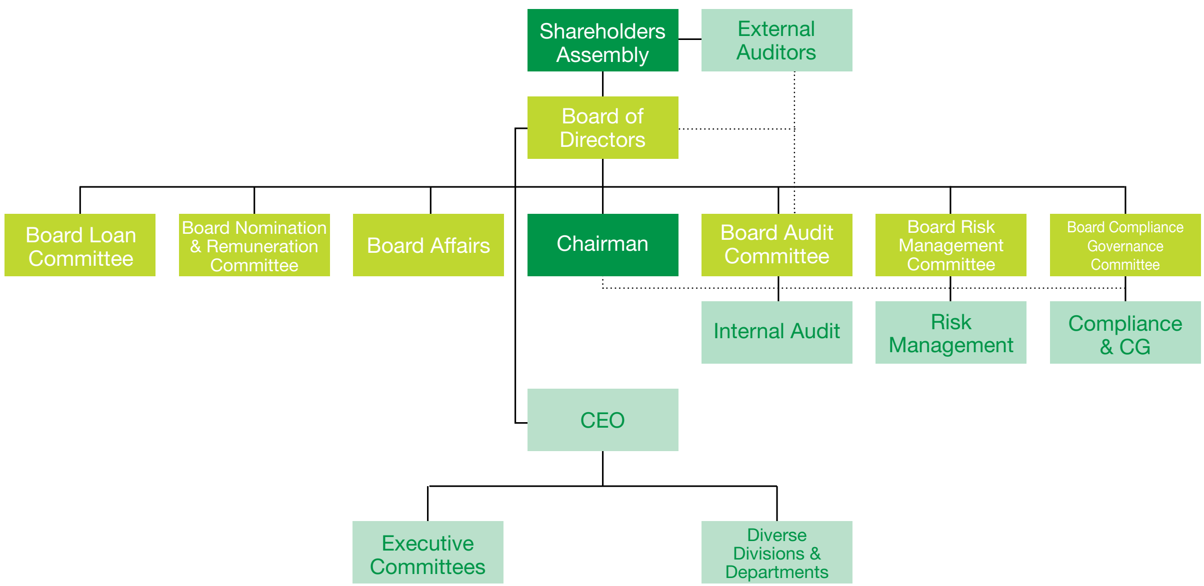
Major Shareholders

Shareholders with a percentage exceeding 5% of the Bank's share capital as at the end of 2022 are as follows:

- Al Sharq Holding 23.918%

Corporate Governance Structure

The Bank has set a well-defined Corporate Governance structure with a view to have in place adequate & effective Corporate Governance standards & practices for the Bank Group, considering that it includes proper ways of effective controls on the Group's business to advocate excellence in Corporate Governance. This structure is regularly revisited to ensure that it remains appropriate and reflects any developments that may arise in Corporate Governance field. The following hierarchy illustrates the general structure of the Corporate Governance framework.



Board of Directors, Key Responsibilities and Achievements

The members of the Bank's Board of Directors are elected in the General Assembly Meeting by secret ballot for a term of three years after obtaining the approval of the Central Bank of Kuwait, and in accordance with the Companies Law, its Executive Regulations, and the Corporate Governance Rules.

During 2022, two members of the Board of directors submitted their resignations to give room for completing the required number of independent members, and to add new expertise to the Board. The Bank, during the second quarter of the year, initiated the necessary procedures to fill in the vacant board position. Hence, the Bank called on the reserve members, and called for an Ordinary General Assembly Meeting to elect the independent member to complement the composition of the Board of Directors for the current term (2021-2023). Thus, the Board of Directors is composed of eleven members, including four independent members. As such, the Bank has adhered to the instructions and the Bank's Articles of Association.

Board of Directors Key Responsibilities and Duties

The Board of Directors assumes the overall responsibility of the Bank in general. This covers overseeing the Bank's strategic objectives, approving action plans, identifying the Bank's risk appetite & strategy, updating Corporate Governance principles, sustainability principles and sustainable finance, approving the policies, building up the public trust in the Bank's management, and active contribution in planning the Bank's business. Further, the Board of Directors bears the responsibility for the Bank's financial soundness, safeguards the interests of shareholders and stakeholders with due emphasis on risk management and governance, including Cyber security risks and compliance governance, and enhances internal control systems, internal, & external audits, realizing sustainable development and other responsibilities assumed by the Board under laws, regulations, and regulatory instructions & resolutions.

The Board of Directors emphasizes the importance of applying Corporate Governance and the three pillars of sustainable governance (ESG) by creating corporate values culture amongst all staff members. This is undertaken by working closely to achieve the strategic objectives, improving performance levels, and adhering to laws and regulatory instructions, particularly Corporate Governance rules & systems. As such, the Board of Directors has in place a set of bylaws, policies, and reporting system, and endeavors to effectively apply them within the concept of a corporate culture rather than in compliance with regulatory instructions.

The Board of Directors, collectively, has various academic qualifications, professional experience and specialized skills, and possesses adequate knowledge and expertise in finance, accounting, lending, banking operations, strategic planning, Corporate Governance, risk management, internal controls, legal & regulatory environment, sustainability principles, and sustainable finance. Furthermore, the Board of Directors is always aware of the local, regional, and global economic developments.

A Synopsis on the Bank's Board Members:

Sheikh / Ahmad Duaij Al-Sabah – Chairman

Sheikh / Ahmad holds a Bachelor of Science in Finance; 2000 from Bentley University, USA and a Master in Management 2008 from Kuwait Maastricht Business School.

Sheikh / Ahmad has long and wide experience as he held the following positions:

- Chairman of the Board of Directors of Al-Tijari Financial Brokerage Company from 2014 until March 2020.
- Vice-Chairman of the Board of Directors of Kuwait Banking Association from 2019 to January 2022, then Chairman of the Board of Directors of Kuwait Banking Association from February 2022 to date.
- Member of the World Union of Arab Bankers from May 2022 till date.
- Member of the Board of Directors of the Institute of Banking Studies, representing Commercial Bank of Kuwait from April 2018 to date.
- Member of the Board of Directors of Kuwait Clearing Company, representing Commercial Bank of Kuwait from 2018 to 2019, then reappointed with effect from May 2022.

Sheikh / Ahmad has also worked as:

- Investment Manager in Tijari Investment Company during the period from 2010 to 2012.
- Investment Manager in Securities Group from 2012 to date.
- Credit analyst in Commercial Bank of Kuwait at Shareholders' Services Unit during the period from 2005 to 2010.
- Planner in Kuwait Petroleum Corporation during the period from 2001 to 2003.

Sheikh / Ahmad has chaired the Bank's Board of Directors since 31/3/2018. He is also the Chairman of the Board Loan Committee (BLC). Prior to holding the position of the Chairman of the Board in Commercial Bank of Kuwait, Sheikh / Ahmad held the position of the Vice Chairman of the Board of Directors of the Bank during the period from 4/4/2015 to 31/3/2018, and a Board Member during the period from 29/4/2012 to 3/4/2015.

Mr. Abdulrahman Abdullah Al-Ali – Vice Chairman

Mr. Abdulrahman holds a Bachelor of Mechanical Engineering - 1975 and Master of Business Administration / Finance & Investment - 1979 from University of Wisconsin-Madison, USA.

Mr. Abdulrahman is an experienced board member with about 30 years of experience in investment and project financing. He mostly acquired his experience from holding key positions and memberships in the following institutions:

- A Senior Deputy Chairman for Gulf Investment Corporation from 1985 to 2002.
- A Board Member in Industrial Bank of Kuwait during the period from 2010 to 2011.
- A Board Member in United Steel Industrial Company during the period from 1998 to 2015.
- A Board Member in the United Holding Company from 1998 to 2006.
- A Member in the Ethical Review Committee - Dasman Diabetes Institute from 2010 till date.

In addition to his position as a Member in the Bank's Board of Directors since 29/4/2012, Mr. Abdulrahman is the Vice Chairman of the Board of Directors since October 2020, and a member of the Board Risk Management Committee (BRMC) and the Board Loan Committee (BLC).

Mr. Mohammad Abdulrazzaq Al-Kandari

Mr. Al-Kandari holds a Bachelor of Business Administration - 2000 from the University of Richmond, Virginia.

Throughout his career, he served as a member of the board of directors in the following companies:

- Ajyal Real Estate & Entertainment Company from 2014 to date.
- Technology Industrial Gases Production Company "Technogas" from 2014 to date.
- First Investment Company from 2014 to date.
- Venture Capital Bank (Bahrain) from 2012 to date.
- Eyas for Higher and Technical Education Company from 2016 to 2019.
- Vice Chairman of Kuwait Saudi Pharmaceutical Industries Company from 2012 to 2019.
- Vice Chairman of the Board of Directors of Gulf Energy Holding Company from 2011 to date.

Mr. Al-Kandari has wide experience gained through holding the following leading positions:

- Deputy Chief Executive Officer for Direct Investment at Securities Group Company from 2017 to date.
- Executive Director of the Direct Investment at Securities Group Company from 2011 to 2017.
- Deputy Chief Officer - Asset Management at the Al-Rouyah Investment & Leasing Company from 2007 to 2009.

In addition to his position as a member in the Bank's Board of Directors from 28 January 2020 to date, Mr. Al-Kandari is also a member of the Board Risk Management Committee (BRMC) and the Board Audit Committee (BAC).

Sheikh / Talal Mohammad AlSabah

Sheikh / Talal holds a Bachelor of Science in Business Administration 2001, American University, Washington, D.C. Sheikh / Talal is currently working in Securities Group Company. He has been a Member in Board of Directors of the following companies:

- Gulf Glass Manufacturing Company (from 2005 to 2006).
- Refrigeration Industries & Storage Company (from 2003 to 2008).

In addition to his present position as a Member in the Bank's Board of Directors since 31/3/2018, Sheikh / Talal is a Member in both the Board Nomination and Remuneration Committee (BNRC) and the Board Loan Committee (BLC).

Mr. Manaf Mohamed Al-Muhanna

Mr. Manaf obtained a Bachelor degree in Architectural Engineering, 1989 from Miami University - USA and Master in Projects Management, 1997 from Kuwait University. Mr. Manaf gained diverse experience during his tenure, whether at the level of board of directors or executive management in the following institutions:

- Ministry of Defense - Military Engineering - Private Projects Controller (Allied Forces Projects) (from 1991 to 2008).
- Chairman and Chief Executive Officer of Gulf Dredging & General Contracting Company (from 2006 to 2018).
- Board Member in Oula Fuel Marketing Company (from 2009 to 2010).
- Board Member in Gulf National Holding Company (from 2010 to 2017).
- Board Member in Gulf Franchising Holding Company (from 2010 to 2018)
- The CEO of Platinum United Company from 2003 to date.

In addition to his present position as a Board Member in Commercial Bank of Kuwait since 31/3/2018, Mr. Manaf is a Member in both the Board Loan Committee (BLC), and the Board Nomination & Remuneration Committee (BNRC).

Mr. Yousef Yaqoub Al-Awadhi

Mr. Al-Awadhi holds Bachelor of Accounting - 2004, Kuwait University. He has long experience during which he held several positions at various companies such as:

- Deputy Chief Executive Officer, Investment Funds and Client Portfolios Department at Securities Group Company from 17/07/2016 to date.
- Executive Manager - Investment Department in Securities Group Company from 2014 to 2016.
- Investment Manager in Securities Group Company from 2011 to 2014.
- Assistant Manager - Real Estate Investment Department in Aayan Leasing and Investment Company in 2010.
- Investment Manager - Direct Investment Department in Al-Ahlia Holding Company from 2007 to 2009.
- Accountant at Wafra International Investment Company from 2004 to 2007.

In addition to the above, Mr. Al Awadhi has been a member of the board of directors of the following companies:

- Member of the Board of Directors of Kuwaiti Saudi Pharmaceutical Industries Company from 2012 to 2019.
- Chairman of the Board of Directors of Eyas for Higher and Technical Education Company from 2014 to 2017.
- Vice Chairman of the Board of Director of Education Holding Group from 2014 to 2017.
- Member of the Board of Directors of Education Holding Group during 2017.
- Member of the Board of Directors of Sama Educational Company from 2015 to 2017.
- Member of the Board of Directors of Afaq Educational Company from 2016 to 2017.
- Member of the Board of Directors of Advanced Education Company in the Kingdom of Saudi Arabia from 2015 to 2016.
- Member of the Board of Directors of Alpha Atlantique Company - Moroccan Sahara in the Kingdom of Morocco from 2015 to date.
- Member of the Board of Directors of Al-Ahlia Real Estate Gate Company from 2008 to 2009.
- Independent Member of the Board of Directors of Gulf Franchising Holding Company from 2018 to date.

- Member of the Board of Directors of the Commercial Real Estate Company from April 2021 to date.
- Member of the Board of Directors of Tawazun Holding Company from January 2021 till date.

In addition to his position as a Member in the Bank's Board of Directors from 9 November 2020 to date, Mr. Al Awadhi is also a member of the Board Audit Committee (BAC) and the Board Nomination and Remuneration Committee (BNRC).

Mr. Dhari Ali Al-Mudhaf

He holds a Bachelor's degree in Accounting - 2012 from Kuwait University. He has practical experiences in the fields of insurance and brokerage, information security, facility security and accounting. In 2012, he established the Arabian Peninsula Insurance Brokerage Company as an authorized partner, which works in insurance and improving brokers' performance. It is now one of the leading companies in this field. Mr. Dhari has practical experience in security (information security - facility security) and in accounting. Mr. Dhari held the following positions:

- Ministry of Defense from 1997 to 2021:
    - The Emiri Guard Authority - Office of the Assistant Head of the Emiri Guard Authority / Operations and Training Branch
    - Intelligence and Security Authority - Security Directorate / Preventive Security Branch
    - Supply and Catering Authority - Head of Budget Programming Branch;
    - Intelligence and Security Authority - Assistant Military Attache for Financial Affairs / Washington
    - Budget Programming Directorate - Head of the Armament and Equipment Authority - Budget Programming Division
- Assistant CEO - YIACO Medical Company K.S.C. from 1/6/2021 to date.

He was elected to the Board of Directors of the Bank as a non-independent Member on 31 March 2021. He is a Member of the Board Loans Committee (BLC) and the Board Compliance and Governance Committee (BCGC).

Dr. Mahmoud Abdulrasoul Behbehani - Independent Board Member

Dr. Mahmoud holds a Ph.D. in Insurance & Economics - 1998 from the University of Scotland - UK, and a Master in Actuarial Sciences, 1994 from Indiana University - USA. Dr. Mahmoud's experience extends for many years during which he held the following positions:

- Associate Professor at Kuwait University - College of Administrative Sciences, Finance Department from 1990 till 2021.
- Data entry professional at the Public Authority for Civil Information from 1984 to 1986.
- Actuarial Advisor to the National Assembly for several years.

He had served as a member of the Board of Directors of Commercial Bank of Kuwait from 2012 until 2015. He was re-elected on 31 March 2021 to the Bank's Board of Directors as an independent member. He is the chairperson of the Board Audit Committee and a member of the Board Compliance and Governance Committee.

Mr. Fahad Zuhair Al-Bader - Independent Board Member

Mr. Al-Bader holds a Master of Business Administration - 2015 from Duke University / USA, and a Bachelor of Science in Management - 2000 from Purdue University / USA. He held several key positions as follows:

- Adviser - Massaleh Investments Company from February 2020 to date.
- Head of Managed Funds Division (Global) at Gulf Investment Corporation from 2015 to 2019.
- Head of MENA Operations, Lionsgate Capital Management from 2009 until 2015.
- Head of Hedge Funds Department at the Kuwait Fund for Arab Economic Development from 2007 to 2008.

In addition to being an independent member of the Board of Directors of Commercial Bank of Kuwait since 31 March 2021 till date, he is currently the Chairperson of Board Risk Management Committee, and a member of the Board Compliance and Governance Committee.

Mr. Fahad Abdulaziz Al-Jarallah - Independent Board Member
Mr. Al-Jarallah holds a Bachelor of Business Administration and Finance of Financial Institutions in 2006 from the College of Administrative Sciences - Kuwait University, and holds a certified certificate in financial securities portfolio management and technical analysis from the New York Financial Center (New York City). He has over 17 years of experience in the financial investment and asset management sector in the GCC and international stock markets. He participated in the taskforce undertaking the first privatization project in the State of Kuwait; that is the privatization of Kuwait Stock Exchange to become Boursa Kuwait Company. He has diversified experience through holding several key positions as follows:

Key positions:
- Advisor to the Minister of Finance and Minister of State for Economic Affairs and Investment - Ministry of Finance , State of Kuwait, from January 2022 to date.
- Chief Executive and Chief Asset Management Officer at Kuwait Finance & Investment Company (KFIC) from 2013 to March 2021.
- General Manager of the Gulf Stock Markets Department of the Asset Management Division at Kuwait Finance & Investment Company (KFIC) from 2008 to 2012.
- Financial analyst in the Investment & Asset Management Division at Noor Financial Investment Company from 2007 to 2008.

He also held board memberships of the following companies:

- Member of the Board of Directors of Noor Financial Investment Company, from December 2021 to date.
- Member of the Board of Directors of Rasameel Investment Company, from October 2022 to date.
- Member of the Board of Directors of the Kuwait Clearing Company from 2017 to 2019.
- Member of the Board of Directors of Boursa Kuwait Company from 2016 to 2018.
- Member of the Violations Committee - Boursa Kuwait Company from 2016 to 2018.
- Member of the Board of Directors of KFIC Financial Brokerage Company from 2013 - to 2016.
- Member of the Board of Directors of Al Nakheel Agricultural Production Company from 2010 to 2012.

In addition to being an independent member of the Board of Directors of Commercial Bank of Kuwait since May 2022, he is currently the Chairperson of the Board Nominations & Remuneration Committee, and a member of the Board Audit Committee.

Mr. Ahmad Bader Wahedi - Independent Board Member
Mr. Wahedi holds a Bachelor of Science in Economics, a Bachelor of Science in Electrical Engineering and Computer Engineering, and a Bachelor of Science in Civil Engineering with a Minor in Engineering Design - 2004 from Carnegie Mellon University- United States of America. He also holds a Master of Business Administration in Finance, Real Estate & Accounting - 2009 from the Wharton School of Business, University of Pennsylvania – United States of America. He has a long experience gained through holding key positions as follows:

- Chief Executive Officer “CEO” (Investment Division) - National Real Estate Company from 2015 to date.
- Executive Director - Boubyan Capital Investment Company from 2010 to 2015.
- Manager - Boubyan Bank from March 2010 to July 2010.
- Manager - Agility Public Warehousing Company from 2004 to 2009.

He held the following positions on the board of directors of the companies below:

- Chairman of the Board of Directors of the Kuwait Maritime and Mercantile Company from 2014 to date.
- Chairman of the Board of Directors of the Jordanian National Real Estate Company from 2018 to date.
- Deputy Chairman of the Board of Directors, Mediterranean Investment Holding Company, from 2018 to date.
- Deputy Chairman of the Board of Directors - Saudi Projects Holding Group from 2012 to 2015.

In addition to being an independent member of the Board of Directors of Commercial Bank of Kuwait since June 2022, he is currently the Chairperson of Board Compliance and Governance Committee, and a member of the Board Risk Management Committee.

Key Achievements of the Board of Directors for the year 2022:

- Reviewing the regular Follow- up Reports and the latest updates regarding the Bank's Strategy (Shaping the Future 2022-2026).
- Conducting regular review of Risk Management Strategy Reports (2020-2024).
- Reviewing and approving the Bank's quarterly & year-end financial statements.
- Reviewing and approving necessary amendments to the Bank's organizational structure, as well as reviewing the structures of the Corporate Governance, the Board of Directors and Risk Management Division.
- Reviewing Capital Adequacy and Stress Testing Reports as well as Risk Management Division's regular reports.
- Reviewing Risk Management Division's reports regarding Capital Adequacy of the Bank's subsidiary.
- Reviewing the regular reports of the Anti-Money Laundering "AML" Department and the extent of the Bank's compliance with the relevant instructions.
- Reviewing periodic reports regarding the activities of the Legal Division.
- Reviewing and approving the Stress Testing Methodology.
- Approving the Bank's budget for 2023.
- Approving the Bank's Capital Plan (2022-2026).
- Reviewing the Strategic Cyber Security Framework Report and Information Security Report.
- Approving the re-composition of the Board Committees in line with the Board's new composition and amending the name of the Board Governance Committee to become Board Compliance and Governance Committee in line with the new composition of the Board of Directors and the Corporate Governance instructions.
- Approving the updates introduced to the Bank's Risk Management policies.
- Approving the updates introduced to the Governance Policies and the Bylaws of the Board of Directors, Board Committees, and Executive Management Committees.
- Approving the regular updates introduced to the diverse policies governing the Bank's business activities as provided by various Bank divisions.
- Approving the performance evaluation related to the Board of Directors, the Board Members, and the CEO, and approving the proposed 2022 Training Plan for the members of the Board of Directors.
- Encouraging the attraction and recruitment of national talents in executive positions.
- Reviewing the regular reports on the Bank's diverse business activities.
- Reviewing a presentation demonstrating the latest economic developments and a summary of the Bank's performance.
- Reviewing the periodic reports of the Human Resources Division and the HRD performance indicators.
- Reviewing the annual report of the Customer Complaint & Protection Department.
- Reviewing the Annual Report on Regulatory Compliance, Governance Practices & Disclosure in the Bank.
- Approving the Corporate Governance Report in the Bank's Annual Report for 2021.
- Reviewing annually the Remuneration Policy and perusing the Internal Audit Report on the Benefits and Remuneration Policy.
- Reviewing the regular reports on the roles & responsibilities of the Board of Directors and the Board Committees.
- Reviewing the Register of Decisions issued by the Board and Board Committees and following up their implementation
- Reviewing and assessing the performance of the credit & investment portfolios and loans.
- Reviewing and following up the latest updates regarding the Internal Audit Plan for 2022, approving the new Internal Audit Plan for 2023, and approving a new organizational structure for the Internal Audit Division.
- Reviewing and amending the Strategic Audit Plan (2023-2024).
- Following up the observations & violations raised by regulators and the necessary corrective actions taken in this regard.
- Perusing laws, circulars and instructions issued by various regulatory authorities as well as the updates in international accounting standards "IAS" and international financial reporting standards "IFRS" and their impact on the Bank.
- Reviewing the External Auditor's Internal Control Review (ICR) report for the year 2021 and the Follow-up reports prepared in this regard.

- Reviewing the Management Letter prepared by the External Auditors.
- Reviewing the engagement letters of the external audit firms for auditing the Bank's financial statements for 2022.
- Approving the engagement of external audit firms for auditing the Bank's financial statements, the engagement of some firms to conduct certain tasks for the Bank; such as assessment of the adequacy of the internal control systems, auditing the process of the Bank's implementation of the Cyber Security framework and auditing the Bank's implementation of FATCA and CRS requirements as well as auditing the Information Technology Division and the Loan Portfolio of the Bank.
- Reviewing the Business Continuity Plan and the related Testing Report.
- Approving the candidatures applications for Board members to fulfil the number of independent members to the current Board of Directors for the Session 2021-2023.

The Board Committees, their Main Roles & Responsibilities and Key Achievements for 2022:

Within the process of enhancing the principles of Corporate Governance at the Bank, the Bank formed Five Board Committees to enhance the Board's oversight on key operations at the Bank Group level. Each Committee has an ad-hoc bylaw outlining its roles & responsibilities, and governing its functions and matters pertaining to the preparation of regular reports within the scope of each Committee's roles & responsibilities, and the reports submitted to the Board of Directors and the follow-up reports presented to the Board Chairman. Four out of the above five Committees assist in overseeing the implementation of the Corporate Governance's various aspects, in addition to the Board Loan Committee concerned with all issues related to the credit facilities portfolio. Following the election of the new independent Board member complementing the formation of the Board of Directors at 23 June 2022, the Board Committees were recomposed in compliance with the rules and regulations of Corporate Governance stipulating that the Board Committees should have, in their formation, independent Members. Further, an independent member should chair each the Board Audit Committee, the Board Risk Management Committee, and the Board Nomination and Remuneration Committee. Board Governance Committee has been changed to become Board Compliance and Governance Committee underling the Bank's commitment to implement compliance governance concept. Brief description about each Committee is given below:

<table>
<tr><th colspan="2">Board Compliance and Governance Committee (BCGC)</th></tr>
<tr><td>Composition</td><td>Mr. Ahmad Wahedi - Independent Member & Chairperson
Dr. Mahmoud Abdel-Rasoul Behbehani - Independent Member
Mr. Fahad Zuhair Al-Bader - Independent Member
Mr. Dhari Ali Al Mudhaf</td></tr>
<tr><td>Main Roles & Responsibilities</td><td>• Prepare and update Corporate Governance manual to be approved by the BOD, which includes the rules and regulations contained in the CB instructions regarding CG rules and systems at a minimum. The CG Manual should be published on the Bank's website.
• Review the annual reports presented by Compliance and Corporate Governance Division in the Bank to ensure:
- Bank's compliance with relevant legislations and regulations, and the latest developments in this regard. The efficiency of the Bank's management of non-compliance risks facing the Bank in light of Compliance Department's identification, assessment of the issues associated with non-compliance risks, and the Bank's plans for the efficient management of such risks at least once a year. The positions of the Bank's subsidiary is also taken into account, and the reports are presented to the BOD.
- Follow-up the implementation of the rules and regulations contained in the CG Manual, follow-up the Bank's governance practices to ensure their effectiveness and proposes the necessary improvements in this regard, and follow-up the ability of the subsidiaries to meet the applicable governance requirements. Then these reports are presented to the BOD.
• Review the CG Report (within the Bank's Annual Report) on the extent to which the Bank is in compliance with the implementation of CG instructions and Manual, and stating the reasons for non-compliance with the same, if any.
• Evaluate CG structure on an annual basis to ensure that it remains appropriate, ensure that such structure contributes to the effective oversight on subsidiaries, and present the same to the BOD annually.
• Ensure that Compliance and Governance functions have due independence, undertake their roles effectively and independently, are staffed with highly qualified employees with sufficient resources and proper training. Such assurance should be presented to the Board of Directors on an annual basis.
• Approving the periodic programs and plans for the Compliance & Corporate Governance Division.
• Propose / review any amendments to the Bank's Memorandum and Articles of Association relevant to CG rules and systems.
• Review the BOD bylaws, CG policies and other bylaws and policies and CG requirements according to the regulatory instructions or as requested by the BOD.</td></tr>
<tr><td>Key Achievements</td><td>- Reviewed the Corporate Governance Report within the Annual Report for 2021.
- Reviewed the annual reports of Compliance & Corporate Governance Division for 2021.
- Reviewed the updates to the Professional Code of Conduct Charter.
- Reviewed the updates to the Whistleblowing Policy.
- Reviewed the updates to Related Parties Transactions Policy.
- Reviewed the updates to the Disclosure & Transparency Policy.
- Reviewed the updates to the Insiders Trading Policy.
- Reviewed the updates to the Legal Division Policy.
- Reviewed the updates to the Conflict of Interest Policy.
- Updated the controls and procedures for holding General Assembly Meetings and shareholders rights.
- Reviewed the updates to the Strategic Planning & Follow-Up Policy.
- Reviewed the updates to the Board Compliance and Governance Committee Bylaw.
- Reviewed the proposed amendments to the Bank's Articles of Association before submission to the Board of Directors for Approval.
- Perused the latest instructions issued by regulatory authorities with regard to compliance, governance, and disclosure.
- Reviewed the updates to the duties of the Secretary to the Board of Directors.</td></tr>
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<table>
<tr><th colspan="2">Board Audit Committee (BAC)</th></tr>
<tr><td>Composition</td><td>Dr. Mahmoud Abdel-Rasoul Behbehani - Independent Member and Chairperson
Mr. Mohammed Abdul Razzaq Al Kandari
Mr. Fahad Abdul Aziz Al Jarallah - Independent Member
Mr. Youssef Yaqoub Al Awadhi</td></tr>
<tr><td>Main Roles & Responsibilities</td><td>• Review the scope, results and adequacy of Bank's internal and external audit.
• Review the accounting issues which have a significant impact on the Bank's financial statements.
• Review the internal control systems within the Bank, and to ensure the adequacy of resources allocated to control functions.
• Oversee and support the independency of Internal Audit function.
• Review the financial statements of the Bank prior to its submission to the BOD, and ensure the adequacy of provisions.
• Ensure Banks' compliance with all laws, resolutions and regulatory instructions which are relevant to Bank's activities and business, and are issued by competent authorities in Kuwait.
• Evaluate the annual performance of the CIA and determine his remunerations, as well as the remunerations of internal auditors.
• Ensure that the Internal Audit Division applies a program for quality assurance and improvement and that the results of such periodic evaluations are presented to BAC.
• Present the recommendation to the BOD for approval on the appointment, termination of the contract, and determine the fees of the External Auditors, and any other contractual conditions related to them based on a review of their engagement letters. BAC should meet at least once a year, without the presence of the Executive Management, with the External Auditors, Chief Internal Auditor, and head of compliance and corporate governance.
• Through its review of the Internal Audit Reports or any other related reports, the BAC shall ensure that appropriate controls are in place so that employees can raise any concerns that they may have about any suspicions of violating or perceived to be violating laws, regulatory instructions, internal policies and procedures.
• Undertakes other duties and responsibilities relevant to internal and external audit and internal control systems.</td></tr>
<tr><td>Key Achievements</td><td>- Conducted regular review of the quarterly and year-end financial statements and the external auditors' report on auditing the financial statements.
- Reviewed the External Auditor's ICR Report for 2021 and the follow-up reports prepared in this regard.
- Reviewed the Management Report prepared by the External Auditors.
- Raised recommendations for reappointing the External Auditors and reviewed the related contractual terms & conditions.
- Raised recommendations for engaging external auditors to examine internal control systems and examinations of the consumer and housing loans portfolio for the year 2021.
- Engaged external audit firm to audit the Information Technology Division.
- Reviewed the report of the External Auditor engaged to conduct a comprehensive assessment of Bank's condition, status, and operations.
- Reviewed the external auditor's report on assessment of the Bank's Strategic Cybersecurity Framework.
- Reviewed and followed up the findings of the inspections conducted by the Central Bank of Kuwait after receiving the related reports.
- Reviewed and followed up the reports prepared by the Internal Audit Division, and the Board Audit Committee's reports about the activities of the Internal Audit.
- Followed up the implementation of the approved Audit Plan for two years 2021/2022, and the latest updates on the same.
- Reviewed the updates to External Auditors' Appointment, Rotation, & Independence Policy.
- Reviewed the updates to the Expenditure Approval Authorities Policy.
- Reviewed the updates to the Hedging Accounting Policy.
- Reviewed the organizational structure of the Internal Audit Division.
- Appraised the performance of Chief Internal Auditor.
- Reviewed the 2022 Internal Audit Plan.
- Objectively reviewed the Annual Report on the evaluation of the external auditors for the year 2022 prepared by the Board Audit Committee.
- Reviewed the Strategic Audit Plan for the years 2022-2024.
- Convened meeting with the External Auditors, Chief Internal Auditor and the General Manager of Compliance and Governance Division without the presence of the Executive Management.
- Reviewed the follow up reports of the Central Bank of Kuwait Inspections during 2022.</td></tr>
</table>

Board Risk Management Committee	
Composition	Mr. Fahad Zuhair Bader Al-Bader - Independent Member & Chairperson Mr. Abdulrahman Abdullah Al Ali Mr. Ahmad Bader Wahedi - Independent Member Mr. Mohamed Abdul Razzaq Al Kandari
Main Roles & Responsibilities	• Review the Bank's risk strategy and appetite before the BOD approval. • Review risk management policies before the BOD approval, and ensure they are circulated to the concerned divisions/departments within the Bank through RMD. • Ensure the implementation of CB instructions concerning capital adequacy (Basel), ICAAP and stress testing. • Review the credit rating system and the like before presenting to the BOD for approval. • Ensure that the risk management function is implementing the risk strategy and appetite, and developing methodologies for identifying, measuring, monitoring, controlling and mitigating the risks in addition to developing comprehensive and strong systems for managing all types of risks and spreading risk governance culture within the Bank. • Ensure the Executive Management is implementing the risk strategy, appetite and policies. • Review the reports related to risk associated with the Bank's subsidiaries, and review the policies related to such risks, and present the same to the BOD. • Review the periodic risk reports submitted by RMD on risk exposures taking into account the extent to which different types of risks overlap, and adherence to various risk limits, the calculation of economic capital (ICAAP). • Discuss the results of stress tests periodically to measure the Bank's capabilities to withstand shocks and high risks and the actions to be taken based on these results, in addition to the assumptions and scenarios used in such tests, and present the same to the BOD. • Ensure the establishment of information security function within the Bank and the necessary criteria are continuously available for this function as described in the CB instructions, and present the same to the BOD. • Review the strategies, policies, and controls for information security and cybersecurity systems which shall be in line with the Bank's strategy, objectives and risk appetite, present the same to the BOD and review the follow up reports prepared by the Executive Management in this regard.
Key Achievements	- Regular review of the reports on the Risk Management Strategy approved for the period from 2020-2024 (Risk Appetite). - Reviewed the Business Continuity Policy and Plan. - Reviewed the Stress Testing Methodology. - Reviewed the ICAAP and Stress Testing reports as well as Risk Management Division's regular reports. - Reviewed the regular reports on Key Risk Indicators (KRIs), reputation risks and operation risks. - Reviewed the analysis of the Corporate, International, and Retail Credit and Investments portfolios. - Reviewed the updates to the research process for the quantitative approach for the future additional precautionary provisions. - Reviewed risk reports on subsidiaries. - Reviewed the regular reports associated with information technology; - Reviewed the extent of the Bank's compliance with the Cyber Security Framework (CSF). - Reviewed the Contingency Liquidity Plan 2022-2025. - Reviewed Operational Risk Management Policy, Market Risk Management Policy, Interest Rate Risk Management Policy, Credit Risk Management Policy and Strategic Risk Management Policy, Liquidity Risk Management Policy, and Reputation Risk Management Policy. - Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing Policy and related Process. - Reviewed Other Assets and Liabilities Policy. - Reviewed Expected Credit Losses Policy and Fraud Risk Management Policy. - Reviewed Enterprise Risk Management Policy and Capital Adequacy Disclosure Policy. - Reviewed the Information Classification Policy and Information Security Policy. - Reviewed AML/CFT Policy. - Reviewed Customer Risk Assessment Methodology for Anti- Money Laundering and Combating the Financing of Terrorism. - Reviewed the Organizational Structure of the Risk Management Division. - Reviewed staffing level at the Risk Management Division and the training courses offered to them.

<table>
<tr><th colspan="2">Board Nomination & Remuneration Committee (BNRC)</th></tr>
<tr><td>Composition</td><td>Mr. Fahad Abdul Aziz Al Jarallah - Independent Member & Chairperson
Sheikh / Talal Mohammad AlSabah
Mr. Youssef Yaqoub Al Awadhi
Mr. Manaf Mohammed Al Muhanna</td></tr>
<tr><td>Main Roles & Responsibilities</td><td>• Prepare and update the BOD membership nomination criteria, including the conditions and requirements, in accordance with the relevant legislations and CB instructions in this regard, and submit the same to the BOD for approval.
• Propose the recommendations to the BOD regarding the candidates for BOD membership according to the nomination criteria approved by the BOD and the relevant legislations and CB instructions in this regard. This includes checking the necessary conditions and requirements to ensure the independency of the independent members.
• Conduct an annual review on the proper and necessary training needs for the BOD members in order to develop their expertise, skills and knowledge required for the BOD membership, and propose the recommendations to the BOD in this regard.
• Conduct an annual review for the BOD structure, and propose the recommendations to the BOD regarding any changes thereto.
• Annually ensure that independency conditions are constantly satisfied for independent members during their BOD membership.
• Conduct an annual assessment of the BOD overall performance and the performance of each BOD member. Such assessment shall include the members' expertise and knowledge, assessment of their authorities and powers, and leading characteristics.
• Provide the new BOD members at the time of their election/appointment with the guide book/manual which clarifies member's rights, duties and responsibilities. BNRC Secretary shall follow-up this matter.
• Ensure that the BOD members have access to the information and reports about the critical topics related to the Bank. BNRC Secretary shall follow-up this matter.
• Ensure that the BOD members are continually updated with the latest topics related to the banking business through appropriate means.
• Prepare the remunerations policy, and submit the same to the BOD for approval.
• Oversees the implementation of the remunerations policy and scheme through the information and reports provided by the management to the BNRC quarterly, and present the same to the BOD.
• Review the remunerations policy at least on an annual basis, or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto. Such amendments/updates shall be effective only after the BOD approval. This review includes evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information on the implementation process of the remunerations scheme presented by the Management to the BNRC, and present the same to the BOD.
• Propose the recommendations to the BOD regarding the level and components of the proposed remunerations to the CEO, his deputies and assistants, as well as who are at the same level of these executive jobs in the Bank. Such recommendations shall be effective only after BOD approval.
• Ensure that the executive management has adopted effective systems, procedures and mechanisms to ensure compliance with the approved remunerations policy, and present the same to the BOD.
• Ensure that the remunerations policies and practices of the Bank's financial subsidiaries and foreign branches (if any) are in line with the Bank's remunerations policy, as well as CB corporate governance instructions.
• Ensure that an independent annual review of the remunerations policy has been conducted. Such review can be done through the Bank's Internal Audit Division or an external consultancy firm. The objective of this review is to evaluate the Bank's compliance with the remunerations policy and practices. The BNRC shall present such evaluation findings to the BOD.</td></tr>
<tr><td>Key Achievements</td><td>- Reviewed the list of candidates as independent members to the Board of Directors, and make recommendations to the Board of Directors in this respect.
- Appraised the performance of the Board of Directors as a whole and the performance of each Board Member.
- Reviewed the structure of the Board of Directors and submitted recommendations to the Board regarding any proposed changes.
- Conducted regular review of the Bank's Remuneration Policy before submission to the Board of Directors for approval.
- Reviewed the HR budget for the Year 2023 and assigning national cadres to executive positions.
- Reviewed the Internal Audit Report on the Remuneration Policy.
- Reviewed the regular reports and statements submitted by Human Resources Division.
- Regularly reviewed the Remuneration Policy of the Subsidiary.</td></tr>
</table>

Board Loan Committee (BLC)	
Composition	Sheikh / Ahmad Duaij Al-Sabah - Chairperson Mr. Manaf Mohammed Ali Al Muhanna Mr. Abdulrahman Abdullah Al Ali Sheikh / Talal Mohammad AlSabah Mr. Dhari Ali Abdullah Al Mudhaf
Main Roles & Responsibilities	• Review the Credit Policy and the proposed amendments thereto before BOD approval, in accordance with the relevant CB regulations. • Review, revise and approve the credit limits assigned for countries and the prescribed counter parties' limits for banks. • Review, revise and approve the foreign exchange limits (FX Limits) within the limits prescribed by the CB. • Review, revise and approve extending new facilities based on the Credit and Investment Committee's recommendation, and within the limits prescribed by the CB. • Give the approvals on the procedures of recoveries, reversing the interests and fees, off the balance sheet carried items, the final settlement of the written off amounts, and the excess and extension of the credit limits' term as set out in the Credit Policy and as per the CB regulations and guidelines.
Key Achievements	- Reviewed and amended the Credit Policy. - Reviewed and approved the credit facilities within the limits prescribed by the Board of Directors. - Reviewed credit ratings and verified the terms and conditions of credit approvals. -- Monitored the position of the Bank's credit portfolio and associated risks.

Meetings of Board of Directors and its Sub-Committees

The below table presents the number of meetings of the Board of Directors and other related Board Committees during the year 2022, along with an outline of the frequency of participation by the Board Members in the meetings.

Total Number of Meetings Held During 2021	**BOD Meetings**	**BCGC**	**BRMC**	**BAC**	**BNRC**	**BLC**	**Total Number of Meetings Attended by Members**
	13	**4**	**10**	**9**	**4**	**48**	**88**
Board Members	**Number of Meetings Attended by the Board Members**						
Sheikh/Ahmad Al-Sabah	13					41	**54**
Abdulrahmn Al Ali	10		8			40	**58**
Sheikh/Talal AlSabah	10				4	26	**40**
Mohamed Al-Kandari	9		8	5			**22**
Youssef Al Awadhi	12	1	5	4	2		**24**
Dhari Al Mudhaf	10	2				35	**47**
Manaf Al Muhanna	12				3	42	**57**
Fahad Al-Bader	11	4	10				**25**
Dr.Mahmoud Behbehani	13	2		9	2		**26**
Fahad Al Jarallah*	7			5	2		**14**
Ahmad Wahedi **	6	2	5				**13**
Dr. Arshid Al Houri***	6			4	2		**12**
Bader Al Ahmad***	4	2		3			**9**

Remarks:

*A reserve member, elected during the board of Directors elections at 31 March 2021 for the current term 2021-2023, and was called on 22 May 2022 to join the Board of Directors as a member.

** A new independent member elected by the shareholders in the Ordinary General Assembly held at 23 June 2022 to meet the required number of independent members in the current term of the Board.

*** Two resigned members during Q2 2022.

During 2021:

- The total number of the Board decisions taken by circulation was (18).
- The total number of BLC's recommendations / approvals made by circulation was (5).
- The remaining Board Committees did not make any recommendations / approvals by circulation during the year.

The composition of the Board committees was approved at 28 June 2022 with the election of the independent board member to complement the formation of the current board of directors, taking into account that the committees are in compliance with the Corporate Governance rules. In this context, the Bank underlines that the meetings of Board of the Directors and other Board committees held in 2022 were in line with the Corporate Governance rules issued by the Central Bank of Kuwait. The meetings were also in agreement with the bylaws governing the roles and responsibilities of the Board of Directors and its related committees in terms of the number and frequency of meetings, the quorum and the issues reviewed and discussed by the Board Members.

It is worth noting that the Bank complies with full implementation of the updates made to CB's instructions regarding Corporate Governance Rules and Systems in terms of the timeframe set forth for the number of independent members within the composition of the Board of Directors and Board committees. Thus, the number of independent members shall not be less than four starting from 30 June 2022. Accordingly, CBK held an Ordinary General Assembly on 23 June 2022 where an independent member was elected to complement the composition of the current Board of Directors.

Evaluation of the Board of Directors' Performance

In implementation of the Corporate Governance rules, the Board Nomination and Remuneration Committee, through self-assessment methodology under a set of forms and indicators applicable in this regard, evaluates the performance of the Board of Directors and all Board Members on an annual basis. This evaluation is presented to the Board of Directors for review and approval, and for taking up the required recommendations with an ultimate objective to enhance the Board of Directors and the Board Members competencies and credentials in all areas associated with the Board roles and responsibilities, and to boost the key development and training needs for the Board Members. The evaluation outcomes were positive with regard to the performance and roles of the Board of Directors. Furthermore, BNRC also reviews the structure of the Board of Directors and makes recommendations to the Board of Directors regarding the changes that can be introduced in favor of the Bank.

Board of Directors' Confirmation on Adequacy of Internal Control Systems

The Board of Directors' responsibilities cover, inter alia, ensuring that the Board exercises its duties in consistency with the relevant legislations and regulatory instructions, particularly those issued by the Central Bank of Kuwait. The Board is also responsible for the Bank's financial soundness and for ensuring that the Bank's business is prudently managed within the acceptable risk parameters without exposing the Bank to unnecessary risks that may cause financial or non-financial losses. Furthermore, the Board of Directors should confirm also that the Bank has in place proper internal control systems.

In view of the above, the Board of Directors has approved an appropriate organizational structure for the Bank's business activities to implement the Bank's strategies and objectives, and to assume its business activities in compliance with Corporate Governance rules. The organizational structure involves key controls for overseeing the Bank's business activities, in addition to the the functions of Internal Audit, Risk Management and Compliance and Corporate Governance. However, proper identification of the duties, responsibilities and authorities of all functions incorporated under this organizational structure should be observed. Furthermore, the organizational structure takes into account the internal control systems that mandate dual control, segregation of duties and responsibilities, having adequate policies and procedures and a detailed description for all related functions.

Within the process of verifying the adequacy and effectiveness of the Bank's internal control systems to safeguard the Bank's assets and enhance its financial soundness and operating efficiency, the Board of

Directors regularly verifies the policies, controls, and internal control functions (such as Internal Audit /Risk Management / Compliance and Corporate Governance) to identify the areas that require improvement. It also works on identifying and addressing risks and significant issues. Further, the internal control systems are recurring items listed in the Agenda of the Board of Directors' meetings to discuss any required updates or enhancement to the applicable controls, along with rectifying any findings raised in this regard.

The Board of Directors, through creating a governance structure at Group level, and periodic evaluation of that structure, and through the regular reports raised by the Board committees, reviews and approves the policies, rules, and manual pertinent to Corporate Governance and internal control systems that commensurate with the Bank's business, branches and subsidiary. The Board of Directors verifies the effectiveness of such policies and rules, and enhances and updates them according to any changes that may be introduced, all in line with CB's instructions on Corporate Governance Rules and Systems. The abovementioned reports include any findings raised by regulatory authorities, External Auditors, and the Internal Audit Division.

In view of the above, the Board of Directors believes that the Bank has in place proper internal control systems.

External Auditor's Report on the Adequacy of the Internal Control Systems

As per the instructions of the Central Bank of Kuwait, an independent External Auditor should be engaged to assess the internal control systems at the Bank. As such, during 2022 and after obtaining the Central Bank of Kuwait's approval, the Bank engaged an audit firm namely "BDO Al Nisf & Partners" to review the Bank's internal control systems for the year 2021. The Auditor's Report, prepared on 27/6/2022, stated that the accounting and other records and internal control systems of Commercial Bank of Kuwait and its subsidiary "the Group" for the year ended 31 December 2021, for the areas subject to review, have properly been established and maintained in compliance with the requirements of Central Bank of Kuwait's circular dated 07/01/2021, the Central Bank of Kuwait's General Guidelines Manual dated 14/11/1996 and Pillar IV of the Corporate Governance Instructions in respect of the Risk Management and Internal Controls issued by the Central Bank of Kuwait on 20 June 2012 and its amendments on 10 September 2019, instructions dated 14 May 2019 concerning Anti-money Laundering, and the combating the financing of terrorism, instructions dated 9 February 2012 concerning the Confidentiality of Customer's Information and financial securities activities and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases.

Accordingly, the findings raised in the Internal Control Review Report did not have material impact on the Group's fair presentation of the financial statements for the year ended 31 December 2021. The Report, further, stated that the actions taken by the Group to address the said findings, including those raised in previous years, were satisfactory. The said Report is shown below:

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Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait

Opinion letter

The Board of Directors
Commercial Bank of Kuwait K.P.S.C.
Mubarak Al Kabeer Street
Safat,13029
State of Kuwait.
27 June 2022
Dear Sirs,

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 22 February 2022, We have examined the accounting and other records and internal control systems of Commercial Bank of Kuwait K.P.S.C. ('the Bank') and its subsidiary Al-Tijari Brokerage Company (hereafter collectively referred to as "the group") for the year ended 31 December 2021:

We covered the following areas of the Bank:

- Corporate Governance;
- General Control Environment;
- Treasury and Investments;
- Retail Banking;
- Corporate Communications;
- Credit;
- Operations;
- Human Resources;
- Legal;
- Compliance;
- Anti-Money Laundering;
- Internal Audit
- International Banking,
- General Services;
- Risk Management;
- Customer Complaints;
- Financial Planning and Control;
- Information Technology;
- Construction and Property Management;
- Financial Securities Activities
- Anti- Fraud and Embezzlement Systems;
- Confidentiality of Customers' Information;

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) circular dated 7 January 2021 considering the requirements contained in the Manual of General Directives issued by the CBK on 14 November 1996, IV of corporate governance instructions in respect of risk management and internal controls issued by the CBK on 20 June 2012 and its amendments on 10 September 2019, instructions dated 14 May 2019 concerning Anti-money laundering and combating financing of terrorism, instructions dated 9 February 2012 regarding confidentiality of customer's information, financial securities activities and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases.

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

Because of inherent limitations in 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.

Having regard to the nature and volumes of the Group's operations, during the year ended 31 December 2021, and the materiality and risk rating of our findings, and the exception of matters set out in the report submitted to the Board of Directors of the Bank, in our opinion:

a) the accounting and other records and internal control systems of the group were established and maintained in accordance with the requirements of the Manual of General Directives issued by the CBK on 14 November 1996 and letter issued by CBK on 19 January 2022,

b) the findings raised in the examination and assessment of the internal controls do not have a material impact on the fair presentation of the financial statements of the group for the year ended 31 December 2021, and

c) the actions taken by the group to address the findings referred in the report, including previous years' findings, are satisfactory.

Yours faithfully,

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Code of Conduct and Ethical Values

The Bank continues to apply sound Corporate Governance practices, and further considers them as fundamental principles and significant components of its overall culture. During the year, the Bank has actively endeavored to enhance compliance with the code of conduct and ethical values, and raise awareness of all staff members about such values.

The Bank has complied with and enhanced Corporate Governance values through a set of policies, procedures, and practices applicable at the Bank, and communicated to all present and new employees. A summary of some key values is given below:

Code of Conduct

The Code of Conduct approved by the Bank's Board of Directors is one of the main aspects of the Corporate Governance rules. The Board of Directors and Executive Management encourage and promote compliance with the Code of Conduct in the Bank's day-to-day business activities, and its relationships with customers and all other stakeholders.

The Bank reviews the Code of Conduct on a regular basis to ensure its consistency with all developments pertaining to Corporate Governance, and ethical and professional behavior. Furthermore, the Board of Directors, through the Audit and Internal Control functions, oversees and verifies that the Code of Conduct is implemented efficiently, with a view to identify any mismatches and initiate the necessary actions.

Conflict of Interests

The Bank endeavors to implement the Conflict of Interest Policy approved by the Board of Directors. Concurrently, under supervision of the Board Compliance and Governance Committee and the Board of Directors, the Bank regularly reviews this policy in light of the Bank's business nature and the legislative and regulatory developments. In addition, the Bank applies a set of procedures, and uses forms and records regulating disclosure on Conflict of Interests cases, and the mechanism for addressing and avoiding them. The approved policy sets the procedures that should be applied in cases of non-compliance for both the Executive Management and the members of the Board of Directors.

Transactions with Related Parties

The Bank endeavors to conduct all its transactions with related parties on an arm's length basis, and under the same terms and conditions applied to other non-related parties without any preferential terms by implementing the Board-approved Related Parties Transactions Policy. Furthermore, under the supervision of the Board Compliance and Governance Committee and the Board of Directors, the Bank regularly reviews this policy to ensure its consistency with the Bank's business nature and the legislative and regulatory developments. In addition, the Bank applies a set of procedures, and uses forms and records regulating disclosure of related parties' transactions. The approved policy sets the procedures that should be applied in cases of non-compliance for both the Executive Management and the members of the Board of Directors.

Disclosure and Transparency

The Bank stresses the importance of the disclosure and transparency principle and considers it as a main tool, enabling shareholders to exercise their rights. As such, the Bank endeavored to have in place an approved Disclosure and Transparency Policy that specifies the material information to be disclosed, the mechanism of the information classification and the disclosure timing of the information available with the Board of Directors and the Executive Management, including the Bank's divisions / departments. Such information should be disclosed to local regulators and other entities, and the public domain. This policy mainly aims to set a framework for the disclosure process at the Bank, and ensure compliance with the rules and regulations issued by the Central Bank of Kuwait, Capital Market Authority and Boursa Kuwait concerning Disclosure and Transparency. The approved policy sets the procedures that should be applied in cases of non-compliance for both the Executive Management and the members of the Board of Directors.

Insider Trading

Within its endeavors to preserve the confidentiality of the inside information of the Bank and its customers, and to prevent any potential abuse of such information, the Bank has in place a policy governing dealing in securities for the insiders. This policy was enforced after being reviewed by the Board Compliance and Governance Committee, and approved by the Board of Directors. Furthermore, the Bank initiated some procedures, such as obtaining acknowledgments and undertakings from the insiders, determining the proper contractual arrangements with the other insiders, preparing the insiders list and updating it on an ongoing basis, along with all required forms and records, then posting them on the Bank's portal at Boursa Kuwait.

Banking Secrecy

The Board of Directors, Executive Management and employees endeavor to protect and maintain the confidentiality of information of the Bank, its customers, and other stakeholders, as per the provisions of laws, rules and instructions issued by the Central Bank of Kuwait and other regulatory authorities. Further, the Bank consistently applies the required controls to ensure maintaining the confidentiality of information as per the policies approved by the Board of Directors in this regard, and the internal control systems stipulating mandates for protecting the banking secrecy.

Information Security and Cybersecurity

In light of the increasing significance of the Information Security in the banking industry, and the challenges posed by the risks arising from the accelerating development of modern technologies adopted in this field, the Bank actively endeavors to enhance and update information security systems to safeguard information and avert such risks through coping with the latest developments and practices. The Bank achieves this objective by preparing and approving the policies and controls for Information Security and Cybersecurity systems, and establishing an independent and specialized department equipped with qualified professionals and the required resources. Those professionals have clear duties for implementing and monitoring such policies and controls, submitting the related reports to the Board Risk Management Committee and the Board of Directors, and raising awareness on this field.

Whistle Blowing

The Board-approved Whistle Blowing Policy is meant to enhance effective open communication culture to the Bank's employees and others. It serves as a tool by which stakeholders can be involved in the protection of the Bank and its interests. The Policy also aims at establishing a mechanism that enables stakeholders to report to the Bank any information that may come to their knowledge regarding any transaction or behavior in the Bank that is suspected of violating, or has already violated laws, regulatory instructions, internal bylaws, information, or other operations processed in the Bank in a manner that raises certain suspicions or concerns. This policy allows whistleblowers to directly communicate their concerns to the Chairman of the Board of Directors, and in the meantime provides whistleblowers with necessary protection, and give the whistleblower the option for not disclosing his identity.

Remuneration Framework and Policy

The Bank has in place an approved Remuneration Policy covering all aspects and components of remunerations at the Bank. Board Nomination and Remuneration Committee annually reviews this policy before submission to the Board of Directors for approval. It should be noted that this policy was recently reviewed on 15/11/2022.

The main objectives of the Remuneration Policy are as follows:

1. Promoting effective governance and sound practices for the financial remuneration system in consistency with risk strategy.
2. Attracting and retaining highly qualified, skilled and knowledgeable professionals.

3. Ensuring that the financial remuneration is linked to the Bank's performance and Risk Timeline, taking into account the possibility of amending the financial remunerations that may be granted to staff, in case of weak/adverse financial performance of the Bank, to match risks on the long term.

Important Features of the Remuneration Policy:

1. The Bank adopts a remuneration policy that applies to all the employees of the Bank by having in place appraisal mechanism / job progression, and through an approved structure for salaries and benefits that ensures positioning the employees appropriately in the right positions.
2. Upon determining the salary scale and remuneration in the Bank, the policy takes into account the legal and regulatory requirements, in addition to the rules and laws enforceable in Kuwait, as well as the level and range of salaries and remuneration in the local banking sector.
3. Remunerations, according to the approved policy, are divided into: fixed remunerations, which include basic salary and fixed/ supplementary allowances, and variable remunerations which are related to the performance and depend on the Bank's financial performance and divisions / departments' roles and efforts towards this performance, in addition to staff performance appraisal. The variable remunerations are divided into: Due remunerations (Annual Incentive), which may be paid to staff members after the end of each financial year based on the Bank's financial performance and the staff performance appraisal during this year, and Deferred Remunerations, which may be paid to the staff members over a maximum period of 3 years, as per the mechanisms, percentages, and categories specified by the Board of Directors. According to the regulatory requirements, "Claw back" is applied to the latter type of remunerations that can be adjusted or clawed back in exceptional cases, such as weak/adverse financial performance of the Bank.
4. As per the Bank's Organizational Structure and Corporate Governance rules, Compliance and Corporate Governance Division, Risk Management Division and Internal Audit Division are reporting to the Board Compliance and Governance Committee, the Board Risk Management Committee, and the Board Audit Committee, respectively. However, and from the Management perspective, the three Divisions work with a direct reporting line to the Chairman of the Board who, in turn, assess the performance appraisal of the heads of both Compliance and Corporate Governance Division and Risk Management Division, while the Board Audit Committee assess the performance appraisal of the Chief Internal Auditor. As such, the Executive Management does not have any role in the performance appraisal, promotions or remunerations of the heads of the above-mentioned Divisions.

Disclosure of Remunerations for the Year 2022

Board of Directors:

The Bank's Chairman and the Board Members' remunerations totaled KD 483,000 during the year 2022. The Board of Directors' remunerations are disclosed in the annual financial statements of the Bank which are subject to the approval of shareholders at the General Assembly Meeting.

Top Executives:

Remunerations totaling KD 1,276,726 have been paid during 2022 to the five Top Executives plus the Chief Executive Officer, Chief Financial Officer, the Chief Internal Auditor, and the Chief Risk Officer.

Employees' categories:

Category	Number	Total Remunerations	Remarks
Top Executive & Supervisory Management	12	KD 1,685,358	These are the positions whose occupation is subject to the approval of the Central Bank of Kuwait.
The officials with authorities for taking decisions on the issues related to risk exposures (Risk Takers).	5	KD 813,923	Including the CEO, Deputy GM - Corporate Banking Division, GM- International Banking Division, GM- Treasury and Investment Division and Deputy GM - Retail Banking Division.
The officials in charge of Financial Control and Risk Management.	5	KD 641,980	Including Chiefs of Financial Planning and Control Division, Internal Audit Division, Risk Management Division, GM - Compliance and Corporate Governance Division and GM - Legal Division.

- Remunerations include basic salary and allowances, such as grade allowance, transport allowance, supplementary allowance, and other remunerations (including other allowances and benefits), such as airline tickets allowance, medical insurance, education assistance, and terminal gratuity, and other remunerations.
- The remunerations currently paid by the Bank to its staff members include fixed remunerations and variable remunerations, if any.
- Remunerations are paid to the employees by crediting the concerned staff account at the Bank with the remuneration amount.

Succession Planning

Within its endeavors to ensure sound workflow within the Bank, the Board of Directors approved Succession Planning to develop a second management level in the Bank's diverse divisions, and prepare skilled and technical cadres to expeditiously occupy key positions that become vacant in the Bank with a view to avert any risks that may arise in this regard. The Plan is updated when necessary. Based on the Plan, the Bank appraises the performance of the qualified incumbents selected to occupy such key positions from amongst highly skilled professionals, having the required qualifications and credentials as per the Central Bank of Kuwait's instructions issued in this regard. As such, their training needs are identified and met according to a specified training plan and program.

The Bank's Compliance with Corporate Governance Instructions and Manual

- The Bank has complied with the Central Bank of Kuwait's instructions on Corporate Governance rules and systems, and the approved Corporate Governance Manual. The Bank has prepared, completed, and approved all bylaws and policies and requirements pertaining to Corporate Governance rules. The Bank, further, updates these bylaws and policies on a regular basis.
- The Bank has taken the required actions to ensure the proper implementation of Corporate Governance rules, and has composed the Board Committees that enhance the effectiveness of the Board's oversight on the Bank's key business and activities, and to follow up and monitor the implementation of the various requirements of the Corporate Governance, including governance diverse pillars.
- The Code of Conduct is circulated to the Board Members and all employees of the Bank, and their signatures are obtained thereon acknowledging compliance with the content of the Code of Conduct.
- The Bank's approved organizational structure includes proper means for overseeing the Group's business activities, and the functions of Internal Audit, Risk Management and Compliance & Corporate Governance to advocate excellence in Corporate Governance.

- The Internal Audit Division, as an independent function from the Executive Management, audits and reviews the extent to which Corporate Governance rules are properly implemented, and submits its report in this regard to the Board Audit Committee which, in turn, presents it to the Board of Directors.
- An independent External Auditor is engaged on an annual basis to assess the internal control systems, and prepare ICR report to be sent to the Central Bank of Kuwait. This report demonstrates the extent of the Bank's compliance with the implementation of the Corporate Governance rules and instructions. It is should be noted that the External Auditor's 2021 Report has not included any findings on the Corporate Governance rules.
- The Bank has completed adjustment and streamlining its processes in line with the updated instructions of Corporate Governance rules and systems issued by the Central Bank of Kuwait in September 2019. The requirement of 4 independent members within the composition of board of directors has been satisfied through election of the complementary independent board member during the Ordinary General Assembly Meeting held on 23/6/2022. The Board and Board committees' bylaws and other policies and requirements related to Corporate Governance are also amended, if required. The Bank continues its rigorous implementation of these rules for ensuring compliance with the Central Bank of Kuwait's instructions, and for maintaining the principles of sound corporate governance.

Risk Governance Framework

Risk Management

The Bank has set and developed robust comprehensive systems and procedures for risk management. Such systems help the Bank to identify the nature of key risks facing it, and to spread strong culture of risk governance. The Bank identifies and controls risks at the level of each area and at the overall Bank level. Risk Management Division implements risk management strategy and develops methodologies for identifying and assessing key risks, measuring the Bank's exposures to such risks, monitoring such exposure in light of the Bank's risk appetite, determining the corresponding capital needs on an ongoing basis, and monitoring and assessing the decisions related to taking certain risks. The Risk Governance Framework includes well-defined regulatory responsibilities for Risk Management. These are categorized into three lines of defense as follows:

- The First Line of Defense: It is the Business Line whose activities have the potential to create risks for the Bank, and therefore the responsibility of these areas is to assess and manage such risks.
- The Second Line of Defense: It includes the Risk Management and Compliance Functions which are independent of the first line of defense. Risk Management Division monitors and reports risks to the Management, and supervises the Bank risk areas and assesses them independently from the first line of defense to enhance and support the first line of defense. Compliance Department monitors compliance with laws, regulations and governance rules.
- The Third Line of Defense: It is the Internal Audit function, which is independent of the first and second lines of defense.

Compliance Governance

The Bank views Compliance function as a key component of risk management framework within banks due to the exceptional nature of noncompliance risks including legal or regulatory penalties risks, financial risks or reputation risks etc., which the Bank may encounter in the event of noncompliance with the rules, regulations, instructions, professional ethics and sound banking practices. Therefore, the Bank has an independent and effective Compliance function. It works in accordance with the Board-approved Compliance Policy underlying its functions and responsibilities. Compliance Department ensures that the Bank complies with all laws and regulations applicable to the banking activities and raises regular reports to Board Compliance and Governance Committee and the Board of Directors in this regard.

Internal and External Audit

The Board of Directors and the Executive Management are keen on underlying the independent nature of Internal and External Audit functions, and effectively utilize their activities and observations and the internal control review reports raised by them as an independent review of the information submitted by the Bank's Management to the Board of Directors.

Internal Audit
The Bank has in place an independent and competent Internal Audit Division with adequate qualified personnel who perform their duties independently and effectively. The Internal Audit Division has access to any information or any staff in the Bank and has full authority to perform their assigned tasks as required.

External Audit
External Audit activities are conducted in accordance with international standards, local laws and relevant Central Bank of Kuwait instructions. The Board Audit Committee meets the External Auditors to discuss their reports and other relevant significant observations, if any, in presence of the Executive Management. The Board Audit Committee meets with the External Auditors at least once a year, without presence of the Executive Management. External audit process is carried out on Dual Audit basis, which is based on the independence of each external auditor to fulfill the objective of appointing two external auditors.

Customer Complaints and Protection

Within the Bank's endeavors to find proper solutions for complaints received from customers, and to satisfy regulatory requirements, the Bank has established a specialized department to handle customers' complaints. During 2022, the Department has been renamed as "Customer Complaints and Protection Department" with direct reporting line to the CEO in line with CB instructions in this regard. This Department has in place an approved policy and procedures governing its duties and responsibilities, as well as the appropriate mechanisms for dealing with complaints, and ensuring customers' protection. Further, the Department oversees and ensures effective implementation of the Customer Protection Manual to enhance customers' rights, and offer them optimal services in strict compliance with the instructions issued by the Central Bank of Kuwait in this regard.

Protecting the Rights of Shareholders and Stakeholders

The Bank's current internal bylaws, policies and practices reflect the provisions of the laws, bylaws and instructions issued by the regulatory authorities. These encompass controls and measures for protecting the rights of shareholders and stakeholders, treating them on equal basis, including minority and foreign shareholders, and giving them the opportunity to question the Board and rectify any violations of their rights by providing shareholders with adequate and accurate information without discrimination.

The Bank cares for protecting shareholders' rights, particularly minority shareholders, and strives for deepening governance best practices based on sound management. This is realized through observing the rules of equality and balance in ownership representation, and circulating of board membership amongst shareholders once members of the Board of Directors are elected. Therefore, the Bank's Board of Directors has proposed an amendment to the voting system for adopting the cumulative voting system. The Extraordinary General Assembly Meeting, held on 31 March 2021, approved BOD proposal, whereby Article No. "49 BIS" has been added to the Bank's Articles of Association. This new Article stipulates that: "the Cumulative Voting mechanism for electing the members of the board of directors of the Company shall be applied. This mechanism entitles each shareholder to a number of votes equal to the number of shares owned by him. The shareholder is entitled to use his votes to vote for one candidate or to allocate such votes to a number of candidates, without any of such votes being used more than once". The Bank has opted to apply the cumulative voting approach, although it is not mandatory in the State of Kuwait.

The Bank is fully aware that protection of stakeholders' rights constitutes an essential pillar of the sound corporate governance and that the Bank's final success is the fruit of the joint efforts with various parties. Stakeholders include any person or entity having relationship with the Bank such as depositors, shareholders, the Bank staff members, creditors, customers, suppliers and any other entity having relationship with the Bank.

Executive and Supervisory Management and Key Responsibilities

The Senior Executive Management consists of board-appointed group of individuals responsible for managing the Bank's day-to-day operations. Such group is comprised of the CEO, as well as CEO's deputies and assistants. They should have the necessary education, experience, competencies, and integrity to manage the Bank's businesses.

- Under Board oversight, the Executive Management should ensure that the Bank's activities are consistent with the business strategy, risk appetite and board-approved policies.
- The Executive Management gives due care for implementing sustainability principle on Bank's operations and internal activities and embedding sustainability factors within sustainable finance, and the processes of creating products and financing instruments.
- The Executive Management contributes substantially to the Bank's sound corporate governance.
- The Executive Management is responsible for delegating duties to the staff, and establishing a management structure that promotes accountability and transparency.
- The Executive Management sets, consistent with the direction given by the Board, appropriate systems to manage financial and non-financial risks to which the Bank is exposed as well as setting effective internal control systems.
- The Executive Management carries out the Bank's activities in line with its business strategy, permissible risks and policies approved by the Board, and participating in preparing proposals on the Bank's business strategy and annual budget.
- The Executive Management is responsible for supervision and control over the Bank's business, particularly with respect to ensuring the functionality of compliance and risk control; independence of functions; and segregation of duties.
- The Executive Management should practice the activity pursuant to the standards of professional behavior.
- Executive Management is responsible for preparing financial statements pursuant to the International Financial Reporting Standards (IFRS), as well as other approved standards including those issued by the Central Bank of Kuwait in this respect.

Synopsis on Members of the Executive Management

Elham Yousry Mahfouz
The Chief Executive Officer "CEO"

Ms. Elham is an executive banker with long extensive experience in diverse areas of the banking business. She joined Commercial Bank of Kuwait in 2000 as Manager – International Banking - and progressively occupied top executive positions such as GM - New York Branch, Acting GM – International Banking, GM – International Banking in December 2010, and Acting CEO from June 2010 until February 2012. In April 2012, she was promoted as Deputy CEO, and then appointed as the CEO of the Bank on 20/11/2014. Since then, Ms. Elham has been working with the executive team to implement the Bank's Strategy and Vision, banking services digitization projects, succession planning, and many others, in light of the economic and financial developments on the global, regional, and domestic levels.

Before joining Commercial Bank of Kuwait, Ms. Elham worked in a number of Kuwaiti financial institutions. She possesses extensive knowledge in all banking and financial areas and banking industry trends in Kuwait on the back of her extensive experience and proven record of accomplishment exceeding 38 years in the banking sector

Ms. Elham holds a Bachelor's degree with honors in Business Administration from the American University in Cairo, Egypt. Throughout her long professional carrier path, she has attended many training courses and seminars inside and outside Kuwait in the area of banking with focus on senior executive management skills. She participated actively, and presented discussion papers in various forums and seminars in the banking and financial topics inside and outside Kuwait.

Masud Ul Hassan Khalid
Chief Financial Officer - Financial Planning & Control Division

Mr. Masud has been working with the Bank over the last 31 years in various positions. He is able to drive the business in line with the Bank's favoring strategies with a strong financial underpinning, possesses soft skills in communication, presentation and workplace relationship building, and dedicated to continued professional development. Mr. Masud believes in succession planning, attracting Kuwaiti youth, and career coaching to improve team performance. He encourages professional growth through mentoring and skill improvement training.

Mr. Masud holds a Bachelor of Commerce - 1981 from the University of Punjab, Lahore, Pakistan, and has obtained a diploma in the International Financial Reporting Standards. He is a fellow member at the Institute of Costs and Management Accountants of Pakistan.

Hussain Ali Al Aryan
General Manager - Treasury and Investment Division

Mr. Hussain has an extensive banking experience exceeding 29 years in treasury diverse activities, and in areas of funding and liquidity management obtained from his work with Kuwaiti banks. He progressively held a number of leading positions throughout his career path. He joined Commercial Bank of Kuwait on 18 February 2018 as General Manager - Treasury Department - and on 23 September 2018 he assumed the position of General Manager -Treasury and Investment Division.

Mr. Hussain obtained a Bachelor's degree with double majors in Computer Science and Business Administration (Marketing) from California State University - Sacramento, USA - 1992.

Ebtissam Baqer Al Haddad
General Manager - Strategic Planning and Follow-up Division

Ms. Ebtissam has about 21-year experience in financial and strategic planning for public and private sectors. She possesses distinguished management and organizational skills to bring and implement the necessary changes at the level of the work environment and the challenges it faces. She delivers change and development by means of experience and knowledge transfer, and communication and team spirit leverage.

She joined Commercial Bank of Kuwait in 2019 as Head of Project Management Office, directly reporting to the Chief Executive Officer, with a mandate to supervise high-priority projects related to improving and developing operational and financial performance. She has evolved in several key positions until 2 September 2021 when she was promoted to the position of General Manager - Strategic Planning and Follow-up Division. She works on achieving corporate transformation towards improving overall quality, business efficiency by enhancing the necessary leadership tools and driving motivation, communication, effectiveness, and coordination. She obtained a Master's degree in Business Administration in 2003.

Ahmed Hammed Bo-Abbas
Acting General Manager - Corporate Banking Division

Mr. Ahmad has banking experience extending over 19 years. He started his career as a part-time employee at the Contact Center, Commercial Bank of Kuwait. He evolved into various positions until he joined Corporate Banking Division, where he worked with his team in managing the Bank's corporate credit portfolio. In February 2021, he assumed the position of Acting General Manager - Corporate Banking Division - given his leading and strategic skills and abilities in building team spirit within a competitive environment.

Mr. Ahmad holds a Bachelor's degree in Accounting - 2006 from Kuwait University. He also holds an advanced level certificate as a certified credit manager, in addition to many professional certificates in various fields.

Kunal Singh
General Manager - International Banking Division

Mr. Kunal has total work span of over 19 years across various gamete of international banking and financial industry, Debt Capital Market (DCM) - Debt raising and debt restructuring, banking investment services, merger and acquisition and equity research at various sectors.

He joined Commercial Bank of Kuwait in 2015 in the International Banking Division, and evolved until he was promoted to the position of General Manager- International Banking Division - on 15 November 2021.

He holds MBA (Finance) from ICFAI Business School- India in 2003. He also holds Chartered Financial Analyst certification from CFA Institute. He has several Certifications in derivatives, financial valuations, and investment funds. He has recently obtained Advanced Program in FinTech and Financial Block chain.

Abdulaziz Saleh Al-Zaabi
Acting General Manager - Retail Banking Division

Mr. Abdulaziz has banking experience over 16 years in the field of retail banking, and the relevant operational and digital areas. He has distinguished skills, capabilities and high professional competencies in achieving high growth rates. He attended several executive management programs at Harvard University in the United States of America, and others in the United Kingdom.

He evolved through his career with Commercial Bank of Kuwait. He held several key positions in the Retail Banking Division & Operation Division until he became Acting General Manager - Retail Banking Division - on 11 February 2021.

He holds Bachelor's of Finance from the University of South Florida - USA (2005).

Paul Abdoulnour Dawoud
General Manager - Operations Division

Mr. Paul has a 41 year experience at Commercial Bank of Kuwait as he joined the Bank in 1981. He worked in Retail Banking where he progressively held a number of posts in Retail Banking Division until he held the position of General Manager, Retail Banking Division. Effective from 9/12/2015, Mr. Paul was assigned to take over the responsibilities of Acting GM - Operations Division, then he was appointed as GM - Operations Division starting from 28/6/2016.

Mr. Paul is a banker holding a Bachelor of Business Administration 2006 from Kendi Western - USA and a Master's of Business Administration in 2022 from the Swiss School of Management - Italy.

Muneer Abdulsalam Saleh
Legal Advisor to the Chairman and General Manager - Legal Division

Mr. Muneer started his career in Egypt since graduation in 1990, before joining one of the leading law firms in Kuwait in 1998 where he was seconded for a specific period to take over the responsibilities of the Legal Advisor to a Kuwaiti bank. Subsequently, he held the position of Manager - Legal Department - Financial Securities Group during the period from 2001 until the beginning of 2019. He then held the position of Legal Advisor to the Chairman and GM - Legal Division at Commercial Bank of Kuwait in May 2019. During his career path, Mr. Muneer managed to get a number of judgments passed in favor of the institutions for which he worked. He has given diverse legal contributions in several committees concerned with drafting laws and executive regulations. He also issued many arbitral tribunal rulings, whether acting as a single arbitrator authorized to make a compromise or a member of the arbitral panel.

He obtained a Bachelor of Law 1990 from Cairo University. He is a lawyer enrolled in the roll of lawyers authorized to plead before the Court of Cassation, Supreme Administrative Court and Supreme Constitutional Court. He is an international arbitrator enrolled in the GCC Arbitration Center and a Member in Arab Lawyers Union and the Egyptian Association of International Law.

Amr Mohamed El Kasaby
Chief Internal Auditor "CIA"

Mr. Amr has more than 33 years of experience in the fields of external and internal audit, governance, and risks and fraud investigations. He held the position of Chief Internal Auditor in several local banks, and worked for external audit firms. Further, he held the position of a board member and technical advisor on several companies.

He joined Commercial Bank in August 2021 as Acting Chief Internal Auditor till he became the Bank's Chief Internal Auditor "CIA" in October 2021.

He holds a Bachelor's degree in Commerce, Accounting and Auditing major from Kuwait University. He also holds several professional certificates.

Tan Tat Thong
Chief Risk Officer - Risk Management Division

Mr. Tan Tat Thong has over 30 years of experience in the financial sector and in providing consultancy to executive management in areas of corporate and investment banking services, asset management, and insurance in Kuwait, GCC, Malaysia and Singapore. He enjoys deep and diverse knowledge in areas of risk management, internal controls, strategic planning, and product innovation.

He joined Commercial Bank of Kuwait on 1 February 2021 as Chief Risk Officer. He has previous experience with the Bank from 2012 to 2016 where he served in diverse key positions such as Advisor to the Chairman of the Board of Directors, General Manager - Strategy and Planning, and General Manager - International Banking and Syndication

He holds a Bachelor's degree in Mathematics and Economics with honors 1991 from The University of Kent at Canterbury, England. He also obtained the Financial Risk Manager (FRM), and Enterprise Risk Professional (ERP) and (SCR) designations.

Tamim Khaled Al-Meaan
General Manager - Compliance and Corporate Governance Division

Mr. Tamim has over 22 years of experience in regulatory supervision and compliance gained through his work with the Central Bank of Kuwait and a number of conventional, Islamic and foreign banks.

He obtained a Bachelor's degree in Accounting - Kuwait University in 2000. He is a Certified Anti-Money Laundering Specialist (CAMS).

Mr. Tamim joined Commercial Bank of Kuwait on 24 June 2018 as General Manager - Compliance and Corporate Governance Division.

Abdulaziz Mustafa Ali
Head- Anti-Money Laundering and Combating the Financing of Terrorism Department (AML/CFT)

Mr. Abdulaziz has banking experience for more than 14 years. Joining Commercial Bank of Kuwait in 2008, he served in the Retail Banking Division - Call Center Department. During that period, he worked as a supervisor on the Operations Control Unit for Anti- Fraud and Authorizations, as well as the Operations Department until 2015.

He joined AML/CFT Department in 2016, then promoted to become the head of the Department at the beginning of 2022. During his tenure, he has made remarkable changes to improve work mechanisms and the level of control by customers, by modern banking products, as well as monitoring the daily operations.

He holds a Bachelor's degree in Media and Political Science in 2008 from Kuwait University. He has obtained specialized and international accredited certificates in the field of anti-money laundering and combating the financing of terrorism.

Sheikha / Nouf Salem Al Ali Al Sabah
General Manager - Corporate Communications Division

Sheikha / Nouf has more than 25 years' experience in banking, advertising, and media. She joined the Bank as Manager - Advertising and Public Relations Department, and then she progressively occupied a number of key positions. In 2018, she held the position of GM - Corporate Communications Division.

During her career, Sheikha / Nouf, in cooperation with the Corporate Communications Team, endeavored to demonstrate the Bank's corporate image, as well as its social responsibility efforts through communication with the public through traditional communication channels and modern digital social media networks, as well.

Bader Mohamed Musleh Qamhieh
General Manager – Information Technology Division (ITD)

Mr. Bader Qamhieh has professional experience exceeding 22 years. He joined the Bank in 2007 as IT Assistant Manager, Information Technology Department. He progressively held a number of positions and was appointed as Acting General Manager - Information Technology Division in February 2017 then General Manager - Information Technology Division in February 2021.

During his tenure with the Bank, Mr. Bader, with his team, managed to develop and create many systems and software which contributed in developing the Bank's operations, and upgrading all e-channels starting from the Core Banking System and Internet Banking, Mobile Banking and developing Call Center, SMS Banking and smart / chip cards related software. Mr. Bader's achievements have ultimately resulted in transforming the over-the-counter transactions in the Bank's branches to self-service and restructuring IT infrastructure and electronic communication networks inside and outside the Bank, and data centers in both production and staging/testing environments using the latest technologies and devices in line with the most widely recognized international security standards.

He obtained Bachelor's Degree in Computer Science in 2000 form Al Albayt University – The Hashemite Kingdom of Jordan.

Mohammed Bader AlHaid
Assistant General Manager - Acting Head of Digital Transformation and Innovation Division

Mr. Al-Haid has long banking experience spanning over 15 years, during which he held several key positions with focus on improving customer service quality, developing, and innovating digital services and alternative channels, managing strategic and technological projects. In undertaking these duties, Al-Haid has been equipped with the knowledge and skills he gained through serving in various divisions of the Bank.

He joined Commercial Bank of Kuwait in 2007, and was promoted to the position of Assistant General Manager and Acting Head of the Digital Transformation and Innovation Division in 2022 since its incorporation. He works on bringing remarkable changes to improve work mechanisms, and develop customers' digital banking experience.

Mr. Al-Haid also has previous experience in establishing and leading "Total Quality Management Department-Retail Banking Division" 2018. The Department was assigned with the tasks of improving the quality of services offered to customers, and realizing their satisfaction by monitoring the service quality performance indicators and working on their improvement through oversight and continuous training of employees.

Al-Haid holds a Bachelor's degree in Law in 2019 from Sadat City University - Egypt. He also has several professional certificates in the field of digital transformation and innovation, business, and leadership from prestigious international universities, such as Harvard University, INSEAD European Institute, Imperial College London and London Business School.

Sadeq Jaffar Abdullah
General Manager - Human Resources Division

Mr. Sadeq has over 18 years experience in the Kuwaiti banking sector where he progressively held a number of positions in customer service, financial, and strategic analysis then human resources management. He joined Commercial Bank of Kuwait in 2016 as Executive Manager at Human Resources Division. Starting from 2/12/2018, he assumed the position of General Manager – Human Resources Division.

He obtained a Bachelor's degree in Business Administration from Kuwait University - 2004, and a Master's degree from Kuwait-Maastricht Business School in 2007.

Talal Reyadh Al Nassar
Head - General Services Division

Mr. Talal has banking experience spanning over 17 years. He joined Commercial Bank of Kuwait in 2015 in the General Services Division, and was promoted to the position of AGM - GSD in 2021. During his tenure in the Division, he made remarkable changes to improve work process.

He has previous experience with Commercial Bank of Kuwait from 2005 to 2011 in the Retail Banking Division - Quality Management. During that period, he worked to achieve customer satisfaction through his analytical capabilities, which led to a remarkable growth in the business quality standards.

He holds a Bachelor's degree in Management and Organizational Behavior in 2014 from Gulf University for Science and Technology- Kuwait.

Executive Committees

The Bank has in place nine executive/management committees reporting to the CEO as follows:

1. Credit and Investment Committee (CIC):
The Credit and Investment Committee is responsible for reviewing all loan cases and credit and investment proposals, providing recommendations to the Board Loan Committee and taking the necessary decisions thereon as per the delegated authorities at the Bank.

2. Assets and Liabilities Committee (ALCO):
The Assets and Liabilities Committee is responsible for taking the required decisions on the balance sheet structure and interest rates, managing liquidity, while taking into account all associated risks, and reviewing all risk management reports.

3. Provisioning Committee (PC):
The Provisioning Committee is responsible for analyzing and assessing the credit facilities that will be extended to each customer, and identifying the required provisions against such credit facilities as per the instructions issued by the regulatory authorities and the related international standards.

4. Information Technology and Information Security Committee (ITISC):
The ITISC is responsible for establishing an overall Information Technology and Information Security strategy, and ensure alignment with the business strategy of the Bank. It also undertakes oversight, discussion and review of Information Technology and Information Security-related projects, follows up cyber-attacks and recommends the necessary controls for confronting such attacks.

5. Operational Risk Committee (ORC):
Operational Risk Committee is responsible for reviewing and discussing operational risk profile of the Bank, then discussing and taking decisions on corrective actions to mitigate residual operational risks.

6. Purchasing and Tender Committee (PTC):
The Purchasing and Tender Committee is responsible for reviewing the purchases and deciding on tenders

valued at KWD 9000 and above before presenting them to the Bank's Senior Management for approval, as per the delegated authorities in this regard.

7. Management Committee (MC):

All the Bank's Divisions / Departments' Heads participate in this Committee. It is responsible for establishing the required coordination amongst all the Bank's divisions / departments to achieve the objectives, as set in the Bank's strategy, business plans, and policies. The Committee aims also at ensuring that information is communicated and shared amongst the Bank's divisions / departments on one hand, and the Executive Management and the Board of Directors and the Board Committees on the other hand.

8. Suspicious Transactions Reporting Committee (STRC):

The Suspicious Transactions Reporting Committee was formed as per the Central Bank of Kuwait's circular dated 12/8/2019 with the objective of deciding whether or not to report a suspicious case (Suspicious Transaction Report "STR") to the Kuwait Financial Intelligence Unit (KFIU).

9. Special Assets Committee (SAC):

The Special Assets Committee was formed to enhance the decisions taken by the Bank's Executive Management with regard to the uncollected interests and/or debts, with a view to safeguard the rights of the Bank and its shareholders.

Management Discussion and Analysis (MD&A)

Based on the Central Bank of Kuwait's instructions on Corporate Governance rules and systems at Kuwaiti banks, the Bank's Management, with its contribution to all current banking operational, business activities, and its outlook towards Bank's prospective plans, confirms that the notes presented hereunder are complete, Board-approved, and based on the published financial statements and Executive Management's vision.

In this context, the Management believes that Commercial Bank of Kuwait remains a financially stable institution, with sound asset quality, solid income growth potential, strong capital base, and high liquidity. A summary of the Bank's financial position is presented below. The MD&A should be read in conjunction with our consolidated financial statements for the year ended 31 December 2022. All amounts are stated in Kuwaiti Dinars, and have been derived from consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions, as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) with an amendment. "Expected credit loss (ECL) to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures".

Financial Objectives

Our goal is to deliver superior client experience and decent shareholder returns while maintaining our financial strength. To achieve this, we are executing on five strategic priorities:

- Customer Centricity;
- Digital Transformation;
- Innovative Solution;
- Human Capital
- Environment, Society and Governance

Bank's medium-term financial objectives important performance measures are set out below. These objectives establish a range of expected performance over time. We will meet our financial objectives by enhancing operational efficiency, introducing innovative delivery channels, digitalization, and perusing our strategic priorities.

The Bank's business planning process is purpose driven, sets specific goals for each segment and considers the prevailing economic conditions, risk appetite, customers' evolving needs, and the opportunities available across our lines of business. Our medium-term financial objectives are to achieve average annual return on equity (before provision) greater than 12.5% and maintain capital ratios that exceed regulatory requirements. Going forward, we will continue to build momentum to further enhance the quality and consistency of our service delivery to our clients in support of our purpose-driven culture be a modern, innovative relationship-oriented bank.

Fundamental Strengths

Diversified businesses that continue to deliver robust earnings growth and long-term value for shareholders

Strong foundation built for growth and differentiating strengths that drive competitive advantage:

- Well-established, flagship banking business in Kuwait.
- Diversified operations, well positioned to capture growth opportunities.
- Transformative technology architecture, data and digital capabilities delivering customer and business value.
- Solid capitalisation and high provisions to absorb credit losses.
- Stable deposit base and significant liquidity buffers.
- Sustainable efficiency and reinvestment capacity through resource optimization, simplification, and innovation.
- Leading employee engagement and culture of unity, and enhance succession planning.

Financial Results Overview

The year 2022 saw a relief from the Covid pandemic effect of 2020 and 2021. However, inflationary pressures caused by external geo political events, increasing interest scenario, volatility in capital markets, high cost of financing, volatility of oil prices on account of supply demand concerns created by US - Saudi Arabia price war, and demand concerns from China, etc. are the major driving forces affecting the financial results in general.

While interest earnings in general gets the benefit of increasing interest rates on account of the asset liability re-pricing structure in the region in general and in the Bank in particular. the Bank, with its strong capital and liquidity levels, substantial loan loss reserves, and diversified and customer-focused franchise is well-positioned to manage both upside and downside risks and to execute on its growth opportunities.

Balance Sheet Strength

High asset quality, adequate liquidity and capital buffers is key to our consistent higher profitability at operating level. Our goal is to maintain strong capital and liquidity positions. We constantly monitor to balance our objectives of holding a prudent amount of excess capital for unexpected geopolitical uncertainties, investing in our core businesses, digital transformation and people.

- **Basel III Common Equity Tier 1 (CET1) ratio**
  At the end of 2022, our Basel III CET1 ratio was 16.6%, well above the current regulatory target set by the Central Bank of Kuwait of 9.5% and total capital ratio was 17.8% against regulatory limit of 13.5%.

- **Liquidity Coverage Ratio**
  Our ability to meet the short term financial obligations is measured through the LCR ratio. It measures unencumbered high quality liquid assets (HQLA) that can be converted into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. The LCR standard requires that, absent a situation of financial stress, the value of the ratio be no lower than 100%.

For the year ended 31 December 2022, our annual daily average LCR was 205.1% compared to regulatory requirement of 100%.

- **Net Stable Funding Ratio (NSFR)**
  Our ability to meet the long and medium term stable funding in order to fund its long and medium term assets is measured through NSFR ratio. The NSFR standard requires banks to maintain a stable funding profile to counter the composition of their assets and off-balance sheet activities. A stable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure, and potentially lead to broader systemic stress.

NSFR range was between 102.3% - 109.9% during the twelve month period ended December 31 2022 compared to regulatory requirement of 100%.

Total assets at KD 4.3 billion are higher by 0.5% compared to last year. Loans and advances represent 56.1% of total assets, investment securities 8.7%, and Treasury & Central Bank bonds are 4.3%. It is worth mentioning that it is the fifth consecutive year the Bank's non-performing loans are zero.
The total liabilities of KD 3.7 billion include customer deposits of KD 2.3 billion (64.1%). Total shareholders' equity was KD 630.3 million as at year-end 2022.

Income Statement

The operating income for the year 2022 was KD 139.9 million (an increase of 12.0%) mainly comprised of net interest income KD 85.6 million, fees and commission KD 42.8 million, foreign exchange income KD 8.0 million, and dividend income of KD 3.2 million. Loans amounting to KD 16.3 million were written off during the year, while recovery against previously written off loans amounted to KD 23.9 million. In line with Bank's prudent policy of proactive recognition of problems, the management allocated KD 5.0 million to additional precautionary provisions against loans where the management had some concerns. The provision reserve at year-end 2022 reached KD 219.5 million of which precautionary provisions are KD 156.4 million. The resultant net profit attributable to the shareholders of the bank was KD 73.6 million for the year 2022, compared to KD 54.6 million for the year 2021 (growth of 34.8%). The Corporate and Retail banking activities are the main source of Bank's revenue. Expense Management continues to be one of the Bank's strengths. The cost to income ratio at 26.5% is much lower than 34.9% compared to last year.

Review of the Operating Environment

The year 2022 has seen the global economy continue to face major headwinds, marred by the effects of a cost-of-living crisis caused by persistent and broadening inflation, the Russia and Ukraine war, and the slowdown in China. The combined effects of these factors have triggered a rapid and synchronized tightening of monetary conditions by central banks across the world to levels not seen in decades in a bid to restore price stability. Although price levels have somewhat decelerated as a result of the rapid responses by central banks, inflation has proven to be quite stubborn, and has called for monetary tightening to remain elevated for some time.

During the year, forecasts for global growth have been revised down to reflect the continued impact of inflation on household balance sheets and the weakening of global aggregate demand. As per the IMF, global growth is expected to fall from 3.4 percent in FY2022 to 2.9% in FY2023, then rise to 3.1 percent in 2024. Predictions for global inflation is expected to cool to 6.6 percent in 2023, and 4.3 percent in 2024, which is still above pre-pandemic levels of about 3.5 percent, but significantly lower than the 8.8 percent observed in 2022.

Volatility in the currency market has also seen the US dollar appreciate to its highest level in two decades. This had impacted US dollar priced international commodities, leading to higher imported inflation in the rest of the world. As a result, the stronger dollar has weighed on current accounts by raising the import bill, which has thus been a factor behind the ongoing balance of payments and public debt crises of developing countries, such as Pakistan and Sri Lanka.

The slowdown in 2023 for advanced economies is expected to be more pronounced than experienced in 2022. Advanced economies growth are expected to decline from 2.7 percent in FY 2022 to 1.2 percent in FY 2023, and then increase by 1.4 percent in FY 2024.

Elsewhere, China has been grappling with a series of economic hurdles brought about by the downturn in the property sector, and most notably its zero covid policy that hampered domestic demand causing the economy to grow at its lowest level on record at 3.0 percent in 2022. The recent removal of the zero covid policy has come as a positive turn of events but the impacts will be limited given deterioration in global demand and the negative effect on domestic consumption from the resurgence of the coronavirus.

In contrast, the economies of the Gulf Cooperation Council (GCC) have benefited from the surge in oil prices with the region is projected to have grown by 6.9 percent in 2022. The region is expected to register strong 'twin' surpluses in 2022, with the fiscal balance projected to register a surplus of 5.3 percent of GDP in 2022 - the first surplus since 2014.

Forecasts for the GCC in 2023 are more positive, with 3.6 percent GDP growth expected for the year. Although the region will not be completely immune to the global economic downturn, there are a number of factors that will be supporting the region. Oil prices are likely to sustain the $75-$90 price level allowing GCC governments to provide fiscal headroom to sustain aggregate demand through spending. Furthermore, inflation in the regions is likely to be subdued thanks in part to higher interest and slowing global growth.

For Kuwait, the economy will likely have expanded by 8.0 percent in 2022, the second highest growth rate in the GCC, rebounding from the sharp slowdown of - 8.9 percent in 2020 and 1.3 percent in 2021. The rise in GDP was largely due to higher oil prices supported by increased oil production and a sustained improvement in domestic demand. Kuwait's oil production averaged 2.69mn b/d in 2022, which represents an 11.6 percent increase on the 2.41mn b/d produced in 2021.

As a result, Kuwait is expected to record a budget surplus for the first time since 2014 at 5.3 percent of GDP. Unfortunately, this surplus and improvement in government finances is not expected to spell out to an improvement in the domestic project landscape.

The Ministry of Finance has presented a higher budget for 2023-2024, with expenses expected to come in at $26.3 billion. This figure represents an 11.7 percent increase from the previous budget, and reflects a one off non-recurring expenses and accrued expenditure from years prior.

Inflation in Kuwait, although at a multi-year high, has been relatively modest compared to the global average, with a 4 percent increase in consumer prices recorded for 2022. In response to surging prices, and to be in line with the Fed rate increase, the Central Bank of Kuwait has raised the Central Bank Discount Rate by a cumulative 2.50 percent since March 2022. However, the hikes by Kuwait were much less than the cumulative 4.5 percent increase by the Federal Reserve since the beginning of the year, which has caused the Kuwait dinar to marginally depreciate as a result of capital outflows. As the Federal Reserve is close to ending its rate hiking cycle with a 25bps increase expected in March, Kuwait's discount rate is likely to not increase substantially from current levels given the possibility that the Fed maintains current levels.

Stronger consumer spending has resulted in significant growth in household credit, increasing by 9.1 percent for 2022, the highest expansion since 2015. Business expansion recorded the highest figure since 2013, increasing by 6.8 percent in 2022. Meanwhile, deposit growth was strong for 2022 increasing by 5.3 percent. In line with expectations, private sector deposits growth increased by 19 percent reflecting the higher rates offered on time deposits whilst CASA dropped by 4.3 percent for the year.

The economy will continue to benefit from high international oil prices in 2023; however, current forecasts point towards a modest slowdown to Kuwait's output, and oil & gas GDP growth is expected to be 2 percent, leaving the non-oil sector to drive headline GDP growth.

Economic outlook – risks and challenges

Systemic risks

Global and regional uncertainties

For the next five years, societal and environmental risks are expected to be the most concerning which is substantiated further in the global risk report 2022, as well. However, over a 10-year period, environmental risks are perceived to be the five most critical long-term threats to the world, as well as the most potentially damaging to people and planet, with "climate action failure", "extreme weather", and "biodiversity loss" ranking as the top three most severe risks. Respondents also signalled "debt crises" and "geoeconomic confrontations" as among the most severe risks over the next 10 years. Technological risk such as cybersecurity failure is the other critical short and medium-term threats to the world economy.

Rising commodity prices, inflation, and debt are emerging risks, etc are expected to lead to strong inflationary pressure, leading to rise in yields, and in turn, governments may come under pressure to reduce deficits after bond yields rise meaningfully, and markets question debt sustainability.

The overall environment necessitates that banks implement robust risk monitoring and mitigation measures to safeguard their portfolio and profitability. The Bank while continuing its approach of cautious growth in relatively safer assets, would be proactive in monitoring developments in the existing assets book and initiate appropriate measures for continuous monitoring and adoption of risk mitigants.

The Bank has a set of strategy parameters in place, broadly comprising macro-economic parameters, internal variables, solvency, credit risk, liquidity risk, operational risk, and interest rate risk indicators, and has been constantly monitored, along with key macroeconomic variables in order to identify any concerning areas that requires improvement and enhancement.

The Bank believes that the performance and growth of the overall Credit portfolio is linked to the GDP growth of Kuwait which in turn is dependent, to a major extent, on oil prices, which remains the biggest component of the overall GDP.

Accordingly, the Bank's strategy going forward is to cautiously and selectively look for well-defined risk-return opportunities in growing the Credit portfolio, and also concentrate on recoveries of off-loaded accounts.

Local disruptive factors

The global crude oil price rally gathered momentum during the first seven months of 2022 with the average oil price trading around $ 101.48 per barrel. Post July 2022, oil price was in the range of $77 to $97 range with price war between Saudi Arabia and United States, lower demand from China, etc., contributing to the supply and demand scenario. Volatility of oil prices is expected to be the main local disruptive factor that could translate into uncertain outlook of government fiscal surplus.

Asset and liability concentrations and other market risks

The Bank continued to reduce the share of vulnerable and highly sensitive sectors in its lending portfolio, while exposure for Construction & Contracting sectors increased marginally on account of financing of new governmental sponsored projects, though limited tenders released during the year.

On the liabilities side, the Bank has a high proportion of deposits from government and quasi-government entities, which is a logical evolution of high liquidity in these entities. However, the deposit concentration is well within the Bank's risk appetite in terms of significant counterparties and significant products. The Bank also has a risk strategy in place for the period 2020-2024 which spells out various risk appetite metrics involving economic, solvency, liquidity, market risks, interest rate risk, strategic risk, reputational risk, etc.

Idiosyncratic risks

Asset quality

The Bank's emphasis on qualitative factors and cautious growth strategy has yielded its benefit, and currently non-performing loans are zero.

Operational risks

The Bank recognises the importance for monitoring, measuring and reporting the operational risks the Bank exposed to, including fraud risks. The Bank collects operational risk data through Risk & Control Self Assessments (RCSA), Key Risk Indicators (KRIs), procedure reviews, and reported risk events. A risk event database is maintained and reported in the periodic risk management reports. The Bank continues to enhance the Business Continuity Plan, which addressed how to ensure continuity of critical services and serve the customers through various channels in multiple disaster scenarios, including a pandemic. The Bank ensures regular testing of the Bank-wide Business Continuity Plan.

With digitalization of banking services, the Bank recognizes the importance of cyber security, and is committed to implement advanced cyber security mechanisms and controls to minimize the risks resulting from cyber security threats. The Bank is responsible for identifying, monitoring, measuring, and reporting all information security risks including internal and external threats, whether deliberate or accidental, on all information assets of the Bank. In partnership with Human Resource Division, customized Information Security Awareness programs are developed and mandated for all staff in order to embed an information security awareness culture within the Bank. The Bank maintains its compliance with PCI-DSS, ISO 27001 and SWIFT CSP certification requirements, in addition to compliance with Central Bank of Kuwait's Cyber Security Framework requirements. The Security Operations Center (SOC), which monitors all anomalous security events, has been upgraded, and a cyber incident response plan developed to ensure timely response to any suspicious cyber activity.

Adequacy of Internal Control Systems

The Bank consistently strives to have in place effective internal control systems across the Bank. The Executive Management constantly underlines that control and supervision functions at the Bank have intact authority and independence to perform their duties.

On this foundation, the Executive Management is keen to undertake the Bank's business activities in consistency with the approved Strategy and Risk Appetite. It is responsible for oversight and control over the Bank's business, particularly with regard to maintaining compliance function, monitoring the risks, functions' independence, segregation of duties and the proper use of internal and external audit activities as well as the review reports issued on the assessment of the internal control systems.

As for the framework adopted by the Executive Management for evaluating the effectiveness of internal controls, it implements the recommendations and resolves the issues and findings raised in the reports issued by IAD within target dates, given the fact that such reports usually enhance the annual assessment of the internal control environment at the Bank. In addition, the Executive Management strives to implement the recommendations and resolve the issues and findings raised in the reports issued by external parties such as the External Auditor's Report on the Accounting, Other Records and Internal Control Systems "ICR" and the "Management Letter" issued by the External Auditors upon finalizing their audit of the Bank's financial statements.

The Executive Management also works closely with both Compliance and Risk Management functions. Compliance Department performs an assessment of noncompliance risks with regulatory instructions in order to improve and enhance the Bank's internal control tools while Risk Management Division implements Risk and Control Self-Assessment Framework (RCSA) that is a program through which risks inherent in business areas across the Bank are identified and assessed.

Sustainability and Corporate Social Responsibility

Commercial Bank of Kuwait pays special attention to the concept of social responsibility, and endeavors to enhance the sustainability concept in consistency with the increasing international momentum on the sustainability three pillars, i.e. Environment, Society and Governance.

The above sections of this report make it clear how far the Bank applies the concept of corporate governance, whereas the following paragraphs will present key achievements made by the Bank in terms of environment and society.

Environment

The Bank pays great attention to preserving the environment as environment generates natural resources necessary for life. Therefore, preserving the environment is preserving life fundamentals. It is the basis for achieving comprehensive and sustainable growth. From this standpoint, the Bank undertook many activities and initiatives inside and outside the Bank, including, but not limited to, the following:

A. Activities and events within the Bank

- Rationalizing energy, water, and natural resources consumption by utilizing modern technology to introduce innovative solutions, such as water and electricity sensors, and QR codes to access publications in digital form instead of printing papers.
- Placing recycling containers on every floor in the Bank's head office in cooperation with a recycling company.
- Promoting employees environmental awareness and participating in various activities and initiatives, such as recycling by advocating the use of reusable food and beverage containers as part of the PULSE campaign.

B. Activities and Events outside the Bank

- Implementing the concept of recycling by launching the "GO Green" campaign, which aims to keep the society aware of the harms of wastes and the importance of preserving the environment.
- Organizing a campaign aimed at cleaning the beaches off wastes and protecting them against disparaging actions in cooperation with the Trash Tags team.
- Cooperating with Yadawi team to hold a workshop for school students to educate and explain to them how to benefit from recycling and rationalizing consumption.
- Sponsoring and participating in the "Green Hands" activities which included planting a variety of perennial trees and plants.
- Participating in the preservation of Umm Al Maradim Island by planting a variety of perennial trees and plants, in addition to placing and installing watering cans and food containers to preserve the indigenous birds settlements.

C. Sustainable Finance - Green Loans and Bonds

The Bank offers sustainable finance through its financing and investment activities to encourage and support "green" businesses as follows:

Green loans to projects such as:

- Umm Al Hayman Waste Water Treatment Plant.
- The strategic Clean Fuel Project that expands and upgrades Mina Abdullah and Mina Al-Ahmadi Refineries to fulfill demand for clean fuels.

Green Bonds

The Bank's assets portfolio includes various green bonds such as:

- Bonds of the Korea Development Bank-Seoul to finance and/or refinance new and/or existing Renewable Energy & Clean Transportation.
- Dubai Islamic Bank Sukuk issued in line with Dubai Islamic Bank's Sustainable Finance Framework.

Social Responsibility

Since its establishment, the Bank has given social responsibility great attention within its business scope. It extends support, sponsorship and participation for events and activities covering wide range of humanitarian and charitable work. It also supports the efforts and activities organized by Kuwait governorates and civil society institutions. During 2022, the Bank's social responsibility programs were varied and significantly contributed to confirming the Bank's presence and contribution to all areas of charitable and humanitarian works such as:

- Continuing the "Double Your Reward with Al-Tijari" Campaign and increasing the number of participating charitable societies and organizations to the portfolio with the aim of achieving social solidarity as the Bank donates a matching amount to any donation made by a customer in favor of the participating charitable societies and organizations through their accounts with the Bank.
- Distributing Eid, Winter and Summer clothing to workers as part of the Hawwin Alaihom campaign.
- Distributing food packages to needy families in cooperation with the Abdullah Al-Nouri Charitable Society and the Kuwait Red Crescent Society.
- Caring for the People of Determination where the Bank received members of Café 312, the first of its kind in the Kuwait, run by People of Determination and those with disabilities.
- Sponsoring old Kuwaiti heritage for over 30 years through several campaigns and events highlighting the authentic Kuwaiti heritage and the life of the first generation of the Kuwaiti people.

The Bank continued its efforts to support national labor by providing suitable job opportunities for ambitious Kuwaiti youth. Human Resources Division has been keen to participate in several job fairs organized by government and private universities in Kuwait with the aim of offering job opportunities in the Bank to young Kuwaiti graduates on grounds of the Bank's view on the importance of investing in talented Kuwaiti youth.

Finally, given the Bank's care for compliance with the Central Bank of Kuwait's circular issued recently in this regard, and in light of the pillars embedded in "New Kuwait" 2035 Vision for sustainable development, the Bank continues its efforts in the fields of sustainability, social responsibility, and governance. It is also issuing a separate report for 2022 covering the Bank's achievements in this regard.

Financial Review

Globally the year 2022 had three peculiarities:

1. Almost all assets, not only bonds and equities, lost value, which is relatively a rare occurrence.
2. The economic mix financial markets faced during the year. Global real growth, at around 3%, has fallen only slightly short of the average of the pre-pandemic years. Yet the global inflation rate overshoot 8%. The combination of lacklustre growth and record inflation suggests that 2022 was a year of stagflation - a mix rarely seen since the 1970s.
3. The growth/inflation mix pushed central banks to tighten the money supply at an unprecedented pace. Central banks were perceived as being behind the curve early on, and they struggled to catch up. This created shocks in the financial system that led to the asset price decline.

In spite of all those challenges, Al Tijari moved forward at a good momentum. Growth in loan portfolio, increasing interest rate, operating efficiency and better asset quality culminated in highest ever net profit over the last ten years. We hope to maintain this momentum during 2023 and take in forward.

STATEMENT OF INCOME

- **Net interest income**
  Net interest income is comprised of earnings on assets, such as loans and securities less interest expense paid on liabilities, such as deposits. Net interest income of KD 85.6 million is higher by KD 11.3 million compared to KD 74.3 million of last year, an increase of 15.2%. The average yield on interest earning assets increased to 3.25% from 2.45% of last year. The average cost on interest bearing liabilities also increased from 0.71% to 1.35% during 2022. Bank's overall net interest margin of 2.13% increased by 28 basis points due to growth in high yielding assets.

- **Non-interest income**
  Non-interest income at KD 54.3 million which comprises all revenues other than net interest income increased by KD 3.7 million (7.3%) Fee income increased by KD 3.9 million (10.0%) and foreign exchange income increased by KD 1.6 million (25.2%).while other income is lower by KD 4.2 million.

- **Non-interest expenses**
  Staff expenses of KD 17.9 million are lower by KD 9.3 million (34.2%) compared to 2021 mainly due to reversal of some accured expenses. General and administration expenses of KD 17.3 million for 2022 are higher by KD 2.9 million (20.1%), mainly due to higher marketing, card and corporate expenses. Depreciation and amortisation expenses were marginally lower compared to last year.

- **Impairment and other provisions**
  The charge for Impairment and other provisions of KD 25.8 million is higher by KD 1.6 million compared to 2021. The impairment and provision charge is net of KD 23.9 million recoveries against previously written off loans. The bank has prudently allocated KD 30.1 million provision charge against other receivable as part of managements' conservative approach. The provision reserve at year-end 2022 is KD 219.5 million of which precautionary provisions are KD 156.4 million. Non-performing loans are zero for the fifth consecutive year.

- **Net Profit**
  The net profit attributable to the shareholders of the bank is KD 73.6 million compared to KD 54.6 million for the last year, a growth of 34.8%. In line with Bank's prudent policy of proactive recognition of problems KD 5.0 million was added to the pool of precautionary provisions during 2022.

- **Balance Sheet**
  Total assets of KD 4,310.5 million increased by KD 20.9 million over last year. The Loan and advances increased by KD 141.5 million (6.2%) while the Investment securities decreased by KD 178.4 million mainly due to de-recognition of Boubyan Bank shares.

  The customer deposits increased by KD 220.7 million (10.4%), Other borrowed funds increased by KD 92.0 million (17.7%) while Due to banks declined by KD 135.7 million (37.6%).

Equity attributable to shareholders of the Bank at KD 660 million decreased by KD 160.5 million during 2022 mainly reversal of investment revaluation related to de-recognition of Boubyan Bank shares.

- **Dividends and Proposed Appropriations**
  Subject to approval by the Shareholders at the Annual General Meeting, the Board of Directors has recommended that the Net profit (KD 73.6 million) for the year attributable to shareholders of the Bank will be distributed as follow:

  1. Cash dividend of 25 fils per share (2021: 20 fils) KD 47.3 million
  2. KD 26.3 million transfer to retained earnings.

Consolidated Financial Statement

31 December 2022 And Independent Auditors' Report to the Shareholders

Table of Content

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Bank of Kuwait K.P.S.C. (the "Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International *Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matter:

Impairment of loans and advances

As described in Note 6 to the consolidated financial statements, the Bank had loans and advances of KD 2,420 million as at 31 December 2022 representing 56% of total assets.

The recognition of credit losses on loans and advances to customers is the higher of Expected Credit Loss ("ECL") under International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), determined in accordance with Central Bank of Kuwait (the "CBK") guidelines, and the provision required by the CBK rules on classification of credit facilities and calculation of their provision ("the CBK rules") as disclosed in the accounting policies to the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

The recognition of ECL under IFRS 9, determined in accordance with CBK guidelines, is a complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing significant increase in credit risk and classification of credit facilities into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral. Recognition of specific provision on impaired facility under the CBK rules is based on the instructions by CBK on the minimum provision to be recognized together with any additional provision to be recognised based on management estimate of expected cash flows related to that credit facility.

Due to the significance of credit facilities and the related estimation uncertainty and judgement in the impairment calculation, this was considered as a key audit matter. This is further heightened by the high degree of estimation uncertainty due to the current inflationary pressure and high interest rate environment.

Our audit procedures included assessing the design and implementation of controls over inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the adequacy of credit losses. Further, our audit procedures were updated to incorporate consideration of the current inflationary pressure and high interest rate environment, including a focus on rescheduled credit facilities.

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected samples of credit facilities outstanding as at the reporting date which included rescheduled credit facilities, and evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. We involved our specialists to review the ECL model in terms of key data, methods and assumptions used to ensure they are in line with IFRS 9 requirements, determined in accordance with CBK guidelines. For a sample of credit facilities, we have evaluated the Group's staging criteria, Exposure at Default ("EAD") Probability of Default ("PD") and Loss Given Default ("LGD") including the eligibility and value of collateral considered in the ECL models used by the Group and the overlays considered by management in view of the ongoing economic impacts, to determine ECL taking into consideration CBK guidelines. We have also evaluated the consistency of various inputs and assumptions used by the Group's management to determine ECL.

Further, for the CBK rules provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, it has been computed accordingly. For the samples selected, which included rescheduled credit facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired credit facilities, we have assessed the valuation of collateral and reperformed the resultant provision calculations.

Other information included in the Annual Report of the Group for the year ended 31 December 2022

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditors' report thereon.

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

Report on the Audit of Consolidated Financial Statements (continued)

We obtained the report of the Bank's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information that we 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.

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

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 IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material 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.

Auditors' 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 auditors' 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 scepticism 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.

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

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 the 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 auditors' 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 auditors' 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 to 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards applied.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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RSM Albazie & Co.

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

Report on the Audit of Consolidated Financial Statements (continued)

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, its executive regulations; and by the Bank's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA /336/2014 dated 24 June 2014 and 2/BS/342/2014 dated 21 October 2014 respectively, the Companies Law No 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 2021 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Bank or on its financial position.

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License No. 246A
Deloitte & Touche - Al-Wazzan & Co.

Dr Shuaib A. Shuaib
License No. 33A
RSM Albazie & Co.

Kuwait
20 March 2023

The Commercial Bank of Kuwait Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2022

		2022	2021
ASSETS	**Note**	**KD 000's**	KD 000's
Cash and short term funds	3	**732,555**	727,513
Treasury and central Bank bonds	4	**183,555**	177,452
Due from banks and other financial institutions	5	**480,202**	482,586
Loans and advances	6	**2,419,548**	2,278,078
Investment securities	7	**372,903**	551,303
Premises and equipment		**29,414**	28,922
Intangible assets	9	**3,506**	3,506
Other assets	10	**88,790**	40,206
TOTAL ASSETS		**4,310,473**	4,289,566
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**224,847**	360,526
Due to other financial institutions		**273,743**	245,676
Customer deposits		**2,340,285**	2,119,614
Other borrowed funds	11	**611,442**	519,459
Other liabilities	12	**199,835**	223,427
TOTAL LIABILITIES		**3,650,152**	3,468,702
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		**199,206**	199,206
Treasury shares		**(49,798)**	(5,233)
Reserves		**277,398**	427,372
Retained earnings		**185,901**	159,614
		612,707	780,959
Proposed dividend		**47,298**	39,618
		660,005	820,577
Non-controlling interests		**316**	287
TOTAL EQUITY	13	**660,321**	820,864
TOTAL LIABILITIES AND EQUITY		**4,310,473**	4,289,566

Sheikh/ Ahmad Duaij Jaber Al-Sabah
Chairman

Elham y. Mahfouz

Elham Yousry Mahfouz
Chief Executive Officer

The attached notes 1 to 26 form part of these consolidated financial statements.

The Commercial Bank of Kuwait Group

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2022

	Note	2022 KD 000's	2021 KD 000's
Interest income		**130,894**	98,180
Interest expense		**(45,339)**	(23,925)
NET INTEREST INCOME		**85,555**	74,255
Fees and commissions		**42,788**	38,895
Net gain from dealing in foreign currencies		**7,978**	6,368
Net gain from investment securities		**54**	791
Dividend income		**3,198**	3,646
Other operating income		**292**	907
OPERATING INCOME		**139,865**	124,862
Staff expenses		**(17,872)**	(27,148)
General and administration expenses		**(17,309)**	(14,417)
Depreciation and amortisation		**(1,912)**	(1,994)
OPERATING EXPENSES		**(37,093)**	(43,559)
OPERATING PROFIT BEFORE PROVISIONS		**102,772**	81,303
Net charge of impairment and other provisions	14	**(25,789)**	(24,147)
PROFIT BEFORE TAXATION		**76,983**	57,156
Taxation and contributions	15	**(3,369)**	(2,421)
NET PROFIT FOR THE YEAR		**73,614**	54,735
Attributable to:			
Shareholders of the Bank		**73,585**	54,638
Non-controlling interests		**29**	97
		73,614	54,735
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	16	**37.2**	27.8

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

	2022 KD 000's	2021 KD 000's
Net profit for the year	**73,614**	54,735
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that will not be reclassified subsequently to consolidated statement of income		
Equity securities classified as fair value through other comprehensive income:		
Net changes in fair value	**(144,925)**	73,280
Property revaluation INCOME (LOSS)	**1,199**	(42)
Items that are or may be reclassified subsequently to consolidated statement of income		
Debt securities classified as fair value through other comprehensive income:		
Net changes in fair value	**(6,155)**	811
Net loss on disposal transferred to income statement	**(93)**	(378)
	(149,974)	73,671
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(76,360)**	128,406
Attributable to:		
Shareholders of the Bank	**(76,389)**	128,300
Non-controlling interests	**29**	106
	(76,360)	128,406

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	KD 000's														
	Attributable to shareholders of the Bank														
				Reserves											
	Share capital	Proposed bonus shares	Treasury shares	Share premium	Statutory reserve	General reserve	Treasury shares reserve	Property revaluation reserve	Investment valuation reserve	Total reserves	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total
Balance as at 1 January 2021	199,206	27,107	(32,340)	66,791	115,977	17,927	-	24,095	128,920	353,710	144,208	-	691,891	933	692,824
Total comprehensive income for the year	-	-	-	-	-	-	-	(52)	73,714	73,662	54,638	-	128,300	106	128,406
Dividend paid	-	(27,107)	27,107	-	-	-	-	-	-	-	-	-	-	(33)	(33)
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	(39,618)	39,618	-	-	-
Ownership changes in subsidiary	-	-	-	-	-	-	-	-	-	-	386	-	386	(719)	(333)
Balance as at 31 December 2021	**199,206**	**-**	**(5,233)**	**66,791**	**115,977**	**17,927**	**-**	**24,043**	**202,634**	**427,372**	**159,614**	**39,618**	**820,577**	**287**	**820,864**
Total comprehensive loss for the year	-	-	-	-	-	-	-	1,199	(151,173)	(149,974)	73,585	-	(76,389)	29	(76,360)
Purchase of treasury shares	-	-	(44,565)	-	-	-	-	-	-	-	-	-	(44,565)	-	(44,565)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(39,618)	(39,618)	-	(39,618)
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	(47,298)	47,298	-	-	-
Balance as at 31 December 2022	**199,206**	**-**	**(49,798)**	**66,791**	**115,977**	**17,927**	**-**	**25,242**	**51,461**	**277,398**	**185,901**	**47,298**	**660,005**	**316**	**660,321**

Investment valuation reserve includes a loss of KD 5,498 thousand (2021: loss of KD 5,434 thousand) arising from foreign currency translation of the Bank's investment in its associate.

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	2022 KD 000's	2021 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		**76,983**	57,156
Adjustments for:			
Impairment and other provisions	14	**25,789**	24,147
Income from investment securities		**(3,252)**	(4,437)
Foreign exchange (gain) loss on investment securities		**(3,691)**	159
Depreciation and amortisation		**1,912**	1,994
Profit before changes in operating assets and liabilities		**97,741**	79,019
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		**(6,103)**	9,070
Due from banks and other financial institutions		**2,374**	99,016
Loans and advances		**(141,002)**	(30,428)
Other assets		**(51,258)**	(21,660)
Due to banks		**(135,679)**	144,601
Due to other financial institutions		**28,067**	(206,823)
Customer deposits		**220,671**	(249,259)
Other liabilities		**(6,082)**	16,144
Net cash from (used in) operating activities		**8,729**	(160,320)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		**158,258**	125,084
Acquisition of investment securities		**(173,258)**	(37,812)
Dividend income from investment securities		**3,198**	3,646
Proceeds from disposal of premises and equipment		**665**	468
Acquisition of premises and equipment		**(299)**	(415)
Increase in holding in subsidiaries		**-**	(333)
Net cash (used in) from investing activities		**(11,436)**	90,638
FINANCING ACTIVITIES			
Other borrowed funds		**91,983**	75,807
Purchase of treasury shares		**(44,565)**	-
Dividend paid		**(39,618)**	-
Dividend paid to non-controlling interest		**-**	(33)
Net cash from financing activities		**7,800**	75,774
Net increase in cash and short term funds		**5,093**	6,092
Cash and short term funds as at 1 January		**727,532**	721,440
Cash and short term funds as at 31 December	3	**732,625**	727,532

The attached notes 1 to 26 form part of these consolidated financial statements.

1. INCORPORATION AND REGISTRATION

The Commercial Bank of Kuwait K.P.S.C. ("the Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a bank with the Central Bank of Kuwait (CBK) and is listed on the Boursa Kuwait. The registered address of the Bank is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Bank and its subsidiary are together referred to as "the Group" in this consolidated financial statements.

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 12 March 2023 and are issued subject to the approval of the Annual General Assembly of the Shareholders of the Bank. The Annual General Assembly of the Shareholders has the prerogative to amend this consolidated financial statements after issuance.

The principal activities of the Group are explained in note 22.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations, including the recently issued CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) with the following amendments:

i) Expected credit loss (ECL) to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

ii) Modification losses on financial assets, arising from payment holidays to customers extended during the financial year ended 31 December 2020 as a result of Covid-19, to be recognised in retained earnings as required by the CBK circular no. 2/BS/IBS/461/2020 instead of profit or loss in accordance with IFRS 9. However, modification losses on financial assets, arising from any other payment holidays to customers including payment holidays extended during the year ended 31 December 2021 in response to Covid-19 shall be recognized in the consolidated statement of income.

The above framework is hereinafter referred to as "IFRS as adopted by CBK for use by the State of Kuwait".

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, investment securities and freehold land.

These consolidated financial statements are presented in Kuwaiti Dinar, which is the Group's functional currency.

The accounting policies applied are consistent with those used in the previous year except for the adoption of the new and amended standards effective from 1 January 2022 as described below;

New and amended standards issued and effective

i) Amendments to IAS 16 Property, plant and equipment , proceeds before intended use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of Premises and Equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). This amendment has no impact.

ii) Amendments to IFRS 9 financial instruments - fees in the 10% test for De-recognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. This amendment has no impact.

Other standards and amendments which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

New and amended standards issued but not yet effective

A number of new standards and amendments which are effective for annual periods beginning on or after 1 January 2023 have not been early adopted in the preparation of the Group's consolidated financial statements and are not expected to have a significant impact on the consolidated financial statements of the Group.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and a subsidiary (note 17) as at 31 December each year.

Subsidiaries are those entities controlled by the Bank. Control is achieved when the Bank has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control. The financial statements of subsidiaries are included in these consolidated financial statements on a line-by-line basis, from the date on which the control is transferred to the Group until the date that such control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intra-group balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intra-group transactions are also eliminated in full.

Non-controlling interests represents the equity in the subsidiaries not attributable directly, or indirectly, to the equity holders of the Bank. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. Losses within a subsidiary are attributed to the non controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

i) Derecognises the assets (including goodwill) and liabilities of the subsidiary
ii) Derecognises the carrying amount of any non-controlling interests
iii) Derecognises the cumulative translation differences, recorded in equity
iv) Recognises the fair value of the consideration received
v) Recognises the fair value of any investment retained
vi) Recognises any surplus or deficit in profit or loss
vii) Reclassifies the Bank's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Associates

Associates are entities over which the Group has significant influence but not control, which is the power to participate in the financial and operating policy decisions of the associate.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, uniform accounting policies for similar transactions and other events in similar circumstances are used.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income; and its share of post-acquisition equity movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment annually.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained portion of the investment and proceeds from disposal is recognised in the consolidated statement of income.

After the application of the equity method, the Group determines whether it is necessary to recognise 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 recognises the amount in the consolidated statement of income.

(d) Financial instruments

Financial instruments comprises of financial assets and financial liabilities.

i) Classification and measurement

Financial assets

Classification and measurement category of all financial assets, except derivatives, is based on a combination of the Group's business model for managing the assets and the assets' contractual cashflow characteristics.

a) Business model assessment

The Group determines its business model at the level that best reflects how it manages various groups of financial assets to achieve its business objective and generates contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

i) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's' key management personnel;
ii) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the methodology adopted to manage those risks;
iii) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
iv) The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

i) Contingent events that would change the amount and timing of cash flows;
ii) Leverage features;
iii) Prepayment and extension terms;
iv) Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and

v) Features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payment of principal and interest. In such cases, the financial asset is measured at FVTPL.

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

Based on assessment of business model and cashflow characteristics, the Group classifies financial assets into the following categories upon initial recognition:

a) Financial assets carried at amortised cost
b) Financial assets carried at fair value through other comprehensive income (FVOCI)
c) Financial assets carried at fair value through profit or loss (FVTPL)

a) Financial assets carried at amortised cost

A financial asset is carried at amortised cost if it meets both of the following conditions:

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
b) its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and Expected Credit Loss (ECL) charges are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

b) Financial assets carried at FVOCI

i) Debt securities at FVOCI

A debt securities is carried at FVOCI if it meets both of the following conditions:

a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt securities at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in the consolidated statement of income. Fair value changes which are not part of an effective hedging relationship are recognised in consolidated other comprehensive income and presented in the cumulative changes in fair values as part of equity until the financial asset is derecognised or reclassified. When the financial asset is derecognised or reclassified, the cumulative gain or loss previously recognised in consolidated other comprehensive income is reclassified from equity to the consolidated statement of income.

ii) Equity securities at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity securities as at FVOCI if they meet the definition of equity under IAS 32: Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity securities at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in consolidated other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in consolidated other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividend income on equity securities at FVOCI are recognised in the consolidated statement of income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in consolidated other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

c) Financial assets carried at FVTPL

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of income.

The Group financial assets are classified and measured as follows:

i) Cash and short term funds

Cash and short term funds consist of cash in hand, current account and money at call with other banks and deposits with banks maturing within seven days. Cash and short term funds are carried at amortised cost using effective interest rate method.

ii) Treasury and Central Bank bonds

Treasury and Central Bank bonds are carried at amortised cost using effective interest rate method.

iii) Due from banks and other financial institutions

Deposits with banks and other financial institutions are carried at amortised cost using the effective interest method. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value attributable to the risk being hedged.

iv) Loans and advances

Loans and advances are stated at amortised cost using the effective interest method. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value attributable to the risk being hedged.

v) Investment securities

The Group's investment securities consists of debt securities, equity securities and other investments.

Debt securities that meet SPPI Criteria are classified either at amortised cost or at FVOCI based on the business model in which these securities are managed.

Equity securities are generally carried at FVTPL except for those specific instruments for which the Group has made an irrevocable election to classify at FVOCI on date of initial application of IFRS 9 or on initial recognition.

Other investments that does not meet SPPI criteria are carried at FVTPL.

vi) Other assets

Fees and commissions receivables' included under 'Other assets', represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

ii) Financial liabilities

Financial liabilities are classified as «other than at fair value through profit or loss». These are subsequently measured at amortised cost using the effective yield.

Financial liabilities carried on the consolidated statement of financial position includes due to banks and other financial institutions, customer deposits, other borrowed funds and certain balances included in other liabilities.

iii) Recognition and De-recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All 'regular way' purchase and sale of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in income in accordance with the policy applicable to the related instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset is derecognised

a) when the contractual rights to the cash flows from the financial asset expire or;
b) when the Group has transferred substantially all the risks and rewards of ownership or;
c) when it has neither transferred nor retained substantially all risks and rewards of ownership and it no longer has control over the asset or portion of the asset.

If the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognised when the obligation specified in the contract is discharged.

iv) Derivative financial instruments and hedge accounting

The Group has adopted hedge accounting model as per IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with the risk management objective and strategy and to apply a more qualitative and forward looking approach to assess hedge effectiveness. The Group accounts for them using hedge accounting principles, provided certain criteria is met.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in consolidated statement of income. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. In the case of fair value hedge, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to consolidated statement of income from that date.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to consolidated statement of income.

If a derivative contract does not qualify for hedge accounting as per the hedge accounting rules of the Group, they are treated as derivatives held for trading. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. The resultant gains and losses are included in the consolidated statement of income.

v) Financial guarantee

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances on behalf of its customers. Financial guarantees are initially recognised as a liability in the consolidated statement of financial position at fair value, being the fee and commission received. The fee and commission received is amortised over the life of the guarantee and recognised in the consolidated statement of income. The guarantee liability is subsequently carried at initial measurement, less amortisation. When a payment under the guarantee liability is likely to become payable, the present value of the net expected cash flows, less the unamortised fee and commission is charged to the consolidated statement of income.

vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

vii) Asset pending sale

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

viii) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Fair value of interest bearing financial instruments which are not traded in an active market is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics and dealer price quotations. The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, is the amount payable on demand.

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

The fair value of unquoted equity securities is determined by reference to the market value of a similar investment, on the estimated discounted cash flows, adjusted net asset value, other appropriate valuation models or dealer price quotations. When the fair values of unquoted equity securities can not be measured reliably, these are stated at cost less impairment losses, if any.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated statement of financial position on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

ix) Amortised cost

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

x) Impairment of financial assets

The Group computes provision for credit losses on the following financial instruments that are not measured at FVTPL:

a) Loans and advances, financial guarantee and loan commitments (credit facilities)
b) Debt securities measured at amortised cost or at FVOCI
c) Balances and deposits with banks

Equity securities are not subject to expected credit losses.

As per CBK guidelines, provision for credit losses on Credit facilities to be recognised is higher of the followings;

a) Provision for credit losses computed as per the CBK's IFRS 9 guidelines (ECL) or;
b) Provision for credit losses computed based on the CBK's rules on credit facilities

Impairment of financial assets other than credit facilities is based on IFRS 9 ECL.

a) Expected credit loss (ECL)

The Group applies a three stage approach to measure the ECL as follows:

i) Stage Classification

Financial instruments are classified into stage 1, 2 or 3 based on assessment of increase in credit risk since initial recognition.

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information, backstop indicators, analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds including categorisation of credit facilities as investment and non investment grade. For details on categorisation of credit facilities please refer note 20(b)(i).

The above quantitative criteria are further subjected to the following minimum thresholds as stipulated by the CBK in respect of credit facilities.

a) Credit facilities are classified under Stage 2 where there has been a default in principal or interest payment for more than 30 days.

b) Credit facilities are classified under Stage 2 when there has been a downgrade in the facility's credit rating by 2 grades for the facilities, with Investment Grade rating and by 1 grade with Non-Investment Grade rating.

c) All rescheduled credit facilities are classified under the Stage 2 unless it qualifies for Stage 3 classification

Stage 1: 12-month ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposure that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "Investment grade".

Stage 2: Life time ECL - not credit impaired

When a credit facility has shown a significant increase in credit risk since origination, but is not credit impaired, the Group records an allowance for the life time ECL.

Life time ECL, is ECL that result from all possible default events over the expected life of a financial asset. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date.

In order to estimate life time ECL the following minimum maturity thresholds, as stipulated by CBK were applied for credit facilities.

Facility Type	Minimum Maturities
Corporate credit facility, except that have cash flows and non extendable maturity provided that the final repayment does not constitute more than 50% of the total facility	7 Years
Consumer credit and credit cards	5 Years
Housing finance	15 Years

Both life time and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial assets.

Stage 3: Life time ECL - Credit impaired

When a credit facility is impaired, the Group measures loss allowances at an amount equal to the net exposure (asset balance net of eligible collateral value). A credit facility is considered as credit-impaired, when any payment of principal or interest is overdue by more than 90 days or there are any objective evidence of impairment such as difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc.

ii) Measurement of ECLs

ECL are the discounted product of Probability of Default, Exposure at Default and Loss Given Default.

a) Probability of Default (PD) estimation

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over next 12 months (12M PD), or over the remaining lifetime (lifetime PD) of the obligation.

The Group's PD estimation for corporate credit facilities is based upon obligor risk rating, internal default and macro-economic data. Under macro-economic data, three scenarios (a base case, upside case, and a downside case) have been considered. While, for the PD estimation of retail credit facilities, the facilities were segmented into pools that share the similar risk characteristics.

The Group has applied the minimum PD thresholds as per CBK guidelines of 100 bps (1%) for all credit facilities rated below investment grade and 75 bps (0.75%) for facilities rated as investment grade or better. However, minimum PD threshold was not applied for the following.

i) Consumer credit facility (excluding credit card), housing financing
ii) Credit facility extended to governments and banks rated as investment grade or better by eligible external credit rating agency.

b) Exposure at Default (EAD)

EAD represents the expected exposure in the event of default. The Group derives the EAD from current credit exposure of the financial assets and potential changes to the current amounts allowed under the contract including amortization. The EAD of financial assets is the gross carrying amount plus interest.

EAD for financial unfunded facility is calculated by applying 100% credit conversion factor (CCF). EAD for unutilized balance is computed by applying CCF as per the financial leverage ratio instructions issued by CBK on 21 October 2014.

c) Loss Given Default (LGD)

The LGD represents expected credit loss in the event of default, its expected value when realised and the time value of money. For credit facilities classified under stage 1 and 2, the internal LGD estimation of the Group is used if it is higher than the minimum LGD as per CBK guidelines. The LGD models also considers minimum haircut to the collateral values as per CBK guidelines. LGD for stage 3 facilities are required 100% as per CBK guidelines.

Incorporation of forward looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on regular basis.

d) Letter of credit and letter of guarantee

The Group's liability under each guarantee or letter of credit is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of income, and the ECL provision. For this purpose, the Group estimates ECL's based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a PD – weighing of the three scenarios.

iii) Modified loans and advances

Under certain circumstances, the Group renegotiates or modifies terms of loans and advances. This may involve extending the repayment period, providing concession in rate etc. If the modifications are substantial, such a facility is derecognised and new facility is recognised with substantially different terms and conditions. 12 months credit losses is recognised on the new facility, except when the new facility is considered as originated credit impaired. When loans and advances have been modified but not derecognised, an impairment is measured using effective interest rate. Management continuously reviews modified loans and advances to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been a significant increase in credit risk or the facility should be classified as stage 3.

(b) Provision for credit losses computed based on the CBK's rules on credit facilities

CBK's rule on provision for credit facilities stipulates two tier approach for credit loss estimation. Total credit loss to be recognised is sum of general and specific provision.

i) General provision

General provision computed as 1% of outstanding cash facility balance and 0.5% of outstanding non cash facility balance after netting off certain restricted categories of collateral.

ii) Specific provision

Specific provision is calculated by applying a loss percentage to the exposure amount after netting off eligible collateral. Loss percentage to be applied is based on past due days as shown below.

Past Due Day	Loss %
> 90 days < 180 days	20%
>180 days <365 days	50%
>365 days	100%

Credit facilities are classified in above categories when there is an objective evidence of impairment based on specified criteria, including management judgement of increase in credit risk.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. For detailed disclosure on credit exposure, please refer to note VI of Public Disclosures on Capital Adequacy Standard.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets, that are carried at amortised cost. In the case of debt instruments measured at FVOCI, the Group recognises the ECL charge in the consolidated statement of income and a corresponding amount is recognised in consolidated statement of other comprehensive income with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in the other liabilities.

(e) Impairment of non-financial assets

Intangible assets and premises and equipment's that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Premises and equipment

Freehold land is stated at fair value and is not depreciated. Fair value is determined by annual appraisals of market value and is performed by independent experts. An increase in the carrying amount of an asset as a result of revaluation is taken to property revaluation reserve through consolidated statement of comprehensive income. A revaluation decrease is charged directly to the property revaluation reserve to the extent that the decrease does not exceed the amount held in reserve for that asset. Any further decrease in the carrying amount of an asset as a result of revaluation is recognised as an expense in the consolidated statement of income. The balance in this reserve is taken directly to retained earnings upon disposal of property.

Buildings and other assets are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write down the cost of such assets over their estimated useful lives as follows:

Buildings	up to 20 years
Leasehold improvements	up to 3 years
Furniture and equipment	up to 5 years
Computer hardware and software	up to 5 years
Vehicles	up to 5 years

Premises and equipment are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of income.

(g) Leases

The Group assesses a contract at inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of the right-of-use assets are recorded under premises and equipment in the consolidated statement of financial position.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and are recorded under other liabilities in the consolidated statement of financial position.

(h) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets held for sale are measured at the lower of carrying amount and the fair value less costs to sell. Non-current assets, once classified as held for sale, are not depreciated or amortised.

(i) Intangible assets

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets with indefinite useful lives are not subject to amortization but tested for impairment annually and whenever there is an indication that the asset may be impaired. Intangible assets which have a finite life are amortised over their useful lives.

At the end of each reporting period, the Group reviews the carrying amounts of its 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 recognised immediately in the consolidated statement of 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 much that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of 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.

(j) Treasury shares

The Bank's holding in its own shares is stated at acquisition cost. Treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are reissued, gains are credited to a treasury shares reserve in equity, which is not distributable.

Any realised losses are charged to a treasury share reserve to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the general reserve and statutory reserve. 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. These shares are not entitled to any cash dividend that the Bank may propose. 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.

(k) Revenue recognition

Interest income and expense for all interest bearing financial instruments are recognised using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses.

Once a financial asset or a group of financial assets has been impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income earned for the provision of services over a period of time are accrued over that period. Other fee and commission income are recognised as and when the services are provided. Asset management fees are recognised over the period in which the service is provided.

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

(l) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(m) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinar at rates of exchange prevailing at value dates of the transactions. Monetary assets and liabilities in foreign currencies and forward foreign currency transactions outstanding at the date of the consolidated statement of financial position are translated into Kuwaiti Dinar at rates of exchange prevailing at the date of consolidated statement of financial position. Any resultant gains or losses are taken to the consolidated statement of income.

In the case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income and net investment in foreign operation, foreign currency exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised directly in the consolidated statement of income, foreign currency exchange differences are recognised in the consolidated statement of income.

(n) End of service pay

The Group is liable under Kuwait Labour Law to make payments to employees for post-employment benefits in respect of defined benefit plans. This liability is finally computed and fully settled at the end of an employee's service.

The Group recognises this cost as an expense of the year and represents the amount payable to each employee as a result of involuntary termination on the reporting date. The Group considers this to be a reliable approximation of the present value of this obligation.

(o) Segment information

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

(p) Fiduciary assets

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

(q) Securities financing arrangements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised lending and borrowing transactions and are recorded in the consolidated statement of financial position at the amounts the securities were initially acquired or sold. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are included in interest income and interest expense respectively.

(r) Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Judgments

Classification of financial assets

The Group determines the classification of financial assets, except equity securities and derivatives, based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Judgments are required in determining the business model at an appropriate level that best reflects an aggregated group or portfolio of assets which are managed together to achieve a particular business objective. The Group also applies judgment to assess if there is a change in business model in circumstances when the assets within that business model are realised differently than the original expectations. Refer note 2(d)(i) classification of financial assets for more information.

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 loss on loans and advances and other financial instruments

The Group estimates ECL for all financial assets carried at amortised cost or FVOCI except for equity instruments. Significant judgment are required in applying the accounting requirements for measuring ECL For information on significant judgement and estimates made by the Group refer note 2(d)(x).

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

a) Determining criteria for significant increase in credit risk
b) Choosing appropriate models and assumptions for measurement of ECL
c) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
d) Establishing group of similar financial assets for the purpose of measuring ECL

Provision for credit losses

The Group reviews its loans and advances on a quarterly basis to assess whether a provision for credit losses should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of 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 equity securities

Valuation techniques for unquoted equity securities are based on estimates such as expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; recent arm's length market transactions; current fair value of another instrument that is substantially the same; adjusted net asset value of the investee; or other relative valuation models.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions, may have an impact on the carrying value of impairment loss for loans and advances, investment in debt securities and fair values of unquoted equity securities.

Impairment of intangible assets

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset. Estimating a "value in use" requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present value of the cash flows.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy).

3. CASH AND SHORT TERM FUNDS

	2022 KD 000's	2021 KD 000's
Cash and cash items	**274,839**	124,779
Balances with the CBK	**153,833**	147,199
Deposits with banks maturing within seven days	**303,953**	455,554
	732,625	727,532
Less: Provision for impairment (ECL)	**(70)**	(19)
	732,555	727,513

4. TREASURY AND CENTRAL BANK BONDS

	2022 KD 000's	2021 KD 000's
Treasury bonds	**18,641**	**46,825**
Central Bank bonds	**164,914**	**130,627**
	183,555	**177,452**

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

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022 KD 000's	2021 KD 000's
Placements with banks	**412,620**	448,493
Less: Provision for impairment (ECL)	**(23)**	(65)
	412,597	448,428
Loans and advances to banks	**68,288**	34,197
Less: Provision for impairment	**(683)**	(39)
	67,605	34,158
	480,202	482,586

6. LOANS AND ADVANCES

The Group's assessment of the credit risk concentration, based on the primary purpose of the loans and advances given, is provided below:

As at 31 December 2022

	KD 000's				
	Kuwait	**Asia**	**Europe**	**Others**	**Total**
Trade and commerce	**620,157**	**6,786**	**-**	**-**	**626,943**
Construction and real estate	**962,932**	**45,535**	**4,466**	**-**	**1,012,933**
Other financial institutions	**29,716**	**-**	**-**	**9,238**	**38,954**
Retail customers	**502,593**	**-**	**-**	**-**	**502,593**
Others	**426,574**	**15**	**-**	**-**	**426,589**
	2,541,972	**52,336**	**4,466**	**9,238**	**2,608,012**
Less: Provision for impairment					**(188,464)**
					2,419,548

As at 31 December 2021

	KD 000's				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	557,649	38,400	-	-	596,049
Construction and real estate	696,690	22,813	2,053	14	721,570
Other financial institutions	50,379	-	-	9,095	59,474
Retail customers	493,677	-	-	-	493,677
Others	558,249	31,035	-	19	589,303
	2,356,644	92,248	2,053	9,128	2,460,073
Less: Provision for impairment					(181,995)
					2,278,078

Movement in provisions for loans and advances

	2022 KD 000's			2021 KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**-**	**181,995**	**181,995**	-	135,712	135,712
Written-off	**(16,325)**	**-**	**(16,325)**	(11,927)	-	(11,927)
Exchange differences	**-**	**22**	**22**	-	38	38
Charged to consolidated statement of income	**16,325**	**6,447**	**22,772**	11,927	46,321	58,248
Provisions 31 December	**-**	**188,464**	**188,464**	-	181,995	181,995

The specific and general provision for cash credit facilities amounting to KD 188,464 thousand (2021: KD 181,995 thousand) includes additional provision amounting to KD 156,350 thousand (2021: KD 151,350 thousand) which is over and above the CBK's minimum general provision requirements. The available provision for non-cash credit facilities of KD 30,338 thousand (2021: KD 34,130 thousand) is included in other liabilities.

Provision on credit facilities are the higher of expected credit losses (ECL) under IFRS 9, determined in accordance with the CBK guidelines and the provision required by the CBK rules on classification of credit facilities.

Total available provsion on credit facilities (cash and non cash) determined in accordance with the CBK rules on classification of credit facilities as at 31 December 2022 is KD 218,802 thousand (31 December 2021: KD 216,125 thousand).

The ECL on credit facilities determined under IFRS 9 amounted to KD 82,548 thousand as at 31 December 2022 (31 December 2021: KD 94,137 thousand).

The provision required under CBK rules on classification of credit facilities is higher than ECL under CBK guidelines for IFRS 9.

An analysis of the gross amounts of credit facilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK guidelines are as follows:

	2022 KD 000's			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Superior	**398,510**	**1,439**	**-**	**399,949**
Good	**1,033,762**	**105,228**	**-**	**1,138,990**
Standard	**698,867**	**237,687**	**-**	**936,554**
Past due but not impaired	**66,314**	**66,205**	**-**	**132,519**
Impaired	**-**	**-**	**-**	**-**
Cash credit facilities	**2,197,453**	**410,559**	**-**	**2,608,012**
Non cash credit facilities	**2,632,800**	**204,457**	**22,703**	**2,859,960**
ECL provision for credit facilities	**24,684**	**35,890**	**21,974**	**82,548**

	2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	384,183	405	-	384,588
Good	913,791	103,489	-	1,017,280
Standard	715,177	276,300	-	991,477
Past due but not impaired	46,671	20,057	-	66,728
Impaired	-	-	-	-
Cash credit facilities	2,059,822	400,251	-	2,460,073
Non cash credit facilities	2,325,752	237,650	27,365	2,590,767
ECL provision for credit facilities	22,989	44,716	26,432	94,137

Movement in ECL for credit facilities:

	2022			
	KD 000's			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL 1 January 2022	**22,989**	**44,716**	**26,432**	**94,137**
Transfer to Stage 1	**175**	**(175)**	**-**	**-**
Transfer to Stage 2	**(214)**	**214**	**-**	**-**
Transfer to Stage 3	**(10)**	**(2)**	**12**	**-**
Net charged / (released)	**1,735**	**(8,865)**	**11,849**	**4,719**
Written-off	**-**	**-**	**(16,325)**	**(16,325)**
Exchange difference	**10**	**1**	**6**	**17**
ECL 31 December 2022	**24,685**	**35,889**	**21,974**	**82,548**

	2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2021	21,425	47,406	35,875	104,706
Transfer to Stage 1	335	(335)	-	-
Transfer to Stage 2	(310)	310	-	-
Transfer to Stage 3	-	(128)	128	-
Net charged / (released)	1,552	(2,504)	2,357	1,405
Written-off	-	-	(11,927)	(11,927)
Exchange difference	(13)	(33)	(1)	(47)
ECL 31 December 2021	22,989	44,716	26,432	94,137

Sensitivity

The weighting of the multiple scenarios increased Group's reported allowance for credit losses for credit facilities in Stage 1 and Stage 2, relative to our base case scenario, to KD 60,592 thousand from KD 60,033 thousand (2021: KD 67,705 thousand from 66,598 thousand). If the Bank were to use only downside case scenario for the measurement of allowance for credit losses for credit facilities, allowance for credit losses on performing loans would be KD 2,908 thousand (2021 : KD 13,464 thousand) higher than the reported allowance for credit losses as at 31 December 2022. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

7. INVESTMENT SECURITIES

	2022	2021
	KD 000's	KD 000's
Financial assets at FVOCI:		
Debt securities -quoted	**312,440**	233,898
Debt securities -unquoted	**10,437**	10,309
Equity securities -quoted	**37,316**	282,799
Equity securities -unquoted	**12,710**	24,297
	372,903	551,303

The following table shows changes in gross carrying amount and the corresponding ECL in relation to investment in debt securities:

	2022			
	KD 000's			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January	**227,061**	**17,417**	**1,745**	**246,223**
Net movement during the year	**75,879**	**2,657**	**-**	**78,536**
	302,940	**20,074**	**1,745**	**324,759**

Movement in ECL	**2022**			
	KD 000's			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January	**32**	**239**	**1,745**	**2,016**
Charged (Released) during the year	**5**	**(139)**	**-**	**(134)**
	37	**100**	**1,745**	**1,882**

	2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	314,743	18,119	1,745	334,607
Net movement during the year	(87,682)	(702)	-	(88,384)
	227,061	17,417	1,745	246,223

Movement in ECL	2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January	67	136	1,745	1,948
(Released) during the year	(35)	103	-	68
	32	239	1,745	2,016

a) During 2008, the Bank acquired 221,425,095 shares of Boubyan Bank at a cost of KD 94,103 thousand under multiple purchase transactions, all of which were executed under the standard procedures adopted by Boursa Kuwait. However, at a subsequent date, and as a result of the availability of cash balances in the account of the parent company ("the Borrower") related to the five subsidiaries which sold the mentioned shares in Boursa Kuwait (we refer to the five subsidiaries companies below as "Appellants") , the Bank utilized these balances to close the loan due from the Borrower. In 2009, the Borrower, along with the appellants, filed a legal case challenging the Bank's ownership of the above mentioned shares where a final court judgment was issued in this dispute on 27 December 2017. A summary of major events is detailed hereunder:

In February 2009, the Court of Summary Appeal restricted the sale of 221,425,095 shares until a final court judgment is issued in the ownership dispute of these shares.

During 2010, the Bank participated in the rights issue and acquired 127,058,530 shares at a cost of KD 32,401 thousand and thereafter, during the years 2013 to the reporting date, the Bank received a total of 150,072,925 bonus shares.

In April 2016, the Court of First Instance issued a verdict in favor of the Bank confirming the validity of the Bank's ownership of 221,425,095 shares.

In February 2017, the Court of Appeal issued a verdict, voiding the five sale contracts dated 30 November 2008 as concluded between the appellants and the Bank with regard to the sale of Boubyan Bank shares totalling 221,425,095 shares and revert the situation back to its pre-contract status, most importantly to revert back the shares, their yields, interests and any benefits the Bank has obtained, to the appellants along with voiding all acts the Bank has taken on the account of the Borrower following the sale date.

The Bank appealed against this verdict in the Court of Cassation. On 27 December 2017, the Court of Cassation issued a judgment partially accepting the appeal as the court obligated the appellants mentioned above to pay the price of shares to the Bank. The Court of Cassation also validated all the actions taken by the Bank on the account of the borrower following the date of the five sales contracts of the shares dated 30 November 2008. Furthermore, the Court of Cassation obligated the Borrower and the appellants to pay the required legal expenses on the litigation.

On 29 January 2018, the Bank obtained the execution stamp for the execution of the judgment issued by the Court of Cassation against the appellants, whereby the Bank currently enjoys the power to collect the shares' value and in return to transfer the shares' ownership to the appellants.

On 16 June 2019, a judgment was issued by the Court of First Instance in favor of the Bank, which stipulates, firstly, to immediately stop execution of the earlier judgment by Court of Appeal as well as the amended judgment issued by the Court of Cassation and directed the appellants to refund the amount due to the Bank as consideration for returning the shares. Secondly, a delegated expert will determine the amount due from each Appellant out of the principal amount to be refunded to the Bank, determine share of each Appellant in the nullified shares and yields from the shares, subject of the nullified agreements, along with their interests and benefits, determine the fees and expenses paid in shares sale transactions and determine who is obligated to pay.

On 7 February 2021, the Bank raised an objection on the report submitted by the expert department. During the session held on 4 April 2021, the Court issued a ruling to refer the case back to the expert department to review the objection raised by the Bank. During the session held on 30 January 2022, the Court issued a verdict prescribing the financial right and obligation of each party based on expert's report. However, the Bank and the opponent both appealed against this judgment. On 12 June 2022, the Bank submitted a defense memorandum and related documents in response to questions/interrogations by the Court.

On 3 July 2022, the Court of Appeal issued a verdict and directed the Appellants to refund the amount due to the Bank as consideration for returning the shares. In view of this verdict, Bank has derecognised the shares and recognised a receiavbles from each Appellant at value validated by the Court of Appeal, however, the Bank and Appellants have appealed in the Court of Cassation.

b) The Group designated certain debt securities as hedged items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

Based on the matching of critical terms between the hedge items and the hedged instruments it was concluded that the hedges were effective.

The carrying value of debt securities designated as hedged item as at 31 December 2022 was KD 176,702 thousand (2021: KD 180,468 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the year was KD 7,041 thousand (2021: KD 4,954 thousand). The changes in fair value related to hedged risk during the year was recognised in the consolidated statement of income.

8. INVESTMENT IN AN ASSOCIATE

The Group owns 32.26% (2021: 32.26%) interest in Al Cham Islamic Bank S.A, a private bank incorporated in Syrian Arab Republic, engaged in Islamic banking activities. This has been fully impaired and orovided for in the prior years.

9. INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license KD 3,506 thousand (2021: KD 3,506 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2022, the carrying value of brokerage license was tested for impairment by estimating the recoverable amount of the cash generating unit to which these items are allocated using value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management over a five-year period and a relevant terminal growth rate of 2.6% (2021: 3.5%). These cash flows were then discounted using a pre-tax discount rate of 12% (2021: 8%) to derive a net present value which is compared to the carrying value. The discount rate used is pre-tax and reflects specific risks relating to the relevant cash generating unit. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. Based on such analysis, there are no indications that the additional impairment is required for the brokerage license (2021: KD nil thousand).

10. OTHER ASSETS

	2022	2021
	KD 000's	KD 000's
Accrued interest receivable	**5,738**	962
Other receivables	**83,052**	39,244
	88,790	40,206

Other receivables include unrealised gain related to Interest Rate Swaps amounted to KD 35,438 thousand (2021: KD 10,708 thousand).

11. OTHER BORROWED FUNDS

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 106,038 thousand (2021: KD 104,809 thousand). The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. At 31 December 2022, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 96,888 thousand (2021: KD 98,194 thousand). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

12. OTHER LIABILITIES

	2022	2021
	KD 000's	KD 000's
Accrued interest payable	**16,947**	6,731
Deferred income	**5,909**	5,654
Provision for non-cash facilities and others	**33,018**	100,735
Staff related accruals	**10,854**	10,031
Others	**133,107**	100,276
	199,835	223,427

Others include unrealised loss related to Interest Rate Swaps amounted to KD 27,876 thousand (2021: KD 9,855 thousand).

13. EQUITY

(a) Share capital

The authorised share capital of the Bank comprises of 2,500,000,000 (2021: 2,500,000,000) shares of 100 fils each.

The share capital comprises of 1,992,056,445 (2021: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. For detailed qualitative disclosure on capital management, please refer to note II "Capital adequacy" of the Public Disclosures on Capital Adequacy Standard.

(b) Treasury shares

	2022	2021
Number of treasury shares	**100,140,469**	11,138,485
Percentage of total shares issued	**5.03%**	0.56%
Cost of shares (KD 000's)	**49,798**	5,233
Fair value of shares (KD 000's)	**50,070**	5,569
Weighted average fair value per treasury share (fils)	**310**	420

Movement in treasury shares are as follows:

	No. of shares	
	2022	2021
Balance as at 1 January	**11,138,485**	68,834,561
Purchases	**89,001,984**	850
Bonus distribution (note g)		(57,696,656)
Balance as at 31 December	**100,140,469**	11,138,485

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

An amount equal to the cost of treasury shares is not available for distribution from general and statutory reserves throughout the holding period of these treasury shares.

(c) Share premium

This represents the excess over the nominal value collected on the issue of shares and is not available for distribution.

(d) Statutory and general reserves

In accordance with the Companies Law and the Bank's Articles of Association, the Bank has resolved not to transfer any amount from the profit to statutory reserve as the statutory reserve has exceeded 50% of the share capital.

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

The general reserve was created in accordance with the Bank's Articles of Association and is available for distribution. During the years 2022 and 2021 there were no transfers to general reserve.

(e) Property revaluation reserve

This represents surplus arising from the revaluation of property.

(f) Investment valuation reserve

This represents gains or losses arising from changes in the fair value of investment securities classified as FVOCI. The reserve related to debt securities is transferred to the consolidated statement of income when the underlying assets are disposed off or impaired. The reserve related to equity securities will remain within consolidated statement of changes in equity.

(g) Dividend and bonus shares

Annual General Assembly of the shareholders held on 13 April 2022 approved to distribute cash dividend of 20 fils per share amounting to KD 39,618 thousand (2020: nil) and nil bonus shares (2020: 3% bonus shares from the treasury shares held by the Bank).

The Board of Directors has proposed a cash dividend of 25 fils per share (2021: 20 fils). This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

14. NET CHARGE OF IMPAIRMENT AND OTHER PROVISIONS

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

	2022 KD 000's	2021 KD 000's
Loans and advances - specific	(16,325)	(11,927)
Loans and advances - recoveries	23,884	26,058
Loans and advances - general	(7,091)	(45,538)
Investment securities	134	(68)
Non cash facilities	3,796	8,116
Other provisions	(30,187)	(788)
	(25,789)	(24,147)

Impairment and other provisions includes released of ECL on financial assets other than loans and advances for the year ended 31 December 2022 amounting to KD 134 thousand (2021: charged of KD 68 thousand).

15. TAXATION

	2022 KD 000's	2021 KD 000's
National Labour Support Tax (NLST)	(1,852)	(1,317)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	(770)	(570)
Zakat	(747)	(534)
	(3,369)	(2,421)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year.
The Group calculates the contribution to KFAS at 1% of profit in accordance with the calculation based on the Foundation's Board of Directors' resolution.

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58 of 2007.

16. EARNINGS PER SHARE

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

	2022	2021
Net profit for the year attributable to shareholders of the Bank (KD 000's)	**73,585**	54,638
Weighted average of subscribed and fully paid ordinary shares (numbers in 000's)	**1,992,056**	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	**(15,736)**	(27,262)
	1,976,320	1,964,794
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	**37.2**	27.8

17. SUBSIDIARY

Name of Entity	Country of Incorporation	Principal Business	% of Ownership	
			2022	2021
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage services	**98.16%**	98.16%

18. RELATED PARTY TRANSACTIONS

During the year, certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions are approved by the Group's management. The balances at the date of consolidated statement of financial position are as follows:

	2022			2021		
	Number of Directors/ Executives	**Number of Related Members**	**Amount in KD 000's**	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
Board of Directors						
Loans	**3**	**2**	**2,038**	2	2	1,775
Credit cards	**4**	**1**	**20**	4	1	11
Deposits	**11**	**13**	**11,604**	10	10	683
Executive Management						
Loans	**26**	**2**	**1,334**	30	3	1,045
Credit cards	**27**	**-**	**47**	24	1	23
Deposits	**42**	**44**	**1,394**	37	39	695
Associates						
Deposits	**1**	**-**	**13,691**	1	-	13,457
Major Shareholders						
Deposits	**1**	**-**	**17**	1	-	16

Interest income and interest expense include KD 85 thousand (31 December 2021: KD 65 thousand) and KD 96 thousand (31 December 2021: KD 57 thousand) respectively on transactions with related parties.

Details of compensation for key management including remuneration of the Chief Executive Officer amounting to KD 240 thousand (31 December 2021 KD: 236 thousand) are as follows:

	2022	2021
	KD 000's	KD 000's
Salaries and other short-term benefits	**1,900**	1,538
Post employment benefits	**27**	27
End of service benefits	**154**	210

The remuneration to the Chairman and members of the Board of Directors is KD 483 thousand (2021: KD 465 thousand) for assignments performed by them related to the Board Committees.

Note XII "Remuneration" of Public Disclosures on Capital Adequacy Standard disclosed based on the capital adequacy regulations issued by CBK as stipulated in CBK circular number 2/BS//IBS/336/2014 dated 24 June 2014 include further disclosures on key management remuneration.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having short-term maturity (less than three months) it is assumed that the carrying amount approximates to their fair value. The assumption is also applied to demand deposits, saving accounts without the specific maturity and variable rate financial instruments.

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

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities that are carried at amortised cost, are not materially different from their fair values as most of these financial assets and liabilities are of short term maturities or repriced immediately based on market movement in interest rates.

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

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

	2022			
	KD 000's			
	Level 1	**Level 2**	**Level 3**	**Total**
Debt securities	**312,440**	**10,437**	**-**	**322,877**
Equities and other securities	**37,316**	**12,710**	**-**	**50,026**
	349,756	**23,147**	**-**	**372,903**
Derivative financial instruments net. (note 20 (b)(i)(f))	**-**	**11,893**	**-**	**11,893**

During the year ended 31 December 2022, there were no transfers between level 1, level 2 and level 3.

	2021			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	233,898	10,309	-	244,207
Equities and other securities	282,799	24,297	-	307,096
	516,697	34,606	-	551,303
Derivative financial instruments net. (note 20 (b)(i)(f))	-	1,395	-	1,395

20. FINANCIAL INSTRUMENTS

(a) Strategy in using financial instruments

As a commercial bank, the Group's activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates and for various periods and seeks to invest these funds in high quality assets at a fair interest margin while maintaining sufficient liquidity to meet the Group's needs.
The Group also seeks to raise interest margins through lending to commercial and retail borrowers with a range of credit ratings. Such exposures involve not only loans and advances but also guarantees and other commitments such as letters of credit issued by the Bank.

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

(b) Overall risk management

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major risk-based lines of business. The Group continuously reviews its risk management policies and practices to ensure that the Group is not subject to large asset valuation volatility and earnings volatility. For detailed qualitative disclosure on the risk management functions please refer to note V, "Risk management", of the Public Disclosures on Capital Adequacy Standard.

The Group's risk management measures are based on the specific type of risks as mentioned below:

(i) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

For detailed qualitative disclosure on the credit risk measurement please refer to note V(a),"Risk management - Credit risk", of the Public Disclosures on Capital Adequacy Standard.

(a) Credit risk concentration

The geographic and industry-wise credit risk concentration within loans and advances, which form the significant portion of assets subject to credit risk, is given in note 6.

(b) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents the maximum credit risk exposure at the date of consolidated statement of financial position without taking account of any collateral and other credit enhancements.

	2022	2020
	KD 000's	
Credit exposure relating to on-balance sheet items		
Cash and short term funds	**732,555**	727,513
Treasury and Central Bank bonds	**183,555**	177,452
Due from banks and OFIs	**480,202**	482,586
Loans and advances - Corporate	**1,921,963**	1,789,224
Loans and advances - Retail	**497,585**	488,854
Debt securities	**322,877**	244,207
Other assets	**88,790**	40,206
	4,227,527	3,950,042
Credit exposure relating to off-balance sheet items		
Acceptances	**113,129**	12,282
Letters of credit	**123,317**	98,917
Letters of guarantee	**1,584,664**	1,530,409
Undrawn lines of credit	**1,016,388**	922,035
	2,837,498	2,563,643
	7,065,025	6,513,685

The primary purpose of off balance sheet financial instruments is to ensure that funds are available to customers as required. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. However, the total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(c) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. CBK guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. To assess the recoverable value of collateral the Group applies the minimum haircut as stipulated in CBK guidelines.

For detailed qualitative disclosure on the collateral and other credit enhancements please refer to note VII " Credit risk mitigation", of the Public Disclosures on Capital Adequacy Standard.

(d) Quality of credit exposure

The following table represents the gross credit risk exposure by credit quality of loans and advances by class, grade and status.

	KD 000's						
	Neither past due nor impaired			Past due but not impaired		Impaired	Fair value of collateral
	Superior grade	Good grade	Standard grade	0 - 60 days	61 - 90 days		
As at 31 December 2022							
Banks	**-**	**68**	**68,220**	**-**	**-**	**-**	**-**
Corporate	**399,949**	**1,138,990**	**451,283**	**115,110**	**87**	**-**	**-**
Retail	**-**	**-**	**485,271**	**17,322**	**-**	**-**	**-**
	399,949	**1,139,058**	**1,004,774**	**132,432**	**87**	**-**	**-**
As at 31 December 2021							
Banks	22,798	286	11,113	-	-	-	-
Corporate	384,588	1,017,280	513,176	51,060	292	-	-
Retail	-	-	478,301	15,376	-	-	-
	407,386	1,017,566	1,002,590	66,436	292	-	-

The Group's risk grading system is a systematic methodology for analysing risk factors associated with the extension of extending credit.

The Group uses the external ratings of credit rating agencies for the assessment of banks and financial institution and an internal grading for corporate customers, if external ratings are not available.

Internal grades are further mapped to external credit ratings based on probability of default corresponding to these grades. This mapping is used to categorise credit facilities into investment and non-investment categories.

The parameters that are considered for grading the customers include quantitative metrics, which consist of key financial ratios and qualitative metrics which include but not limited to entity specific, management specific, business specific, age and quality of financial information, historical account performance, general economic and political conditions and financial condition and performance, where applicable.

	Internal	**External**
Superior grade	Grades 1 to 4	Ratings AAA, AA+, AA, AA-, A+, A,A-, BBB+, BBB, BBB-
Good grade	Grades 5 & 6	Rating BB+, BB, BB-, B+
Standard grade	Grades 7 & 8	Rating B, B-, CCC+, CCC, CCC-
Default grade	Grades 9 to 11	Ratings D or equivalent

(e) Concentration of financial assets and off-balance sheet items

	2022		2021	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
Geographic sector				
Kuwait	**3,114,039**	**2,270,757**	3,436,512	2,043,302
Asia	**917,461**	**284,835**	686,861	286,645
Europe	**190,699**	**127,823**	91,595	175,559
USA	**12,886**	**67,207**	10,180	58,026
Others	**42,468**	**86,876**	31,990	111
	4,277,553	**2,837,498**	4,257,138	2,563,643

	2022		2021	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
Industry sector				
Government	**225,998**	**-**	231,391	-
Trade and commerce	**626,945**	**677,205**	596,048	619,420
Construction and real estate	**786,934**	**1,240,739**	721,570	1,148,411
Banks and financial institutions	**1,583,663**	**482,645**	1,827,584	404,093
Others	**1,054,013**	**436,909**	880,545	391,719
	4,277,553	**2,837,498**	4,257,138	2,563,643

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

In the ordinary course of business the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The fair valuation gain or loss of the derivatives is taken to the consolidated statement of income.

Interest rate swaps held as fair value hedges are predominantly based on USD LIBOR and are subject to interest rate benchmark reforms. The Group has applied the hedging relief available under the amendments to IFRS 9 Financial Instruments relating to interest rate benchmark reforms such as relief on assessment of economic relationship between hedged items and hedging instruments.

			KD 000's				
			Notional amount by term maturity				
As at 31 December 2022	**Positive fair value**	**Negative fair value**	**Up to 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**Over 1 Year**	**Total**
Forward Foreign Exchange Contracts	**6,314**	**1,983**	**67,417**	**192,683**	**44,625**	**-**	**304,725**
Interest Rate Swaps (held as fair value hedges)	**5,956**	**242**	**2,502**	**2,144**	**34,598**	**128,979**	**168,223**
Interest Rate Swaps (others)	**29,482**	**27,634**	**-**	**-**	**-**	**238,314**	**238,314**
	41,752	**29,859**	**69,919**	**194,827**	**79,223**	**367,293**	**711,262**

			KD 000's				
			Notional amount by term maturity				
As at 31 December 2021	Positive fair value	Negative fair value	Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	Total
Forward Foreign Exchange Contracts	2,328	1,786	436,140	104,531	13,883	-	554,554
Interest Rate Swaps (held as fair value hedges)	677	2,003	-	47,693	18,108	113,579	179,380
Interest Rate Swaps (others)	10,031	7,852	-	-	-	235,553	235,553
	13,036	11,641	436,140	152,224	31,991	349,132	969,487

(ii) MARKET RISK

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices. For detailed qualitative disclosure on the market risk please refer to note V(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

(A) Interest rate risk

Interest rate risk arises from the difference in repricing maturities of assets and liabilities. The majority of the Group's assets and liabilities reprice within one year. The Group manages the risk by matching the repricing of assets and liabilities by setting up a tolerance limit. The exposure is regularly measured by reviewing the risk to the set tolerance limit. For detailed qualitative disclosure on the interest rate risk please refer to note V(d), "Risk management - Interest rate risk", of the Public Disclosures on Capital Adequacy Standard.
Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact on the consolidated statement of income of the Group over a period of one year as follows:

	Basis points	2022 KD 000's	2021 KD 000's
Kuwaiti dinar	+25	**3,932**	1,873
US dollar	+25	**(491)**	42
Other currencies	+25	**274**	402
		3,715	2,233

(B) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group views itself as a Kuwaiti entity, with Kuwaiti Dinar as its functional currency. Net exposure in currencies is managed by setting overall limits by the Board of Directors and regularly monitoring through technological and managerial controls. For detailed qualitative disclosure on the currency risk refer to note V(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.
The table below shows the effect on consolidated statement of income and changes in equity, as a result of strengthening in currency rate, with all other variables held constant. A negative amount reflects a potential net reduction in consolidated statement of income or changes in equity, where as a positive amount reflects a net potential increase.

		2022		2021	
		KD 000's		KD 000's	
	% change in currency rates	Statement of income	Equity	Statement of income	Equity
US Dollar	+5	**(681)**	**-**	(356)	-
Sterling Pound	+5	**(1)**	**48**	3	141
Australian Dollar	+5	**2**	**-**	155	-
Saudi Riyal	+5	**41**	**-**	111	-
UAE Dirham	+5	**64**	**-**	130	-
Qatari Riyal	+5	**14**	**-**	67	-
Others	+5	**103**	**-**	(109)	-
		(458)	**48**	1	141

(C) Equity price risk

Equity price risk is the risk that the fair value of equities fluctuate as a result of changes in the level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio. For detailed qualitative disclosure on the equity price risk please refer to note V(b),"Risk management - Market risk", of the Public Disclosure on Capital Adequacy Standard.
The effect on the consolidated statement of income and the consolidated statement of changes in equity due to possible changes in equity indices, with all other variables held constant, is as follows:

		2022		2021	
		KD 000's		KD 000's	
	% Change in equity price	Statement of income	Equity	Statement of income	Equity
Boursa Kuwait	+5	**-**	**1,866**	-	14,140

(iii) LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can arise from market disruptions or credit down grading which may cause certain sources of funding to dry up immediately. For more detailed disclosure on liquidity risk control please refer to note V(c),"Risk management - Liquidity risk", of the Public Disclosures on Capital Adequacy Standard.

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

	KD 000's					
As at 31 December 2022	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
ASSETS						
Cash and short term funds	732,555	-	-	-	-	732,555
Treasury and Central Bank bonds	183,451	67	37	-	-	183,555
Due from banks and OFIs	20,744	305,291	53,527	54,776	45,864	480,202
Loans and advances	215,650	376,412	375,172	267,434	1,184,880	2,419,548
Investment securities	192,495	4,012	33,299	10,371	132,726	372,903
Premises and equipment	-	-	-	-	29,414	29,414
Intangible assets	-	-	-	-	3,506	3,506
Other assets	71,476	2,345	805	738	13,426	88,790
	1,416,371	688,127	462,840	333,319	1,409,816	4,310,473
LIABILITIES						
Due to banks	42,504	83,693	34,189	51,143	13,318	224,847
Due to OFI's	114,260	76,738	37,262	45,483	-	273,743
Customer deposits	1,435,901	455,366	280,084	163,196	5,738	2,340,285
Other borrowed funds	-	53,603	29,711	-	528,128	611,442
Other liabilities	120,479	10,372	6,865	1,255	60,864	199,835
	1,713,144	679,772	388,111	261,077	608,048	3,650,152
Net liquidity gap	(296,773)	8,355	74,729	72,242	801,768	660,321

As at 31 December 2021	KD 000's Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
ASSETS						
Cash and short term funds	727,513	-	-	-	-	727,513
Treasury and Central Bank bonds	177,219	212	21	-	-	177,452
Due from banks and OFIs	12,520	137,540	147,453	185,073	-	482,586
Loans and advances	513,992	248,752	247,636	241,785	1,025,913	2,278,078
Investment securities	94,246	12,132	423	1,744	442,758	551,303
Premises and equipment	-	-	-	-	28,922	28,922
Intangible assets	-	-	-	-	3,506	3,506
Other assets	23,697	83	204	445	15,777	40,206
	1,549,187	398,719	395,737	429,047	1,516,876	4,289,566

	KD 000's Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
LIABILITIES						
Due to banks	183,348	129,274	26,095	15,138	6,671	360,526
Due to OFI's	103,678	43,017	25,191	73,790	-	245,676
Customer deposits	1,547,383	454,824	41,673	70,979	4,755	2,119,614
Other borrowed funds	-	26,642	-	101,971	390,846	519,459
Other liabilities	75,978	16,534	4,262	351	126,302	223,427
	1,910,387	670,291	97,221	262,229	528,574	3,468,702
Net liquidity gap	(361,200)	(271,572)	298,516	166,818	988,302	820,864

(B) Contractual expiry by maturity.

As at 31 December 2022	**KD 000's Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
Contingent Liabilities	**346,404**	**570,112**	**456,490**	**540,113**	**924,379**	**2,837,498**
As at 31 December 2021						
Contingent Liabilities	527,767	422,935	326,565	406,478	879,898	2,563,643

(C) Contractual undiscounted repayment obligations by maturity.

	KD 000's					
As at 31 December 2022	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
UNDISCOUNTED LIABILITIES						
Due to banks	**42,511**	**84,257**	**34,542**	**53,112**	**16,146**	**230,568**
Due to OFI's	**114,273**	**77,255**	**40,803**	**59,707**	**-**	**292,038**
Customer deposits	**1,436,299**	**457,954**	**280,776**	**163,328**	**5,798**	**2,344,155**
Other borrowed funds	**109**	**56,921**	**3,006**	**-**	**598,433**	**658,469**
Other liabilities	**120,480**	**10,371**	**6,865**	**1,255**	**60,864**	**199,835**
	1,713,672	**686,758**	**365,992**	**277,402**	**681,241**	**3,725,065**

	KD 000's					
As at 31 December 2021	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
UNDISCOUNTED LIABILITIES						
Due to banks	183,378	129,423	26,153	15,209	6,780	360,943
Due to OFI's	103,684	43,044	25,219	74,020	-	245,967
Customer deposits	1,547,429	455,268	41,696	71,092	4,755	2,120,240
Other borrowed funds	167	27,333	651	102,034	402,692	532,877
Other liabilities	75,982	16,533	4,262	351	126,299	223,427
	1,910,640	671,601	97,981	262,706	540,526	3,483,454

21. OPERATIONAL RISK

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

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

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

22. SEGMENTAL ANALYSIS

The Group operates in banking, brokerage services and investment banking activities, which is segmented between:

a) Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.

b) Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds and brokerage services.

Management monitors the operating results of these segments separately for the purpose of making decisions based on key performance indicators.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	2022	2021	**2022**	2021	**2022**	2021
Net interest income	**74,727**	62,964	**10,828**	11,291	**85,555**	74,255
Non interest income	**42,300**	37,794	**12,010**	12,813	**54,310**	50,607
Operating income	**117,027**	100,758	**22,838**	24,104	**139,865**	124,862
Impairment and other provisions	**4,251**	(23,047)	**(30,040)**	(1,100)	**(25,789)**	(24,147)
Net profit for the year	**96,396**	56,779	**(22,782)**	(2,044)	**73,614**	54,735
Total Assets	**2,479,692**	2,302,312	**1,830,781**	1,987,254	**4,310,473**	4,289,566
Total Liabilities	**1,734,095**	1,681,540	**1,916,057**	1,787,162	**3,650,152**	3,468,702

23. OFF BALANCE SHEET ITEMS

(a) Financial instruments with contractual amounts

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

(b) Legal claims

At the date of consolidated statement of financial position certain legal claims existed against the Group and for which KD 2,680 thousand (2021: KD 2,605 thousand) has been provided.

24. CAPITAL ADEQUACY

The disclosures relating to Capital Adequacy Regulations issued by CBK as stipulated in circular number 2BS/IBS/336/2014 dated 24 June 2014 are included under the "Public Disclosures on Capital Adequacy Standard" section of the annual report.

25. IMPACT OF COVID 19

The Group is gradually recovering from the effects of Covid-19 pandemic. The Group's operating environment is moderately rebound and signs of economic recovery is visible across the region and globally. High vaccination rates and strict social distancing measures significantly reduced the impact of latest variants of virus.

During the years 2020 and 2021, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sector's ability to play a vital role in the economy.

26. CHANGES IN INTERBANK OFFERED RATES (IBOR)

The Bank's exposure to its floating-rate financial assets and liabilities is mainly through USD LIBOR, which will be replaced as part of the fundamental reform of various major interest rate benchmarks. The Bank's Treasury Division is managing the transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risk: resulting from the transition. Transition away from LIBORs to the risk- free or alternative "reference rate" regime will affect the pricing of loans and floating rate debt securities.

The following detailed qualitative and quantitative public disclosures are being provided in accordance with Central Bank of Kuwait (CBK) rules and regulations on Capital Adequacy Standard Basel III issued through Circular No. 2/BS/IBS/336/2014 on June 24, 2014. The purpose of these disclosures is to complement the capital adequacy requirements (Pillar 1) and the supervisory review process (Pillar 2). Moreover, these disclosure requirements shall enable and allow market participants to assess key pieces of information about a licensed bank's exposure to risks and provides a consistent and understandable disclosure framework that enhances comparability.

I Subsidiaries and significant investments

The Commercial Bank of Kuwait K.P.S.C (the "Bank") has a subsidiary, Al-Tijari Financial Brokerage Company K.S.C (Closed) - (98.16% owned) engaged in brokerage services and owns a 32.26% interest in Al Cham Islamic Bank S.A (an associate), a private bank incorporated in Arabic Republic of Syria engaged in Islamic banking activities.

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

II Capital structure

The authorised share capital of the Bank comprises of 2,500,000,000 (2021: 2,500,000,000) shares of 100 fils each.

Share Capital – Share capital comprises of 1,992,056,445 (31 December 2021: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2022, the Bank held 100,140,469 treasury shares (31 December 2021: 11,138,485 treasury shares).

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

	2022	2021
	KD 000's	KD 000's
a.Tier 1 capital consist of:		
i Common equity tier 1 (CET1)		
1.Paid-up share capital	**199,206**	199,206
2.Proposed bonus shares	**-**	-
3.Share premium	**66,791**	66,791
4.Retained earnings	**192,290**	169,198
5.Investment valuation reserve	**51,461**	202,634
6.Property revaluation reserve	**25,242**	24,043
7.Statutory reserve	**115,977**	115,977
8.General reserve	**17,927**	17,927
9.Treasury shares reserve	**-**	-
10.Other intangibles	**(3,506)**	(3,506)
11.Treasury shares	**(49,798)**	(5,233)
12.Non significant investments in banking, financial and insurance entities	**-**	(172,764)
13.Significant investments in banking, financial and insurance entities	**-**	-
Total	**615,590**	614,273

ii Additional tier 1		
1.Non-controlling interests in consolidated subsidiaries	**316**	287
Total	**316**	287
Total tier 1 capital	**615,906**	614,560

b.Tier 2 capital.		
1.General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	**45,404**	41,855
Total tier 2 capital	**45,404**	41,855
Total eligible capital	**661,310**	656,415

III Capital adequacy

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

A. Capital requirement

	2022			2021		
	KD 000's					
	Gross exposures	**Net risk weighted assets**	**Capital requirement**	Gross exposures	Net risk weighted assets	Capital requirement
a. Credit risk						
1.Claims on sovereigns	**444,161**	**5,925**	**622**	386,611	-	-
2.Claims on international organisations	**-**	**-**	**-**	-	-	-
3.Claims on PSEs	**178,562**	**2,571**	**270**	181,378	2,582	271
4.Claims on MDBs	**-**	**-**	**-**	-	-	-
5.Claims on banks	**1,544,054**	**564,583**	**59,281**	1,518,249	440,139	46,215
6.Claims on corporates	**4,453,070**	**2,249,810**	**236,230**	4,031,890	2,118,934	222,488
7.Claims on central counter parties	**-**	**-**	**-**	-	-	-
8.Cash items	**51,919**	**-**	**-**	34,337	-	-
9.Regulatory retail	**508,406**	**505,239**	**53,050**	498,320	494,932	51,968
10.RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11.Past due exposure	**118**	**10**	**1**	114	47	5
12.Other assets	**153,322**	**152,574**	**16,021**	144,073	144,610	15,184
13.Claims on securitised assets	**-**	**-**	**-**	-	-	-
Total	**7,333,612**	**3,480,712**	**365,475**	6,794,972	3,201,244	336,131

	2022			2021		
	KD 000's					
	Gross exposures	Net risk weighted assets	Capital requirement	Gross exposures	Net risk weighted assets	Capital requirement
b. Market risk						
1.Interest rate position risk	-	-	-	-	-	-
2.Equities position risk	1	-	-	1	-	-
3.Foreign exchange risk	5,180	5,181	544	9,844	9,845	1,034
4.Commodities risk	-	-	-	-	-	-
5.Options	-	-	-	-	-	-
Total	5,181	5,181	544	9,845	9,845	1,034
c.Operational risk	131,416	233,533	24,521	136,369	242,294	25,507
Total	7,470,209	3,719,426	390,540	6,941,186	3,454,013	362,672

B.Capital ratios

	2022	2021
1.Total capital ratio	17.78%	19.00%
2.Tier 1 capital ratio	16.56%	17.79%
3.CET 1 capital ratio	16.55%	17.78%

C. Additional capital disclosure

1.Common disclosure template

	2022	
	KD 000's	
	Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Common Equity Tier 1 capital: Instruments and Reserves		
1. Directly issued qualifying common share capital plus related share premium	265,997	h+k
2. Retained earnings	192,290	q
3. Accumulated other comprehensive income (and other reserves)	210,607	l+m+n+o+p
4. Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5. Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
6. Common Equity Tier 1 capital before regulatory adjustments	668,894	

Common Equity Tier 1 Capital: Regulatory Adjustments		
7. Prudential valuation adjustments	-	
8. Goodwill (net of related tax liability)	-	
9. Other intangibles other than mortgage-servicing rights (net of related tax liability)	**3,506**	**f**
10. Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11. Cash-flow hedge reserve	-	
12. Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
13. Securitization gain on sale	-	
14. Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15. Defined-benefit pension fund net assets	-	
16. Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**49,798**	**j**
17. Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	
18. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-	**d**
19. Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	
20. Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	
21. Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22. Amount exceeding the 15% threshold	-	
23. of which: significant investments in the common stock of financials	-	
24. of which: mortgage servicing rights	-	
25. of which: deferred tax assets arising from temporary differences	-	
26. National specific regulatory adjustments	-	
27. Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28. Total regulatory adjustments to Common equity Tier 1	**53,304**	
29. Common Equity Tier 1 capital (CET1) after regulatory adjustments	**615,590**	

Additional Tier 1 Capital: Instruments		
30. Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31. of which: classified as equity under applicable accounting standards	-	
32. of which: classified as liabilities under applicable accounting standards	-	
33. Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34. Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**316**	**r**
35. of which: instruments issued by subsidiaries subject to phase-out	-	
36. Additional Tier 1 capital before regulatory adjustments	**316**	
Additional Tier 1 Capital: Regulatory Adjustments		
37. Investments in own Additional Tier 1 instruments	-	
38. Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10%of the issued common share capital of the entity (amount above 10% threshold)	-	
40. Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41. National specific regulatory adjustments	-	
42. Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43. Total regulatory adjustments to Additional Tier 1 capital	-	
44. Additional Tier 1 capital (AT1)	**316**	
45. Tier 1 capital (T1 = CET1 + AT1)	**615,906**	
Tier 2 Capital: Instruments and Provisions		
46. Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47. Directly issued capital instruments subject to phase-out from Tier 2	-	
48. Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49. of which: instruments issued by subsidiaries subject to phase-out	-	
50. General Provisions included in Tier 2 capital	**45,404**	**c**
51. Tier 2 capital before regulatory adjustments	**45,404**	

Tier 2 Capital: Regulatory Adjustments	
52. Investments in own Tier 2 instruments	-
53. Reciprocal cross-holdings in Tier 2 instruments	-
54. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55. Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56. National specific regulatory adjustments	-
57. Total regulatory adjustments to Tier 2 capital	-
58. Tier 2 capital (T2)	**45,404**
59. Total capital (TC = T1 + T2)	**661,310**
60. Total risk weighted assets	**3,719,426**

Capital Ratios and Buffers	
61. Common Equity Tier 1 (as a percentage of risk weighted assets)	**16.55%**
62. Tier 1 (as a percentage of risk weighted assets)	**16.56%**
63. Total capital (as a percentage of risk weighted assets)	**17.78%**
64. Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	**8.50%**
65. of which: capital conservation buffer requirement	**1%**
66. of which: bank specific countercyclical buffer requirement	-
67. of which: D-SIB buffer requirement	**0.50%**
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	**9.55%**
National Minima	
69. National Common Equity Tier 1 minimum ratio	**8.00%**
70. National Tier 1 minimum ratio	**9.50%**
71. National total capital minimum ratio excluding CCY and DSIB buffers	**11.50%**

Amounts below the Thresholds for Deduction (before Risk Weighting)		
72. Non-significant investments in the capital of financials institutions	-	e
73. Significant investments in the common stock of financials institutions	-	
74. Mortgage servicing rights (net of related tax liability)	-	
75. Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable Caps on the Inclusion of Provisions in Tier 2		
76. Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**197,023**	**a+b+g**
77. Cap on inclusion of provisions in Tier 2 under standardized approach	**45,404**	**c**
78. Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79. Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

	KD 000's	
	2021	
	Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Common Equity Tier 1 capital: Instruments and Reserves		
1. Directly issued qualifying common share capital plus related share premium	265,997	h+k
2. Retained earnings	169,198	q
3. Accumulated other comprehensive income (and other reserves)	360,581	l+m+n+o+p
4. Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5. Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
6. Common Equity Tier 1 capital before regulatory adjustments	795,776	
Common Equity Tier 1 Capital: Regulatory Adjustments		
7. Prudential valuation adjustments	-	
8. Goodwill (net of related tax liability)	-	
9. Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,506	f

10. Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11. Cash-flow hedge reserve	-	
12. Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
13. Securitization gain on sale	-	
14. Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15. Defined-benefit pension fund net assets	-	
16. Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	5,233	j
17. Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	
18. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	172,764	d
19. Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	
20. Mortgage servicing rights (amount above 10% threshold of bank's C ET1 capital)	-	
21. Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22. Amount exceeding the 15% threshold	-	
23. of which: significant investments in the common stock of financials	-	
24. of which: mortgage servicing rights	-	
25. of which: deferred tax assets arising from temporary differences	-	
26. National specific regulatory adjustments	-	
27. Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28. Total regulatory adjustments to Common equity Tier 1	181,503	
29. Common Equity Tier 1 capital (CET1) after regulatory adjustments	614,273	

Additional Tier 1 Capital: Instruments

30. Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31. of which: classified as equity under applicable accounting standards	-	
32. of which: classified as liabilities under applicable accounting standards	-	

33. Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34. Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	287	r
35. of which: instruments issued by subsidiaries subject to phase-out	-	
36. Additional Tier 1 capital before regulatory adjustments	287	
Additional Tier 1 Capital: Regulatory Adjustments		
37. Investments in own Additional Tier 1 instruments	-	
38. Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39. Investments in the capital of banking, financial and insurance entities that are outside he scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10%of the issued common share capital of the entity (amount above 10% threshold)	-	
40. Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41. National specific regulatory adjustments	-	
42. Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43. Total regulatory adjustments to Additional Tier 1 capital	-	
44. Additional Tier 1 capital (AT1)	287	
45. Tier 1 capital (T1 = CET1 + AT1)	614,560	
Tier 2 Capital: Instruments and Provisions		
46. Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47. Directly issued capital instruments subject to phase-out from Tier 2	-	
48. Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49. of which: instruments issued by subsidiaries subject to phase-out	-	
50. General Provisions included in Tier 2 capital	41,855	c
51. Tier 2 capital before regulatory adjustments	41,855	
Tier 2 Capital: Regulatory Adjustments		
52. Investments in own Tier 2 instruments	-	
53. Reciprocal cross-holdings in Tier 2 instruments	-	

54. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55. Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56. National specific regulatory adjustments	-
57. Total regulatory adjustments to Tier 2 capital	-
58. Tier 2 capital (T2)	41,855
59. Total capital (TC = T1 + T2)	656,415
60. Total risk weighted assets	3,454,013

Capital Ratios and Buffers		
61. Common Equity Tier 1 (as a percentage of risk weighted assets)	17.78%	
62. Tier 1 (as a percentage of risk weighted assets)	17.79%	
63. Total capital (as a percentage of risk weighted assets)	19.00%	
64. Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.50%	
65. of which: capital conservation buffer requirement	-	
66. of which: bank specific countercyclical buffer requirement	-	
67. of which: D-SIB buffer requirement	0.50%	
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	10.78%	
National Minima		
69. National Common Equity Tier 1 minimum ratio	7.00%	
70. National Tier 1 minimum ratio	8.50%	
71. National total capital minimum ratio excluding CCY and DSIB buffers	10.50%	
Amounts below the Thresholds for Deduction (before Risk Weighting)		
72. Non-significant investments in the capital of financials institutions	-	e
73. Significant investments in the common stock of financials institutions	-	
74. Mortgage servicing rights (net of related tax liability)	-	
75. Deferred tax assets arising from temporary differences (net of related tax liability)	-	

Applicable Caps on the Inclusion of Provisions in Tier 2		
76. Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	189,040	a+b+g
77. Cap on inclusion of provisions in Tier 2 under standardized approach	41,855	c
78. Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79. Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

2- Consolidated financial position under financial accounting and regulatory scope of consolidation

The basis of consolidation used to prepare consolidated financial position under International Financial Reporting Standards (IFRSs) is consistent with those used for regulatory purpose. The basis of consolidation is explained in note 2(b) of the consolidated financial statement.

There is no difference between the consolidated financial position and the consolidated regulatory financial position.

Consolidated regulatory financial position are as follows;

	2022		
	KD 000's		
	Consolidated regulatory financial position	**Component used in capital disclosure template**	**Cross reference to common disclosure template**
Assets			
Cash and short term funds	**732,555**		
Treasury and Central Bank bonds	**183,555**		
Due from banks and other financial institutions	**480,202**	**683**	**a**
Loans and advances	**2,419,548**		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		**188,464**	**b**
Of which: Cap on inclusion of general provisions in Tier 2		**45,404**	**c**
Investment securities	**372,903**		
of which: non significant investment in capital of financial institutions (amount above the threshold for deduction)		**-**	**d**
Of which: non significant investment in the capital of financial institutions (amounts below the thresholds for deduction)		**-**	**e**

Premises and equipment	29,414		
Intangible assets	3,506	3,506	f
Other assets	88,790		
Total assets	**4,310,473**		

	2022		
	KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Liabilities and equity			
Liabilities			
Due to banks	224,847		
Due to other financial institutions	273,743		
Customer deposits	2,340,285		
Other borrowed funds	611,442		
Other liabilities	199,835		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		7,876	g
Total liabilities	**3,650,152**		
Equity			
Equity attributable to shareholders of the Bank			
Share capital	199,206	199,206	h
Proposed bonus shares	-	-	i
Treasury shares	(49,798)	49,798	j
Reserves	277,398		
of which: share premium		66,791	k
of which: statutory reserve		115,977	l
of which: general reserve		17,927	m
of which: treasury share reserve		-	n
of which: property revaluation reserve		25,242	o
of which: investment valuation reserve		51,461	p

Retained earnings	**185,901**	**192,290**	**q**
	612,707		
Proposed dividend	**47,298**		
	660,005		
Non-controlling interests	**316**	**316**	**r**
Total equity	**660,321**		
Total liabilities and equity	**4,310,473**		

	2021		
	KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Assets			
Cash and short term funds	727,513		
Treasury and Central Bank bonds	177,452		
Due from banks and other financial institutions	482,586	39	a
Loans and advances	2,278,078		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		181,995	b
Of which: Cap on inclusion of general provisions in Tier 2		41,855	c
Investment securities	551,303		
Of which: non significant investment in capital of financial institutions (amount above the threshold for deduction)		172,764	d
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		-	e
Premises and equipment	28,922		
Intangible assets	3,506	3,506	f
Other assets	40,206		
Total assets	4,289,566		

Liabilities and equity			
Liabilities			
Due to banks	360,526		
Due to other financial institutions	245,676		
Customer deposits	2,119,614		
Other borrowed funds	519,459		
Other liabilities	223,427		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		7,006	g
Total liabilities	3,468,702		

	2021		
	KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Equity			
Equity attributable to shareholders of the Bank			
Share capital	199,206	199,206	h
Proposed bonus shares	-	-	i
Treasury shares	(5,233)	5,233	j
Reserves	427,372		
of which: share premium		66,791	k
of which: statutory reserve		115,977	l
of which: general reserve		17,927	m
of which: treasury share reserve		-	n
of which: property revaluation reserve		24,043	o
of which: investment valuation reserve		202,634	p
Retained earnings	159,614	169,198	q
	780,959		
Proposed dividend	39,618		
	820,577		
Non-controlling interests	287	287	r
Total equity	820,864		
Total liabilities and equity	4,289,566		

3. Main features of capital instrument issued

1	Issuer	Commercial Bank of Kuwait
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	CBK
3	Governing law(s) of the instrument	
	Regulatory treatment	Kuwait Law
4	Type of Capital (CET1, AT1 or T2)	Common equity tier 1
5	Eligible at solo/group/group & solo	Group
6	Instrument type	Ordinary shares
7	Amount recognized in regulatory capital (KD '000')	KD 199,206
8	Par value of instrument	100 fils
9	Accounting classification	Shareholders' equity
10	Original date of issuance	19 June 1960
11	Perpetual or dated	Perpetual
12	Original maturity date	No maturity
13	Issuer call subject to prior supervisory approval	No
14	Optional call date, contingent call dates and redemption amount	N/A
15	Subsequent call dates, if applicable	
	Coupons / dividends	N/A
16	Fixed or floating dividend/coupon	Floating
17	Coupon rate and any related index	N/A
18	Existence of a dividend stopper	No
19	Fully discretionary, partially discretionary or mandatory	Fully discretionary
20	Existence of step up or other incentive to redeem	No
21	Noncumulative or cumulative	Noncumulative
22	Convertible or non-convertible	Nonconvertible
23	If convertible, conversion trigger (s)	N/A
24	If convertible, fully or partially	N/A
25	If convertible, conversion rate	N/A
26	If convertible, mandatory or optional conversion	N/A
27	If convertible, specify instrument type convertible into	N/A
28	If convertible, specify issuer of instrument it converts into	N/A
29	Write-down feature	No
30	If write-down, write-down trigger(s)	N/A
31	If write-down, full or partial	N/A
32	If write-down, permanent or temporary	N/A
33	If temporary write-down, description of write-up mechanism	N/A
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
35	Non-compliant transitioned features	No
36	If yes, specify non-compliant features	N/A

IV - Financial Leverage ratio

The financial leverage ratio is being provided in accordance with CBK circular No. 2/BS/342/2014 dated October 21, 2014. The application of this disclosure is intended to restrict the build up of financial leverage in the banking sector that leads to stress on the financial system and the economy in general. The financial leverage ratio is measure of Basel III tier 1 capital divided by total on and off balance sheet exposures of the Bank.

(a) Summary comparison of accounting assets vs total leverage ratio exposure:

		2022	2021
		KD 000's	
1	Total consolidated assets as per published financial statements	4,310,473	4,289,566
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the bank's operative accounting framework but excluded from total exposures in calculation of leverage ratio	-	-
4	Derivative exposures	48,559	25,144
5	Securities Financing Transaction Exposures	-	-
6	Exposures for off-balance sheet items (i.e. credit equivalent amounts)	1,031,968	889,765
7	Other exposures	(3,506)	(176,270)
8	**Total exposures in calculation of leverage ratio**	**5,387,494**	5,025,380

(b) Leverage ratio common disclosure:

		2022	2021
		KD 000's	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,310,473	4,289,566
2	(Asset amounts deducted in determining Tier 1 capital)	(3,506)	(176,270)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4,306,967**	4,113,296
4	Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	41,752	13,036
5	Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	6,807	9,283
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the bank's operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	-	-
8	(Exempted exposures to Central Counterparties (CCP)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-

10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-
11	**Total derivative exposures**	**48,559**	22,319
12	Gross SFT assets (with no recognition of netting)	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposures for SFT assets	-	-
15	Exposure of the bank in its capacity as gent in the securities finance transaction (SFT)	-	-
16	**Total securities financing transaction exposures**	-	-
17	Off-balance sheet exposure (before application of credit conversion factors)	**2,837,498**	2,563,643
18	(Adjustments for conversion to credit equivalent amounts)	**(1,805,530)**	(1,673,878)
19	**Total Off-balance sheet exposure**	**1,031,968**	889,765
20	**Total exposures**	**5,387,494**	5,025,380
21	**Tier 1 capital**	**615,906**	614,560
22	**Leverage ratio (Tier 1 capital / total exposures)**	**11.43%**	12.23%

V Risk management

Risk Governance

The Bank believes in undertaking risks associated with its business only after proper identification, assessment, management, and adequate mitigation of potential risk factors. The material risks to which the Bank is exposed to include credit risk and credit concentration risk, market risk and concentration risk, operational risk and residual operational risk, liquidity risk, interest rate risk, reputational risk, and strategic risk and legal risk.

The Risk Management Division of Bank is an independent and dedicated function reporting directly to the Board Risk Management Committee and administratively to the Chairman.The division is responsible for assessing, monitoring, and recommending strategies for control of credit and credit concentration, market and market concentration, liquidity, operational, interest rate, reputational, strategic, and legal risks. Specific personnel are assigned within the Risk Management division for overseeing each of these risks. The absence of any direct or indirect reporting lines or arrangements with other internal divisions, and permanent membership in all of the Group's executive committees are amongst the factors which reflect the independent nature of Risk Management's operations and the central role it maintains within the Group.

The Risk Management Division is subdivided into different units which assess, monitor, and control different risks. The Credit Risk Management Group (CRM) comprises the Obligor Credit Risk Management (OCRM) and Portfolio Credit Risk Management Departments (PCRM) respectively. The Non-Financial Risk Management Group (NFRM) comprises the Operational Risk Management Department which also manages Fraud Risk Management and Information Security Department. The Enterprise Risk Management (ERM) Group comprises of Risk Policies and Secretariat Department (RPSD), Risk Reporting and Middle Office Department (RRMOD), and Analytics & Simulation Department (ASD).

1. Operational Risk Management Department (ORMD) is responsible for monitoring, measuring, and reporting the operational risks the Bank is exposed to, including fraud risks. The department collects operational risk

data through Risk & Control Self Assessments (RCSA), Key Risk Indicators (KRIs), procedure reviews, and reported risk events. A risk event database is maintained and reported in the periodic risk management reports. ORMD is also responsible for the Bank-wide insurance management and for coordinating the Bank-wide Business Continuity Plan and ensuring regular testing.

2. Information Security Department (ISD) is responsible for identifying, monitoring, measuring and reporting all the Bank's information security risks including internal and external threats whether deliberate or accidental, on all information assets of the Bank. ISD has established and maintains the related policies and procedures; as well as tests the effectiveness of the controls in order to keep the Bank's information assets secure. ISD provides periodic reports to the BRMC and BOD on the Bank's capability to manage information security and cybersecurity risks in addition to monitoring the implementation of the information security projects. ISD acts as an advisor to provide inputs to follow mandated compliance requirements across the Bank to safeguard its information assets.

In partnership with Human Resource Division, customized Information Security Awareness programs are developed and mandated for all staff in order to embed an information security awareness culture within the Bank. The Bank maintains its compliance with PCI-DSS, ISO 27001, and SWIFT CSP certification requirements, in addition to compliance with the Central Bank of Kuwait's Cyber Security Framework requirements. ISD has upgraded the Security Operations Center (SOC) which monitors all anomalous security events and has developed a cyber incident response plan to ensure timely response to any suspicious cyber activity.
The ERM group through its Analytics and Simulations Department (ASD) is responsible for monitoring market, liquidity, interest rate, strategic, reputational and legal risks. It is also responsible for calculating the economic capital for various risks, conducting stress tests, reporting these to the Asset Liability Committee (ALCO), Board Risk Management Committee (BRMC), Board of Directors, and the Central Bank. The ASD department also calculates the PD and LGD annually associated with the different obligor grades to use in IFRS9 calculations. The department is also responsible for providing ad-hoc risk analysis of new Banking Products. The RPSD department of the ERM group focuses on keeping the risk management policies up to date and conducting ALCO and Credit & Investment Committee (CIC) for investment items. The RRMOD department of ERM group focuses on periodic reporting of risk metrics which includes daily, weekly, and monthly risk reports to the Management. The department also prepares a monthly risk management report comprising of MIS on Credit portfolio, position vis a vis internal limits related to Interest rate risk, Liquidity risk, Market Risk, and Operational risk which is circulated to the ALCO members. The department also functions as a Treasury middle office where it monitors risk limits related to Treasury on a daily basis.

The risk management framework includes a hierarchy of committees involving the Board of Directors and the executive management for approval and reporting purposes. The Board of Directors through its committees has the overall authority for approval of strategies and policies. The Board Loan Committee (BLC) is the apex credit approving authority of the Group which is mainly responsible for approving all credit proposals beyond the authority level of the management and also for reviewing and approving the credit policy and amendments thereof. The Board of Directors is the apex authority of the Group for approving investments and other executive matters beyond the authority of the management. These include approval of groupwide strategies as well as specific policies pertaining to risk management. The Board Risk Management Committee (BRMC) assists the Board in its oversight of the Bank's risk governance structure, risk management & risk assessment guidelines and policies, risk strategy and appetite and executive management's implementation of the risk strategies and policies.

The Credit & Investment Committee is the executive management decision making body that is empowered to consider all credit & investment related issues within certain limits. The Asset Liability Committee (ALCO) is responsible for the overall asset liability management framework which broadly covers balance sheet structure, maturity profile, interest rate risk, capital adequacy, and foreign currency positions, review of related policies, and approval of exceptions. The ALCO also performs the role of a risk committee whereby

it has a high-level oversight over the risk management process. The Provisioning Committee is responsible for the overall evaluation and control of provisions taken by the Group and adherence to the related regulatory requirements.
In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Group has a formal enterprise-wide risk management policy, which provides detailed guidelines for a sound framework for enterprise-wide risk management. The objectives of risk management are supported by various risk policies that are reviewed and updated regularly. The risk policies, in general, cater to detailed planning for various risks based on business strategies, past performance, future expectations, economic conditions and, internal as well as external regulations. The policies also require a comprehensive analysis of a set of pre-determined parameters prior to the introduction of new products or instruments. The policies have put internal limits (nominal and risk-based) in place for continuous monitoring and ensuring that risks are maintained within the Group's risk appetite. Periodical reporting of risks to various authorities including the ALCO and the Board ensures that the executive management and the Board are continuously kept aware of positions thereby enabling informed decision-making.

The Group also conducts enterprise wide stress test in order to analyse the impact of extreme events on the profitability and capital adequacy.

The treatment of different types of risks by the Bank is elaborated hereunder:

a. Credit Risk

The Credit Policy and the Credit Risk Management Policy lay down the guiding principles for lending activities and the basis of measuring, monitoring and managing credit risks. The credit policy provides guidelines that establish the lending criteria and all credit decisions are made after giving due consideration to credit policy requirements. Continuous review and update of the credit policy is carried out to calibrate it with regulatory and business requirements.

The credit policy is supplemented by the credit risk management policy which establishes the framework for credit risk management including tools for risk rating, portfolio analysis, and independent reviews. Internal limits are also established for credit concentration and credit quality. Credit approvals are preceded by detailed due diligence on credit proposals including reviews that are independent from the risk-taking units. The due diligence covers the assessment of the quality of financial information, historical financial performance, future prospects, the structure of facilities, their relevance to the business needs, management expertise, identifiable sources of repayment, available collateral, additional support available, etc. In addition, comprehensive post-approval reviews at the individual and portfolio levels are undertaken to effectively monitor/control the existing credit portfolio and circulated to the Management and the Board Chairman.

The Bank uses an obligor risk rating model based on an advanced algorithm using both financial and non-financial parameters to generate an obligor risk rating. The model grades obligors with performing assets on a scale of 1 to 8 with 1 being the best risk. Ratings of 9 to 11 apply to non-performing assets. The internal risk rating is used to drive the credit approval process. As required by CBK, our internal risk grades have also been mapped to external grades. The probability of default is calibrated to the obligor rating. Non-financial considerations are industry specific and thus allow more fine-tuned risk assessment for different industries. The facility risk rating is also being done. Maximum counterparty/group-wise lending limits are applied to exposures according to regulatory norms for credit concentration.

Appropriate risk analysis ensures that the limits approved are commensurate with the risk profile of the borrower. Apart from individual lending limits, broader portfolio-level exposure limits have been stipulated for perceived higher-risk sectors, and exposure to these segments is continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings of external credit rating agencies like Moodys,

Fitch, and S&P, are in place to ensure adequate portfolio diversification in terms of sovereign ratings and geographical exposures. The Division also implemented a sector risk assessment model allowing more granularity in sector classification.
The Bank also measures economic capital for credit risk including that for name, collateral, sector and geographic concentration under Pillar two of Basel III.

Bank's exposure to derivatives is by way of forex forwards with banks and bank customers and interest rate swaps entered into for hedging fixed rate bonds in the bond portfolio. As the Credit Value Adjustment (CVA) for Counterparty Credit Risk (CCR) is insignificant separate economic capital is not considered necessary. Credit limits for counterparty credit exposures, which are banks, are set up based on the External Credit Assessment Institution (ECAI) ratings and the bank's credit policy and are reviewed periodically. The counterparties in derivative transactions are banks and limits are set up on an unadvised basis and hence the bank holds the control of preventing wrong-way exposures. Obtaining and offering collateral are governed by the respective ISDA agreements entered into.

The bank does not undertake securitisation of its credit exposures.

b. Market Risk

Market risk exposure for the Bank is evident in portfolios of equities and foreign exchange that are actively traded, as well as in other positions whose fair values are directly derived from market parameters. The Bank uses the standardized method for calculating capital for market risks.

Market risk limits are in place to control equity and foreign exchange risks. Foreign exchange risks are monitored daily and controlled through currency-wise absolute limits as well as stop-loss limits. Overnight regulatory limits that include overall absolute limits are strictly enforced.

The Bank also assesses the market risk through internally developed Value at Risk (VaR) measures. VaR is based on historical simulation over the relevant observation period and is computed as the maximum possible loss over the relevant holding period at the 99th percentile. Limits are in place for the maximum permitted VaR for the foreign exchange and equity positions. The VaR models are back-tested annually to confirm their robustness. Economic capital for market risk is calculated using stressed ES (Expected Shortfall) in line with guidance issued by the Basel committee.

Investments are classified under pre-defined asset categories and are subject to pre-approved limits for such categories. Further, the Group's overall investment capacity and individual investments are restricted to stipulated limits and guidelines laid down by the Central Bank.

The market risk policy also addresses the need for hedging under certain circumstances. The measurement of hedge effectiveness is governed by the market risk management policy which lays down guidelines for the establishment of hedges, the method of determining hedge effectiveness at inception and thereafter, and other general rules for hedge transactions.

c. Liquidity Risk

The Bank manages liquidity risks that are evident in maturity mismatches and liability-side concentrations. Limits are in place for the control of liquidity risk and these include the maximum allowable cumulative mismatches and a limit for the maximum amount allowed for lending. Internal alert limits are also laid down to ensure continued adherence to the regulatory limits. Internal limits for liabilities from significant depositors and from sensitive products/instruments are also in place. Limits were also introduced for mismatches in different time buckets to ensure that maturing assets and liabilities remain largely matched. A detailed liability side analysis is conducted periodically to discern rollover patterns, and identify core deposits, behavioral trends in short-term funds, and correlations with macroeconomic variables.

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

The Basel Committee for Banking Supervision has introduced the Basel III regulations covering, among others, a global framework for liquidity risk management. The Bank has introduced internal limits for the liquidity ratios introduced in Basel III, i.e. the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). These ratios are being measured and monitored regularly against regulatory limits and internal limits.

d. Interest Rate Risk

Interest rate risk is managed as per the guidelines laid down in the interest rate risk management policy. The majority of the assets and liabilities of the Bank mature and/or re-price within one year and hence there is limited exposure to interest rate risk. Interest rate risk is monitored with the help of an interest rate sensitivity monitor (IRSM) in which assets and liabilities are distributed in pre-defined maturity / re-pricing time bands. The Earnings at Risk (EaR) is computed by applying BIS stipulated rate shocks to the IRSM and this is compared against internal limits that define the Bank's appetite for this risk. The changes in EVE based on BIS stipulated rate shocks are also calculated and compared against internal limits. Economic capital under pillar two for interest rate risk is measured regularly using an internally developed methodology.

e. Operational Risk

Operational risk management is focused on identifying, assessing and minimizing the impact of risk events that may arise through inadequate processes, human errors, system failures as well as external factors by using a range of assessment methods including Risk Control Self Assessments (RCSA) and a comprehensive review of group-wide procedures. Key Risk Indicators (KRIs) are also monitored regularly. An objective scorecard is used to assess the different operational risk areas based on pre-defined parameters and to grade them under certain categories.

This gradation is used in the measurement of economical capital for operational risk and legal risk. Internally maintained risk events database, provides information on the frequency and impact of operational risk events. A business continuity policy and plan is in place to tackle any unforeseen contingencies that aims to ensure that business continuity is achieved with minimal disruption to critical processes and systems.

Insurance management which is integrated into operational risk facilitates the prudent transfer of risks. Insurance coverage provides partial mitigation for operational risk. The operational risk management policy lays down general guidelines for insurance management including factors to be considered in structuring insurance policies, the definition of policy limits and deductibles, policy reviews, and handling of claims.

f. Other risks

Policies are in place for other risks including legal risk, strategic risk, and reputational risk. These policies establish roles and responsibilities for various stakeholders in managing and controlling these risks. In addition, quantification methodologies have been introduced for measuring the economic capital for these risks.

VI Credit exposures

The credit policy of the Group lays down the general lending standards as well as specific policies pertaining to different lending areas. Among others, the credit policy defines the lending criteria, the approval process for various credit decisions, documentation requirements, margin requirements, etc. The credit policy also includes a formal credit approval hierarchy designed on the basis of amount/tenor and other features of the credit facility(ies) considered is in place for making suitable credit decisions. All credit decisions made at lower levels of the hierarchy are reviewed by the highest approval authority, the BLC.
Provisions for credit losses are recognized on credit facilities based on the Central Bank of Kuwait (CBK) guidelines (The guidelines). As per the guidelines, the provision for credit losses to be recognized is higher of i) Expected credit losses as per CBK's IFRS 9 guidelines and; ii) Provision required by the CBK rules on classification of credit facilities and calculation of their provisions (the CBK rules).
For details on ECL methodology please refer financial statement note 2.i.ix "impairment of financial asset".

The CBK rules stipulate two-tier approach for credit loss estimation. The total credit loss to be recognized is the sum of the General and Specific provisions. General provision is computed as 1% of the outstanding cash facility balance and 0.5% of non-cash facility balance after netting of certain restricted categories of collateral. Specific provision calculation is based on the categorization of a credit facility into undermention and past due categories. Credit facilities are classified in the following categories when there is an objective evidence of impairment based on specified criteria, including management judgment of increase in credit risk.

Past Due Days	Loss %
> 90 days < 180 days	**20%**
>180 days <365 days	**50%**
>365 days	**100%**

However as a prudent and conservative measure, Bank immediately builds 100% provision and write-offs for all credit facilities that are past due more than ninety days. The ECAIs used for capital adequacy computation are in accordance with CBK rules and regulations pertaining to the capital adequacy standard. The permissible ECAIs under the regulations are Moody's, Standard & Poor, and Fitch. The ECAI ratings are translated into specific risk weights in line with the mapping process defined in the same regulations. The mapping process involves the application of stipulated risk weights for different ECAI ratings and in the case of claims on banks, into short-term and long-term exposures, as laid down in the regulations.

a. Gross credit exposures

	2022			2021		
	KD 000's					
	Total gross exposures	**Funded gross exposures**	**Unfunded gross exposures**	Total gross exposures	Funded gross exposures	Unfunded gross exposures
1.Claims on sovereigns	**444,161**	**444,161**	**-**	386,611	386,611	-
2.Claims on international organisations	**-**	**-**	**-**	-	-	-
3.Claims on PSEs	**178,562**	**178,562**	**-**	181,378	181,378	-
4.Claims on MDBs	**-**	**-**	**-**	-	-	-
5.Claims on banks	**1,544,054**	**1,228,806**	**315,248**	1,518,249	1,212,390	305,859
6.Claims on corporates	**4,453,070**	**1,931,394**	**2,521,676**	4,031,890	1,774,649	2,257,241
7.Claims on central counter parties	**-**	**-**	**-**	-	-	-
8.Cash items	**51,919**	**51,919**	**-**	34,337	34,337	-
9.Regulatory retail	**508,406**	**507,950**	**456**	498,320	497,891	429
10.RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11.Past due exposure	**118**	**-**	**118**	114	-	114
12.Other assets	**153,322**	**153,322**	**-**	144,073	144,073	-
13.Claims on securitised assets	**-**	**-**	**-**	-	-	-
	7,333,612	**4,496,114**	**2,837,498**	6,794,972	4,231,329	2,563,643

b. Average gross credit exposures

	2022			2021		
	KD 000's					
	Total gross exposures	**Funded gross exposures**	**Unfunded gross exposures**	Total gross exposures	Funded gross exposures	Unfunded gross exposures
1.Claims on sovereigns	**415,386**	**415,386**	**-**	378,629	378,629	-
2.Claims on international organisations	**-**	**-**	**-**	-	-	-
3.Claims on PSEs	**179,970**	**179,970**	**-**	162,229	162,229	-
4.Claims on MDBs	**-**	**-**	**-**	-	-	-
5.Claims on banks	**1,531,151**	**1,220,597**	**310,553**	1,632,256	1,307,919	324,338
6.Claims on corporates	**4,242,480**	**1,853,022**	**2,389,459**	4,030,401	1,791,973	2,238,428
7.Claims on central counter parties	**-**	**-**	**-**	-	-	-
8.Cash items	**43,128**	**43,128**	**-**	37,367	37,367	-
9.Regulatory retail	**503,363**	**502,921**	**443**	476,868	476,343	525
10.RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11.Past due exposure	**116**	**-**	**116**	57	-	57
12.Other assets	**148,698**	**148,698**	**-**	141,936	141,936	-
13.Claims on securitised assets	**-**	**-**	**-**	-	-	-
	7,064,292	**4,363,722**	**2,700,571**	6,859,741	4,296,393	2,563,348

c. Total credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2022						
1.Claims on sovereigns	**396,368**	**47,793**	-	-	-	**444,161**
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	**178,562**	-	-	-	-	**178,562**
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**291,470**	**915,141**	**266,484**	**13,051**	**57,908**	**1,544,054**
6.Claims on corporates	**4,025,219**	**238,352**	**51,027**	**67,042**	**71,430**	**4,453,070**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	**51,919**	-	-	-	-	**51,919**
9.Regulatory retail	**508,384**	**22**	-	-	-	**508,406**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	**118**	-	-	-	-	**118**
12.Other assets	**151,317**	**988**	**1,011**	-	**6**	**153,322**
13.Claims on securitised assets	-	-	-	-	-	-
	5,603,357	**1,202,296**	**318,522**	**80,093**	**129,344**	**7,333,612**
Percentage of credit exposure by geographical sector	**76.4%**	**16.4%**	**4.3%**	**1.1%**	**1.8%**	**100.0%**

	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2021						
1.Claims on sovereigns	378,364	8,247	-	-	-	386,611
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	181,378	-	-	-	-	181,378
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	512,161	777,157	195,631	10,317	22,983	1,518,249
6.Claims on corporates	3,708,375	187,855	68,675	57,889	9,096	4,031,890
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	34,337	-	-	-	-	34,337
9.Regulatory retail	498,261	41	-	-	18	498,320
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	114	-	-	-	-	114
12.Other assets	141,016	206	2,848	-	3	144,073
13.Claims on securitised assets	-	-	-	-	-	-
	5,454,006	973,506	267,154	68,206	32,100	6,794,972
Percentage of credit exposure by geographical sector	80.3%	14.3%	3.9%	1.0%	0.5%	100.0%

d. Funded credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2022						
1.Claims on sovereigns	**396,368**	**47,793**	**-**	**-**	**-**	**444,161**
2.Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
3.Claims on PSEs	**178,562**	**-**	**-**	**-**	**-**	**178,562**
4.Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
5.Claims on banks	**291,470**	**706,205**	**185,020**	**12,886**	**33,225**	**1,228,806**
6.Claims on corporates	**1,755,036**	**162,453**	**4,668**	**-**	**9,237**	**1,931,394**
7.Claims on central counter parties	**-**	**-**	**-**	**-**	**-**	**-**
8.Cash items	**51,919**	**-**	**-**	**-**	**-**	**51,919**
9.Regulatory retail	**507,928**	**22**	**-**	**-**	**-**	**507,950**
10.RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11.Past due exposure	**-**	**-**	**-**	**-**	**-**	**-**
12.Other assets	**151,317**	**988**	**1,011**	**-**	**6**	**153,322**
13.Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
	3,332,600	**917,461**	**190,699**	**12,886**	**42,468**	**4,496,114**
Percentage of funded credit exposure by geographical sector	**74.1%**	**20.3%**	**4.2%**	**0.3%**	**0.9%**	**100.0%**

	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2021						
1.Claims on sovereigns	378,364	8,247	-	-	-	386,611
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	181,378	-	-	-	-	181,378
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	506,495	586,162	86,694	10,166	22,873	1,212,390
6.Claims on corporates	1,671,282	92,205	2,053	14	9,095	1,774,649
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	34,337	-	-	-	-	34,337
9.Regulatory retail	497,832	41	-	-	18	497,891
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	141,015	206	2,848	-	4	144,073
13.Claims on securitised assets	-	-	-	-	-	-
	3,410,703	686,861	91,595	10,180	31,990	4,231,329
Percentage of funded credit exposure by geographical sector	80.6%	16.2%	2.2%	0.2%	0.8%	100.0%

e. Unfunded credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2022						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	-	**208,936**	**81,464**	**165**	**24,683**	**315,248**
6.Claims on corporates	**2,270,183**	**75,899**	**46,359**	**67,042**	**62,193**	**2,521,676**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	**456**	-	-	-	-	**456**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	**118**	-	-	-	-	**118**
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	2,270,757	**284,835**	**127,823**	**67,207**	**86,876**	**2,837,498**
Percentage of unfunded credit exposure by geographical sector	**80.0%**	**10.0%**	**4.5%**	**2.4%**	**3.1%**	**100.0%**

	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2021						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	5,666	190,995	108,937	151	110	305,859
6.Claims on corporates	2,037,093	95,650	66,622	57,875	1	2,257,241
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	429	-	-	-	-	429
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	114	-	-	-	-	114
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	2,043,302	286,645	175,559	58,026	111	2,563,643
Percentage of unfunded credit exposure by geographical sector	79.7%	11.2%	6.8%	2.3%	0.0%	100.0%

f. Total credit exposures by residual maturity

	KD 000's					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
As at 31 December 2022						
1.Claims on sovereigns	**185,742**	**91,333**	**76,124**	**18,382**	**72,580**	**444,161**
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	**178,562**	**178,562**
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**623,152**	**473,973**	**128,230**	**118,891**	**199,808**	**1,544,054**
6.Claims on corporates	**453,609**	**692,548**	**618,121**	**660,937**	**2,027,855**	**4,453,070**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	**51,919**	-	-	-	-	**51,919**
9.Regulatory retail	**20,095**	**565**	**1,043**	**2,299**	**484,404**	**508,406**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	**47**	**16**	**11**	**44**	**118**
12.Other assets	**151,950**	**467**	**833**	**40**	**32**	**153,322**
13.Claims on securitised assets	-	-	-	-	-	-
	1,486,467	**1,258,933**	**824,367**	**800,560**	**2,963,285**	**7,333,612**
Percentage of total credit exposures by residual maturity	**20.3%**	**17.2%**	**11.2%**	**10.9%**	**40.3%**	**100.0%**

	KD 000's					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
As at 31 December 2021						
1.Claims on sovereigns	191,097	81,864	55,235	10,083	48,332	386,611
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	2	-	-	-	181,376	181,378
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	641,154	306,937	196,794	210,933	162,431	1,518,249
6.Claims on corporates	792,595	428,836	437,809	536,845	1,835,805	4,031,890
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	34,337	-	-	-	-	34,337
9.Regulatory retail	18,532	505	1,502	2,785	474,996	498,320
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	49	17	8	40	114
12.Other assets	127,712	228	1	2	16,130	144,073
13.Claims on securitised assets	-	-	-	-	-	-
	1,805,429	818,419	691,358	760,656	2,719,110	6,794,972
Percentage of total credit exposures by residual maturity	26.6%	12.0%	10.2%	11.2%	40.0%	100.0%

g. Funded credit exposures by residual maturity

	KD 000's					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
As at 31 December 2022						
1.Claims on sovereigns	**185,742**	**91,333**	**76,124**	**18,382**	**72,580**	**444,161**
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	**178,562**	**178,562**
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**550,554**	**323,004**	**84,677**	**89,610**	**180,961**	**1,228,806**
6.Claims on corporates	**179,833**	**273,480**	**205,275**	**150,176**	**1,122,630**	**1,931,394**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	**51,919**	-	-	-	-	**51,919**
9.Regulatory retail	**20,063**	**538**	**968**	**2,240**	**484,141**	**507,950**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	**151,950**	**467**	**833**	**40**	**32**	**153,322**
13.Claims on securitised assets	-	-	-	-	-	-
	1,140,061	**688,822**	**367,877**	**260,448**	**2,038,906**	**4,496,114**
Percentage of funded credit exposures by residual maturity	**25.4%**	**15.3%**	**8.2%**	**5.8%**	**45.2%**	**100.0%**

	KD 000's					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
As at 31 December 2021						
1.Claims on sovereigns	191,097	81,864	55,235	10,083	48,332	386,611
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	2	-	-	-	181,376	181,378
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	558,549	176,522	166,884	185,799	124,636	1,212,390
6.Claims on corporates	347,443	136,434	141,262	155,578	993,932	1,774,649
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	34,337	-	-	-	-	34,337
9.Regulatory retail	18,505	436	1,412	2,717	474,821	497,891
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	127,712	228	1	2	16,130	144,073
13.Claims on securitised assets	-	-	-	-	-	-
	1,277,645	395,484	364,794	354,179	1,839,227	4,231,329
Percentage of funded credit exposures by residual maturity	30.2%	9.3%	8.6%	8.4%	43.5%	100.0%

h. Unfunded credit exposures by residual maturity

	KD 000's					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
As at 31 December 2022						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**72,598**	**150,969**	**43,553**	**29,281**	**18,847**	**315,248**
6.Claims on corporates	**273,776**	**419,068**	**412,846**	**510,761**	**905,225**	**2,521,676**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	**32**	**27**	**75**	**59**	**263**	**456**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	**47**	**16**	**11**	**44**	**118**
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	346,406	**570,111**	**456,490**	**540,112**	**924,379**	**2,837,498**
Percentage of unfunded credit exposures by residual maturity	**12.2%**	**20.1%**	**16.1%**	**19.0%**	**32.6%**	**100.0%**

	KD 000's					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
As at 31 December 2021						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	82,605	130,415	29,910	25,134	37,795	305,859
6.Claims on corporates	445,135	292,402	296,548	381,268	841,888	2,257,241
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	27	69	90	68	175	429
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	49	17	8	40	114
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	527,767	422,935	326,565	406,478	879,898	2,563,643
Percentage of unfunded credit exposures by residual maturity	20.6%	16.5%	12.7%	15.9%	34.3%	100.0%

i. Analysis of loans past due but not impaired by standard portfolio

	2022		2021	
	KD 000's			
	Past due but not impaired		Past due but not impaired	
	0-60 days	61-90 days	0-60 days	61-90 days
1.Claims on sovereigns	-	-	-	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	-	-	-	-
4.Claims on MDBs	-	-	-	-
5.Claims on banks	-	-	-	-
6.Claims on corporates	115,110	87	51,060	292
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	-	-	-
9.Regulatory retail	17,322	-	15,376	-
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	-
12.Other assets	-	-	-	-
13.Claims on securitised assets	-	-	-	-
	132,432	87	66,436	292

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

	2022		2021	
	KD 000's			
	General Provision	Statement of Income	General Provision	Statement of Income
1.Claims on sovereigns	-	-	-	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	-	-	-	-
4.Claims on MDBs	-	-	-	-
5.Claims on banks	683	644	39	(783)
6.Claims on corporates	180,099	(6,863)	173,844	22,467
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	-	-	-
9.Regulatory retail	6,426	1,819	6,322	824
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	-
12.Other assets	1,940	30,189	1,829	690
13.Claims on securitised assets	-	-	-	-
	189,147	25,789	182,034	24,147

k. Impaired loans and provisions by geographic sector

	KD 000's			
	Gross Debt	Specific Provision	Past due but not impaired	
			0-60 days	61-90 days
As at 31 December 2022				
Kuwait	-	-	132,432	87
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	-	-	132,432	87

	KD 000's			
	Gross Debt	Specific Provision	Past due but not impaired	
			0-60 days	61-90 days
As at 31 December 2021				
Kuwait	-	-	66,436	292
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	-	-	66,436	292

l. Movement in provisions

	2022			2021		
	KD 000's			KD 000's		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	-	182,034	182,034	-	136,534	136,534
Write-offs	(16,325)	-	(16,325)	(11,927)	-	(11,927)
Exchange differences	-	22	22	-	(38)	(38)
Ceded to Central Bank	-	-	-	-	-	-
Statement of income	16,325	7,091	23,416	11,927	45,538	57,465
	-	189,147	189,147	-	182,034	182,034

m. Credit exposures after CRM and CCF

	2022		2021	
	KD 000's		KD 000's	
	Credit Exposures after CRM		Credit Exposures after CRM	
	Rated Exposures	Unrated Exposures	Rated Exposures	Unrated Exposures
1.Claims on sovereigns	444,308	-	386,751	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	-	191,417	-	194,289
4.Claims on MDBs	-	-	-	-
5.Claims on banks	1,278,299	309,998	907,851	515,134
6.Claims on corporates	830	2,400,395	1,074	2,264,531
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	51,919	-	34,337
9.Regulatory retail	-	506,215	-	495,874
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	20	-	57
12.Other assets	-	152,575	-	138,943
13.Claims on securitised assets	-	-	-	-
	1,723,438	3,612,539	1,295,676	3,643,165

VII - Credit risk mitigation

Acceptable collateral includes cash, bank guarantees, shares, real estate, etc. subject to specific conditions on eligibility, margin requirements, etc. laid down in the credit policy. The credit risk mitigation used for capital adequacy computation includes collateral in the form of cash and shares as well as guarantees by 'A' rated Banks in accordance with the CBK's rules and regulations concerning capital adequacystandardsd. The credit policy of the Group lays down guidelines for collateral valuation and management which includes, minimum coverage requirements for different categories of collateral, remargining, frequency and basis of revaluation, documentation, insurance, custodial requirements, etc. According to the credit policy, the frequency of revaluing the collateral depends on the type of collateral. Specifically, daily revaluation is required for share collateral and also in cases where the collateral is in a different currency to the exposure.

This process is handled by a department independent of the business divisions to ensure objectivity. An independent annual analysis is conducted by Risk Management Division to categorize the shares acceptable as collateral into different grades for the purpose of stipulating differential margin requirements.

The collateralised credit exposure with eligible collateral by standard portfolio are as follows:

	KD 000's			
	Total gross exposures	**Collateralised Exposures**	**Financial Collaterals**	**Bank Guarantees**
As at 31 December 2022				
1.Claims on sovereigns	**444,161**	**-**	**-**	**-**
2.Claims on international organisations	**-**	**-**	**-**	**-**
3.Claims on PSEs	**178,562**	**-**	**-**	**-**
4.Claims on MDBs	**-**	**-**	**-**	**-**
5.Claims on banks	**1,544,054**	**-**	**-**	**-**
6.Claims on corporates	**4,453,070**	**770,160**	**242,474**	**-**
7.Claims on central counter parties	**-**	**-**	**-**	**-**
8.Cash items	**51,919**	**-**	**-**	**-**
9.Regulatory retail	**508,406**	**18,474**	**1,963**	**-**
10.RHLs eligible for 35% RW	**-**	**-**	**-**	**-**
11.Past due exposure	**118**	**-**	**39**	**-**
12.Other assets	**153,322**	**748**	**747**	**-**
13.Claims on securitised assets	**-**	**-**	**-**	**-**
	7,333,612	**789,382**	**245,224**	**-**

	KD 000's			
	Total gross exposures	Collateralised Exposures	Financial Collaterals	Bank Guarantees
As at 31 December 2021				
1.Claims on sovereigns	386,611	-	-	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	181,378	-	-	-
4.Claims on MDBs	-	-	-	-
5.Claims on banks	1,518,249	-	-	-
6.Claims on corporates	4,031,890	698,206	154,438	-
7.Claims on central counter parties	-	-	-	-
8.Cash items	34,337	-	-	-
9.Regulatory retail	498,320	16,240	2,272	-
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	114	-	-	-
12.Other assets	144,073	16,246	5,130	-
13.Claims on securitised assets	-	-	-	-
	6,794,972	730,692	161,840	-

VIII - Capital requirement for market risk

The present market risk exposure comprises of foreign exchange and equity trading portfolio. The capital charge for the entire market risk exposure is computed under the standardized approach.

The capital requirement for market risk exposure is as follows:

	2022	2021
	KD 000's	KD 000's
1.Interest rate position risk	-	-
2.Equity position risk	-	-
3.Foreign exchange risk	544	1,034
4.Commodities risk	-	-
5.Options	-	-
	544	1,034

IX - Operational risk

The Group uses the standardized approach for the computation of operational risk capital charge that amounted to KD 24,521 thousand (2021: KD 25,507 thousand) which primarily involves segregating the Group's activities into eight business lines and applying the relevant beta factors to the average gross income for each business line as defined in the CBK's rules and regulations pertaining to capital adequacy standards. However, capital for operational risk is separately calculated for pillar two purposes using a variation of the standardized approach based on the results of the operational risk scorecard.

X - Equity position in the banking book

The majority of equity holdings are taken with the expectation of capital gains and dividend income. Strategic equity holdings are taken in financial institutions where the Group expects to develop a business relationship or ultimately gain control of that entity.

Equity investment securities in the Group are classified as FVOCI". These are carried at fair value with any resultant gain or loss arising from changes in fair value taken to the investment valuation reserve through the consolidated statement of comprehensive income in equity.

Fair values are determined by reference to quoted market prices. The fair value for investments in mutual funds, unit trusts, or similar investment vehicles are based on the last published bid price. The fair value for unquoted investments is determined by reference to any recent transaction of shares of the same entity, the market value of a similar investment, or at a conservative discount to its net asset value or book value.

The quantitative information related to equity investment securities in the Group are as follows:

	2022	2021
	KD 000's	KD 000's
1.Value of investment disclosed in the balance sheet	50,026	307,096
2.Type and nature of investment securities		
Financial assets at FVOCI		
Equity securities -quoted	37,316	282,799
Equity securities -unquoted	12,710	24,297
	50,026	307,096
3.Cumulative realised gain (net) arising from sales of investment securities	-	-
4.Total unrealised gain (net) recognised in the balance sheet but not through profit and loss account	(144,925)	73,217
5.Capital requirements		
Financial assets at FVOCI	5,253	59,455

XI - Interest rate risk in the banking book

Interest rate risk management is governed by the interest rate risk management policy of the Group. The policy lays down guidelines for interest rate risk planning, reporting, and hedging. Various interest rate risk limits are also put in place. The policy also clearly defines the responsibilities of various committees and divisions in the context of interest rate risk management. Ongoing monitoring of interest rate risk within the Group involves the monthly generation of the interest rate sensitivity monitor (IRSM) which classifies all assets and liabilities into pre-defined time bands. The classification of the assets and liabilities is based on guidelines laid down in the policy which reflect the maturity/repricing characteristics of the underlying exposure.

Over a period of one year, the impact on net interest income based on repricing gaps is:

	2022		2021	
	Impact on earnings		Impact on earnings	
	±@ 1%	±@ 2%	±@ 1%	±@ 2%
	KD 000's	KD 000's	KD 000's	KD 000's
Kuwaiti dinars	15,728	31,456	7,492	14,984
US dollars	(1,964)	(3,928)	(168)	(336)
Other currencies	1,096	2,192	1,608	3,216
	±14,860	±29,720	±8,932	±17,864

XII - Remuneration

Board nomination and remuneration committee (BNRC) is composed of at least three non-executives BOD members including the BNRC Chairperson (The BOD Chairman should not be a member of BNRC). The BNRC shall be chaired by an independent member. The BNRC Chairperson and members shall be selected by the BOD . Secretary to the Board acts as the secretary to BNRC. BNRC currently comprises of the following non executive Board members.

Mr. Fahad Al-Jarallah
Sh. Talal AlSabah
Mr. Yousef Al-Awadi
Mr. Manaf Al Muhana

The following are the main roles and responsibilities of BNRC:

1. Prepare this policy and review it on an annual basis at least or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto; such amendments/ updates shall be effective only after the BOD approval. This review include evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information to work flow of the remunerations scheme presented by the management to the BNRC, and present the same to the BOD.

2. Oversees the implementation of the remunerations policy and scheme through the information and reports provided by the management to the BNRC quarterly, and present the same to the BOD.

3. Propose the recommendations to the BOD regarding the level and components of the proposed remunerations to the CEO, his deputies and assistants as well as who are at the same level of these executive jobs in the Bank, such recommendations shall be effective only after the BOD approval.
4. Coordinate with the Board Risk Management Committee (BRMC) and/or the CRO to evaluate the proposed incentives in the remunerations policy and scheme.

5. Ensure that the executive management has adopted effective systems, procedures and mechanisms to ensure compliance with this policy, and present the same to BOD.

6. Ensure that the remunerations policies and practices of the Bank's financial subsidiaries' and foreign branches (if any) are in line with this policy as well as CB instructions in this regard.

7. Determine the remunerations scheme in line with the sound practices related to granting remunerations.

8. Ensure that an independent annual review of this policy has been conducted. Such review can be done through the Bank's IAD or an external consultant firm. The objective of this review is to evaluate the Bank's compliance with the remunerations policy and practices. The BNRC shall present such evaluation results to the BOD.

BNRC may seek assistance for Internal Audit department or an external consultant in order to effectively accomplish its responsibilities. During the year 2022 BNRC was assisted by Internal Audit Division to review Remuneration Policy.

BNRC met 4 times during 2022. Remuneration paid to BNRC members for 2022 cover their memberships in other Board Committees and any other tasks assigned to them by the Board. Total remuneration KD 483 thousand (2021: KD 465 thousand) paid to members of BOD is disclosed in Bank's annual report on aggregate level according to CBK's instructions related to Corporate Governance.

Remuneration Policy

During 2022 remuneration policy was reviewed by BNRC, which submitted the updated remuneration policy to Board on 15 November 2022. The Board approved remuneration policy as submitted. No material changes were made in the last update presented to the Board.

The remuneration policy is reviewed and updated every year. Further, the remuneration policy is updated to incorporate changes stipulated by the CBK or the Board, as and when such changes are introduced.

The following are the key features and objectives of remuneration policy

a. Key features

The structure of remuneration of all Group's employee consists of combination of fixed and variable remuneration

- Fixed Remuneration - It is made up of basic salary ,allowance and related benefits.
- Variable Remuneration - It represents payment linked to the job requirements and performance.

b. objective

1. Promote effective governance and sound practices of the financial remunerations system consistent with risk strategy.
2. Create a combination of fixed and variable remunerations on various organisation levels and nature of jobs.
3. Attract and retain highly qualified, skilled and knowledgeable employees required to perform banking business.
4. Aligning the remunerations with Bank's risk strategies connected to risk levels and financial soundness, along with providing benefits for progressive career and work life balance.
5. Ensure that financial remunerations are linked to the bank's performance and Risk Timeline, taking into account amending the financial remunerations granted to employees in case of the Bank's weak/ negative financial performance and to match risks on the long term.

In order to ensure independence of Risk Management, Compliance and Corporate Governance and Internal Audit functions within Group, head of these functions reports directly to various committees of the Board without having reporting line to CEO. The following table shows the functional and administrative reporting lines of these functions.

Function / Division	Function Reporting Line	Administrative Reporting Line
Risk Management	Board Risk Management Committee	Chairman of the Board
Compliance and Corporate Governance	Board Corporate Governance Committee	Chairman of the Board
Internal Audit	Board Audit Committee	Board Audit Committee

Performance appraisal

As per Group policy all employees are appraised atleast once a year for their individual performance. The appraisal process is used to evaluate employees' contribution in achieving Group objectives and to give them feedback on their performance related strengths and weakness.

Performance evaluation and measurement processes are taken out at least once a year, in compliance with the approved procedures, and considering relevant instructions issued by the management in this regard.

The rating guidelines are applied uniformly across all business lines and individuals.

The annual incentive paid to employees is as follows:

	2022	2020
	KD 000's	KD 000's
Amount paid	1,517	1,440
No. of employees	1,035	1,081

There is no sign on awards made during the year.

During the year, Bank has paid in respect of end of service benefit are as follows:

	2022		2021	
	No. of Employees	KD 000's	No. of Employees	KD 000's
Amount paid to:				
Kuwaiti employees	153	790	119	1,047
Non Kuwaiti employees	131	721	148	471

The table below shows the value of remuneration paid to senior management and other material risk taker:

	KD 000's			
	2022		2021	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed				
Cash-based	2,081	-	1,775	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
Total fixed	2,081	-	1,775	-

There is no variable remuneration was paid during the year.

The table below shows the summary of remuneration paid to senior management and other material risk taker:

	2022		2021	
	No. of Employees	KD 000's	No. of Employees	KD 000's
Senior Management	15	2,081	15	1,775
Material Risk Takers	5	814	5	719
Financial & Control Functions	5	642	5	518

Al-Tijari التـجاري

Branch Name	Tel	أسـم الفــرع
Mubarak Al-Kabir	22990001	مبارك الكبير
Fahed Al-Salem Street	22990009	شارع فهد السالم
Sulaibikhat	22990013	الصليبخات
Khaldiya	22990015	الخالدية
Hawalli (Beirut St.)	22990020	حولي - شارع بيروت
Shuwaikh	22990021	الشويخ
Sharq	22990026	الشرق
West Shuwaikh	22990028	غرب الشويخ
Ministries Complex	22990031	مجمع الوزارات
Jabriya	22990035	الجابرية
Mansouriya	22990044	المنصورية
Al-Salam	22990055	السلام
Faiha	22990067	الفيحاء
Airport	22990004	المطار
Jahra	22990007	الجهراء
Khaitan	22990008	خيطان
Ardhiya	22990019	العارضية
Farwaniya	22990027	الفروانية
Six Ring Road	22990034	الدائري السادس
Andalus	22990036	الاندلس
Al-Rai	22990045	الري
Al-Naeem	22990056	النعيم
Al-Rabia	22990057	الرابية
Dahiyat Abdulla Mubarak	22990059	ضاحية عبدالله المبارك
The Avenues	22990069	الافنيوز
Saad Abdulla Mubarak	22990070	سعد العبدالله
Fahaheel	22990006	الفحيحيل
Fahaheel - Ajyal Complex	22990011	الفحيحيل - أجيال
Sabahiya	22990012	الصباحية
East Ahmadi	22990014	شرق الاحمدى
Rumaithiya	22990018	الرميثية
Salmiya	22990023	السالمية
Qurain	22990024	القرين
Dahiyat Ali Sabah Al-Salem	22990042	ضاحية علي صباح السالم
Salwa	22990051	سلوى
Dahiyat Sabah Al-Salem	22990054	ضاحية صباح السالم
Hadiya	22990064	هدية
Messila	22990065	المسيلة
Dajeej	22990049	الضجيج
Regaee	22990050	الرقعى
Jaleeb Al-Shyoukh	22990063	جليب الشيوخ
South Fahaheel	22990068	جنوب الفحيحيل

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التجاري
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