التجاري
Al-Tijari

2020

ANNUAL REPORT

Commercial Bank of Kuwait

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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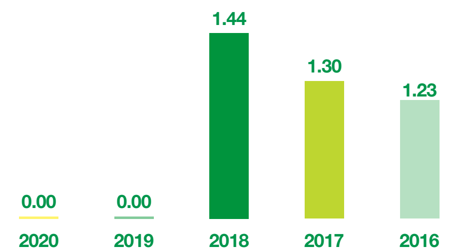
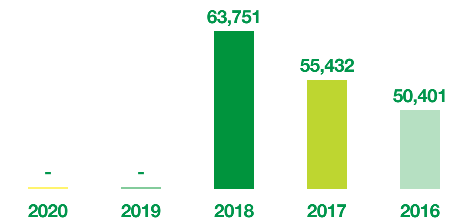
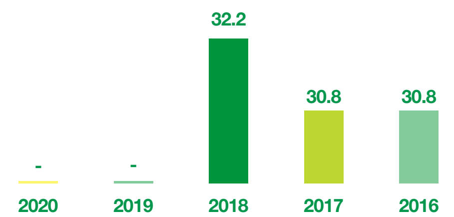
Financial Trends



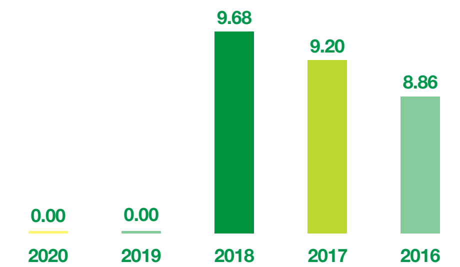
Return on Average Assets %



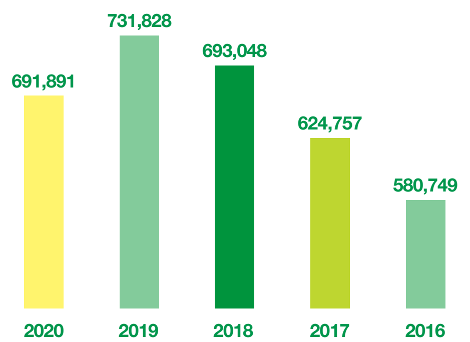
Net Profit Attributable to Shareholders of the Bank
KD 000's



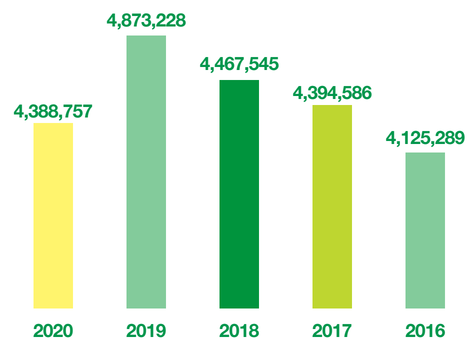
Earning Per Share Attributable to Shareholders of the Parent Bank
Fils Per Share



Return on Shareholders' Equity
(Average) %



Equity Attributable to Shareholders of the Bank
KD 000's



Total Assets
KD 000's

Board of Directors

Board of Directors

Sheikh/ Ahmad Duaij Al Sabah
Chairman

Abdulrahman Abdullah Al Ali
Vice Chairman

Bader Sulaiman Al Ahmad
Member

Dr. Arshid Abdulhadi Al Houri
Member

Musaed Nouri Al Saleh
Member

Mohamed Abdulrazzaq Al Kandari
Member

Sheikh/ Talal M. Al Sabah
Member

Youssef Yaqoub Al Awadhi
Member

Manaf M. Al Muhanna
Member

Mona Hussain Al Abdulrazzaq
Secretary to the Board

Anoud Fadel Al Hathran - Vice Chairperson (Former)
Rasha Yousef Al Awadhi - Member (Former)

Introduction

Introduction

Commercial Bank of Kuwait - Sustainability amidst Challenges

The Year 2020 was really tough by all measures for all business sectors due to the outbreak of the Novel Corona Virus (Covid-19) Pandemic and the unprecedented economic and financial crises the pandemic has brought about. Despite the exceptional circumstances that the Country has gone through and the lockdown suffered by all business activities, Commercial Bank of Kuwait - through its strategic vision and investment in the various technological infrastructure - has been able to continue providing digital banking services to its customers through its diverse electronic and digital platforms.

As always, the Bank not only continued to provide all means of support to its customers guided by regulatory authorities' instructions issued to lessen the burdens on customers, but also took the lead by launching initiatives for providing additional facilities to relieve the burdens on its corporate customers, entrepreneurs and owners of small and medium-sized enterprises. These initiatives have been intended to enable the Bank's customers to maintain their business under the hard circumstances brought by the (Covid-19) Pandemic.

The Year 2020 witnessed the 60th Anniversary of the incorporation of the Commercial Bank of Kuwait, the second oldest established Kuwaiti bank. On this occasion, through its various social media platforms, the Bank presented the key milestones throughout its history documenting the Bank's exclusivity, excellence and leadership in launching banking services and products that have long gained customers' trust.

Many institutions and companies have gone through circumstances that hindered them from performing their corporate social responsibility due to the outbreak of the (Covid-19) Pandemic. However, the Bank has been determined to consolidate and enhance its social footprint. The Bank continued its efforts and sponsorship of many social activities and events that accentuate the values of social integration and solidarity.

With the onset of the Seventh decade in Al-Tijari history, the Bank continues to provide premium and cutting-edge digital banking services and integrated investment solutions to the customers; thus reaffirming the Bank's solid stand in the Kuwaiti banking market, reflecting and deepening the principles of citizenship, leadership and social responsibility underlined by the Bank's top Management.

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 present the annual report 2020, where we review together the key achievements of the Bank while we enter the seventh decade of Commercial Bank of Kuwait as 2020 marks the Bank's 60^{th} year journey since incorporation.

There is no doubt that millions have been deeply affected by the combined health and economic challenges of (Covid-19). I want to thank health care workers and all who serve on the front lines, including Al-Tijari team. You kept us safe and supported essential services and continue to do so today despite significant challenges at all fronts.

I firmly believe that banking serves a higher purpose, and this has never been more true than in 2020. As a socially responsible Bank, we have a critical role to play in handling the circumstances, implications and crises posed by the pandemic. This role is represented in the endeavors for the recovery – to provide advice and services to the thousands of customers we serve, to help our economies grow and our communities thrive.

Resilience and execution in a period of unprecedented challenge
2020 brought many challenges, but also showcased our ability to face such challenges electively and efficiently. We benefited from investments in digitalization capabilities to quickly shift our operations; during a period of significant disruption and uncertainty; many of our team members seamlessly transitioned to working remotely, while those who needed to be on site to perform essential work were able to do so safely. Our team was steadfast in the face of challenges, and made a difference in the banking experience and lives of our clients. Al-Tijari provided most of the banking services through mobile App, on-line or self-service Kiosks. In every decision we made, we put the well-being of our staff and customers at the forefront. Guided by medical advice from the Ministry of Public Health, we implemented health and safety precautions at every location across Kuwait. Though recent news of vaccination efforts is encouraging, (Covid-19) remains a challenge and we will continue to focus on the safety of our customers, staff, and the community.

As part of its prominent Corporate Social Responsibility Program, Al-Tijari has undertaken many initiatives and participated in social efforts to serve the society and mitigate the impacts of the pandemic on both retail and corporate customers. These efforts include the following:

- The Bank has taken the necessary measures for implementing the Central Bank of Kuwait's initiative and Kuwait Banks Association's decision to defer the payment of installments for retail, small and medium- sized companies for 6 months. This decision also stipulated cancelation of the interest arising from this deferral as well as any other applicable fees in line with Government's efforts to mitigate customers' burdens and protect small and medium sized enterprises.

- The Bank contributed in the National Fund established by Kuwait Banking Association for raising KD 10 Million by Kuwaiti Banks for supporting the efforts of the Ministry of Health in fighting the (Covid-19) Pandemic.

- In response to the (Covid-19) Pandemic outbreak, Bank launched "Double Your Donation with Al-Tijari Campaign" Campaign duly approved by Ministry of Social Affairs and Labor to boost social solidarity. The Bank matched the amount donated by customer by 100% and the charitable societies & organizations participating in the campaign were credited this amount to their accounts at the Bank.

In terms of the financial performance, the Bank continues to deliver decent results at operating profit level with return on equity before provision at 12.9%. In the year 2018, we adopted a proactive policy of early recognition of any expected problems and achieved non-performing loans level of zero. In continuation, we allocated most of the operating profit to create specific provision against some loans where the Management had concerns. The specific provision was used to transfer those loans to memorandum account and resultant net profit attributable to the shareholders of the bank is zero. Thus, we maintained the non-performing loans at zero for the third consecutive year. It is a demonstration of our commitment to operate within our risk appetite but maintain strong capital and liquidity positions.

Resilient and focused on the future

While meeting the operational challenges posed by the pandemic, the Bank made progress on critical strategic initiatives to position itself for growth in the years to come. The pace and scope of the Bank's digital journey accelerated. Investments to train and up skill our teams were also increased.

New initiatives were taken during 2020 to introduce new features like, but not limited to, launching Fitbit Pay and Garmin Pay; allowing customers to pay from their wearable devices on POS, launching new account opening; an end to end automated process without visiting the branch, cheque deposit service upgrade; customers need not to deliver the cheques to the branch, Tijari wallet; allowing customers to digitize their cards on Android devices. Tokenization of cards enabling NFC/contactless payment for our customers. New value added services were introduced to our Smart Machines and Self Service Kiosks. Last but not least, network infrastructure and the Data Center revamping to enhance the needed capacity, security and flexibility for future development and digitalization.

Synopsis of 2020 Financials

We generated an operating profit, before provisions, of KD 91.5 million for the year 2020. In line with the Bank's prudent policy of proactive recognition of problems, the operating profit was mainly allocated to the provisions. The resultant net profit attributable to the shareholders of the Bank is zero for the year 2020 (2019: KD Zero). As at the end of the year, total loan loss reserve held with the Bank amounted to KD 136.5 million. The Bank will continue to pursue its right to recover loans transferred to the memorandum account by taking appropriate measures required in this regard.

Financial highlights:

Undoubtedly, the consequences of (Covid-19) have adversely impacted the Bank's performance. The key financial performance indicators are as below:

- Operating income of KD 131.6 million and operating profit KD 91.5 million for the year ended 31 December 2020, decreased by 17.1% and 15.7% against year ended 31 December 2019 respectively. However, the cost to income ratio is efficiently maintained at 30.5% as compared to 31.6% of December 2019.
- Customer loans and advances at KD 2,279.1 million, increased by 0.5%. However, the total assets at KD 4,388.8 million decreased by 9.9%, on year to year basis.
- Robust regulatory ratios, comfortably exceeded the Central Bank's statutory requirement, Capital Adequacy Ratio 18.4%, Liquidity Coverage Ratio 162.6%, Net Stable Funding Ratio of 107.3% and Leverage ratio of 11.7%

Looking ahead to 2021 and beyond

The need for advice and the value of relationships amidst changing market conditions have never been higher. To attract new clients and drive growth, banks will need to invest in their infrastructure and advice capabilities to enable the right conversations with clients at this pivotal moment for so many families and businesses. We believe our strategy positions us well to succeed in this evolving market. While clients will continue to embrace digital techniques, we will continue to enhance our capacity in this area.

Our Bank is well positioned for the changes occurring in the market for financial services and in the broader economy. We've transformed our culture around our clients at a time when relationships are becoming entrenched as the primary value proposition for financial institutions, which positions us well in future.

I am incredibly proud of our team for their efforts during the crisis and the Executive Management endeavors for enhancing the Bank's robust stand in the Kuwaiti Banking sector. I also want to express the Bank's appreciation to our shareholders for their ongoing support and to our customers for the opportunity to serve them. We will continue to strive to maintain your support and trust. Many thanks to all the regulatory authorities, especially the Central Bank of Kuwait for their constant support.

Sheikh/ Ahmad Duaij Al Sabah

Executive & Supervisory Management

Executive & Supervisory Management

Elham Yousry Mahfouz
Chief Executive Officer

Muneer Abdulsalam Saleh
Legal Advisor to Chairman and GM - Legal Division

Sahar Abdulaziz Al Rumaih
Deputy CEO for Corporate Banking & International Banking Division

Nawaf Ali Hamad Al Saeed
Acting Chief Internal Auditor - Internal Audit Division

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

Syama Sundar Parvatraj
Acting Chief Risk Officer – Risk Management Division

Hussain Ali Al Aryan
GM - Treasury & Investment Division

Sheikha/ Nouf Salem Al Ali Al Sabah
GM - Corporate Communicationss Division

Hanadi Ahmad Al Musallam
Acting GM - Retail Banking Division

Bader Mohammed Musleh Qamhieh
Acting GM - Information Technology Division

Paul Abdoulnour Daoud
GM - Operations Division

Sadeq Jaafar Abdullah
GM - Human Resources Division

Tamim Khaled Al Meaan
GM - Compliance & Corporate Governance Division

Economic Background

Global Economy:

In the World Economic Outlook (WEO) update, IMF has predicted Global GDP to grow by minus 4.4% in 2020 due to a major slump in the economic activities across the world. Following the contraction in 2020, IMF expects the GDP to grow by +5.20% in 2021. The level of global GDP in 2021 is expected to be a modest 0.6 percent above that of 2019. The growth projections imply wide negative output gaps and elevated unemployment rates this year and in 2021 across both advanced and emerging market economies

After the rebound in 2021, global growth is expected to gradually slow to about 3.5 percent into the medium term. This implies only limited progress toward catching up to the path of economic activity for 2020–25 projected before the pandemic for both advanced and emerging market and developing economies. It is also a severe setback to the projected improvement in average living standards across all country groups.

Kuwait Economy:

Due to the outbreak of the (Covid-19), GDP growth is expected to fall to -1.1% in 2020 and pick up to 3.4% in 2021, subject to the post-pandemic global economic recovery. Kuwait's public finances are relatively healthy, with a debt-to-GDP ratio of 15.2%, only slightly higher than 14.7% a year earlier. However, government spending is expected to increase in the coming years amid plans to boost credit, employment and wages. At the same time, tax collection remains low as the government has delayed the introduction of a VAT and an excise tax on tobacco and sugary drinks. The excise tax & VAT are now expected to be implemented in the coming years. This suggests general government gross debt could rise rapidly to 25% of GDP by 2021, according to IMF estimates. Low tax revenues, combined with reduced oil export earnings, brought down current account surplus to 8.9% of GDP in 2019 from 14.5% a year earlier. This trend is expected to fall as global oil prices or OPEC oil output are expected to fall significantly and sharply due to the (Covid-19) pandemic, with current account balance anticipated to fall to -10.2% of GDP in 2020. Inflation ticked up to 1.1% in 2019 from 0.6% a year earlier, but this was much lower than IMF's initial estimate of 3% as the introduction of VAT was postponed. Inflation is now expected to decrease to 0.5% in 2020 and increase to 2.3% in 2021

With 100 billion barrels of oil in reserve (representing 9% of the world's total reserves), the country's 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.

The services sector represents around 51.1% of the GDP and employs 72.4% of the active population.
Kuwait is expected to post a deficit of USD 10.2 billion in 2020 and USD 7.8 billion in 2021 as per IMF. The government is planning to renew the expired debt law, and is expected to launch a multi-billion debt issuance in the coming period.

KWD customer & interbank deposit rates dropped in 2020 due to massive interest rate cuts by the Central Bank. The customer deposit premium also reduced largely due to relaxation of the regulatory ratios by the Central Bank.

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

USD KWD traded in a wide range of 0.303 to 0.310 in 2020 that is in line with market volatility. Moreover, slump in the oil price due to pandemic lockdown & excess oil supply added pressure on interbank KWD spot.

Kuwait Stock Market:

Kuwait stock premier index dropped by approximately 10.24% to 6240 from 6742 in 2020 mainly on account of the ongoing crisis triggered by pandemic (Covid-19). The main index also witnessed a YTD drop of 6.85% to close at 4636. The MSCI Index related fund inflow helped the market recover swiftly from the lowest level seen in March. The extra ordinary liquidity in the financial market injected by the Central banks across the world, a stable oil price and geopolitical situation could add further upward momentum for the market.

Review of Operations

Retail Banking Division

Retail banking services currently witness tremendous global and domestic development in light of the rapid technological advances that the banking industry has been experiencing. The essence of providing and developing retail banking services is to meet the current retail customer needs and to predict future services for various customer segments. On this basis, the Retail Banking Division ("RBD") has intensive focus on expanding the customer base with the aim of enhancing the Bank's market share in the retail banking services. For achieving this goal, RBD continued to provide a wide array of new, diversified and innovative services in line with the digital transformation of banking services to meet customers' needs and satisfy their aspirations. The Bank's investments in the digital technological infrastructure have yielded premium services that have gained customers confidence so that Al-Tijari remains "the Bank of Choice" for customer. The Year 2020 saw the launch of many innovative banking services, including but not limited to the following:

New Services

New Customer Onboarding via Smart Mobiles Phones

In recognition of customer's time, efforts and choice of the banking transactions he/she wishes anywhere, anytime according to his/her lifestyle, the Customer Account Opening "Customer Onboarding" has been launched as a digital self-service through CBK Mobile App. This new onboarding service enables customers to open accounts fast, easily and safely by just following few simple steps. Al-Tijari is among the first Banks in Kuwait that offers this service through an end to end automated process without customer's need to visit the branch. In this process, the customer opens the account, provides the Bank with a copy of his/her civil ID card, chooses the account type, requests the ATM card, chooses the password, requests delivery of the card to the address of his choice and deposits amounts into the account smoothly and simply.

"Al-Tijari Rewards" Program

Commercial Bank of Kuwait launched a loyalty reward program "Al-Tijari Reward" for Visa credit cardholders in partnership with Visa International Corporation. It is meant to provide Visa credit cardholders namely holders of Visa Infinite, Visa Platinum, and Visa Gold credit cards with the chance to collect reward points when using their cards to pay for their purchases, whether in Kuwait or abroad. They can redeem points for travel tickets, hotel reservations, and car rental as well as cash redemption on their purchases from any restaurants, cafes, and supermarkets in Kuwait.

Launching Payment Service via Fitbit Pay & Garmin Pay Smart Watches

This is a contactless payment method that enables customers to make purchases at stores using tracking devices and wearable smart watches Fitbit and Garmin; the world two leading companies in tracking and fitness devices. This service keeps pace with the development of the payment methods. It is a safe, fast and easy payment method that helps customers to make payments without having to carry cash or use plastic cards while mitigating fraud cases. To avail this service, the customer can add any of his/her credit, prepaid and debit cards on Fitbit and Garmin devices then begin enjoying the service at all stores that allow payment through POS devices locally and internationally.

Tijari Wallet

Al Tijari offered its customers "Tijari Wallet" for e-payment service using smart mobile phones. This service enables the Bank's customers to add their banking cards to the wallet through CBK Mobile App., thus converting smart phones - having the Near Field Communications "NFC" feature - into an easy, fast and secure payment method by holding their mobile device over the payment reader "POS" without having to use the plastic banking card.

This service is available to customers on all «Android» operating devices where the customer can add any of his/her credit, prepaid or debit cards and start paying through his/her phone device directly at all stores that allow payment over POS locally and internationally.

Cash Xpress Service

Cash Xpress Service allows customer to request delivery of cash amounts starting from KD 1,000 to KD 10,000 via CBK Mobile App, and the online service available to all our customers to enjoy safe, quick and convenient banking experience without having to worry about visiting branches.

Debit & Prepaid Cards Renewal Service Via CBK Mobile App.

It is a service that enables customers to renew debit cards through CBK Mobile App. on smart phones and receive them as desired by the customer whether at the chosen branch or through the delivery service.

Services Fully Revamped for Better Serving our Customers

Several services have been developed in line with the new prevailing circumstances due to the outbreak of the Novel Corona Virus, (Covid-19) as follows:

- Cheque Deposit via an innovative digital service designed to allow Al-Tijari customers whether retail or corporate using CBK Mobile Service to securely deposit cheques around the clock in an easy, convenient and safe way without having to deliver the cheque to the branch within a week of deposit via the application.
- InstaPay Service has been modified to enable Al-Tijari customers to collect funds in their accounts by sending a payment link via KNET through CBK Mobile App. or CBK Online Service to anyone so that the payer can pay via any banking card. The daily limit of the collected amounts has been increased to maximum KD 2,000.
- Transfer Limit Increase Service has been improved so that the customer can increase the transfer limits up to KD 20,000 without need to visit branches. The customer can simply and safely increase the transfer limit via CBK Mobile App. and CBK online service by logging in his/her personal account, then receives an OTP verification message on his/her phone number registered at the Bank to confirm the process of the limit increase.
- New updates and developments have been introduced to CBK Mobile App. where customers can now change the e-mail or text message service phone number and perform a wide range of transactions through direct video service, including activation of the electronic services all through CBK Mobile App. without having to visit the branch.

Marketing Campaigns

Several campaigns and promotional advertisements for new services were organized, particularly for Al-Najma account, new payment services and salary transfer campaign. About 400 Fitbit watches were distributed to new customers who opened “You Account” for youth, Salary Account and Najma Account through CBK Mobile App.

E-Banking Unit

E-Banking Unit introduced corporate E-dividends online subscription, increased the online funds transfer limit and beneficiary activation via OTP, addition of cash advance & due settlement for Star Link Plus on CBK Online & CBK Mobile and online application for loan facilities by SME customers.

The Unit also enhanced Cash Express service limit for all customer segments and eased Salary Management process for Internet Banking customers with multiple accounts. CBK Mobile application has been upgraded to process cheque deposits without requirement to submit the original cheque.

Contact Center

Contact Center played a pivotal role especially during the lock down period to assist customers with CBK Mobile application services, Live chat service with video and audio options along with co-browsing the latest banking products and services on the Bank’s webpage.

RBD will continue its efforts launching and revamping innovative banking products and services so that Al-Tijari remains “Customers’ Best Choice”.

Corporate Banking Division

Corporate Banking Division (CBD) is one of the main business Divisions of the Bank. It 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. The division remained focused on improving the quality of credit portfolio and reducing the percentage of Non-Performing Loans. Amidst the challenging business environment during the current year due to (Covid-19) which weighed on the cash flows of corporate customers, CBD continued to provide support to its customers to tide over their temporary cash flow mismatches and meets their specific requirements.

Corporate Banking Division has a team of highly skilled professionals having significant exposure and experience in handling customer relationships and providing structured solutions. The division functions through 3 specialized units viz. Contracting & Services Unit, General Trade Unit and Investment & Real Estate Unit which cater to 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 above 3 units to prepare comprehensive credit proposal and also helps 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. Besides, CBD is also focusing on financing emerging sectors.

During the year, CBD participated in a syndicated loan arrangement of KD 90 Million in the oil & gas sector. CBD also directly financed a new PPP Project sponsored by PAHW with a total commitment of KD 44 Million.

CBD continuously strives to tailor the product offerings to meet specific requirements of its customers and enhance the relationship.

Trade Services Department

Trade services is a specialized department supporting our customers in their functions such as Import - Export (both under letter of credit) Collections and Guarantees (local and foreign as well as guarantees issued locally against foreign bank request).

Its 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 high turnaround times and is currently looking to achieve higher automation levels.

International Banking Division

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

International Banking 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 Department 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.

While the global market was faced with the unprecedented crisis of the (Covid-19) pandemic, Kuwait and its oil-exporting neighbours additionally faced a fall in oil demand, with an exasperated start during March 2020 set off by the price war between OPEC member, Saudi Arabia and OPEC-ally, Russia. Oil prices have yet to recover to price levels preceding the pandemic. It is with this bearish outlook that local and regional creditors alike had been conducting business throughout 2020. The Division, nonetheless, has been able to rely on the upkeep of its existing clientele and has concluded the year without newly distressed assets. While activity in the syndication market was muted, IBD amassed on its existing business relationships and maintained its syndication activities largely through participations at lead arranger/arranger level with Turkish banks, as well as regional and Far East Asian leasing companies. In the same manner, IBD attained issuance of several project facilities for projects of strategic importance to the State; including one of Kuwait's mega oil projects – the Clean Fuels Project, for which project works were concluded during the first half of the year; and the South Al Mutlaa Residential City Project.

The prospect of Kuwait's higher fiscal deficit is expected to weigh heavily on the government's capital spending. With the State's oil companies cancelling and postponing projects due for the fiscal year 2020/2021, new projects will likely be postponed to the next year. However, with the government budget under pressure, adoption of Public Private Partnership (PPP) schemes are expected to hasten. CBK is already the initial mandated lead arranger and book runner for one of Kuwait's major PPP projects, Umm Al Hayman Wastewater Project, for which financial closure was achieved in December 2019. During 2020, IBD further benefitted from partial disbursement under one of its GCC project facilities, the Duqm Refinery and Petrochemical Complex. With Kuwait's residential and industrial sectors recording one of the highest electricity and water consumption levels per capita in the world, strong demand is expected to continue for projects within the energy and utilities sector especially.

The circumstances ensued upon the State in 2020 have led it to prioritize fast-tracking economic reforms and diversification, including infrastructure projects under the New Kuwait 2035 Development Plan. The Division has continued to center its focus on local strategic projects and shall endeavour to continue with extending its support to projects under the 2035 Vision, and capitalize on its momentum within the project-financing space.

Treasury and Investment Division

The liquidity condition of the Bank remained very solid throughout the year 2020 despite the ongoing crisis that started in early March. The Bank-wide cost of fund witnessed a drastic drop due to a massive interest rate cut in USD and KWD by the respective Central banks. Moreover, the relaxation of regulatory ratios by the Central Bank of Kuwait as a crisis measure resulted in a significant drop in customer deposit premium. Our strategy always emphasizes the assurance of a strong liquidity position for the Bank and balance sheet optimization.

Treasury Division managed to successfully close long-term bilateral loans from the borrowing side and thus enhanced the liability duration significantly. As a part of our diversification strategy, new customers from various geographies have been added to our book by replacing some of the costlier inter-bank and government customer deposits. We plan to raise further long-term deposits/funds to achieve more diversification in terms of currencies, tenor, customer, and geographies.

A major portion of matured Central Bank's T-bonds were replaced by sovereign USD bonds and KWD balances with the Central Bank. Our strategy is to add more highly rated sovereign bonds to our HQLA portfolio and reduce the excess KD idle balance in the account with the Central Bank. The Bond portfolio also witnessed a growth of more than 25% in 2020 despite several bond maturities. This growth was mainly achieved due to secondary market purchases of bonds during the market crisis, wherein, bond prices were highly distorted and were trading at a deep discount. This new addition not only improved the average credit rating of the portfolio but also, helped improve the net yield spread as well.

To enhance our customer services beyond market hours (non-banking hours), we have developed an FX platform (white-labeled solution) that will be offered to our premium FX customers. The algo set-up of the platform will initiate auto-hedging of customer deals, and thus improves market risk management without compromising the business profitability.

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.

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

- **Foreign Exchange Desk:** Trading & covering in FX Spot/Forward & Swaps;
- **Money Market & Invt. 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 loans (borrowings).
- **Corporate 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.

Growth is witnessed in customer deposits, corporate bond portfolio, FX profitability, and IRS hedging.

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

Risk Management Division

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 are – credit risk, market risk, operational risk, liquidity risk, interest rate risk, reputational risk, strategic risk and Information Security Risk.

Risk Management Structure and Independence:
The Risk Management Division of the Group is an independent and dedicated function which reports directly to Board Risk Management Committee and administratively to the Chairman. The division is responsible for assessing, monitoring and recommending strategies for control of credit, market, liquidity and operational risks and information security 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 among the factors which reflect the independent nature of Risk Management's operations and the central role it plays within the Group. The Risk Management Division is sub divided into different units which assess, monitor and control different risks.

The Credit and Investment Review Unit is responsible for pre-fact assessment of Corporate Credit and International Banking including assessment of credit lines for various countries and banks and investment proposals as per the Credit Policy/Investment Policy. The Credit Review Unit is also responsible for updating and maintenance of risk grades of corporate credit exposures. In addition the Credit & Investment review unit is responsible for reviewing and updating the Credit Policy of the Bank at periodic intervals so as to ensure that the policy is attuned to the operating environment and is in line with regulatory guidelines. During the year the unit developed policies in line with Central Bank of Kuwait guidelines to support local Small and Medium Enterprises (SMEs), Individuals and Other economic entities negatively affected by (Covid-19) pandemic and consequent lockdowns apart from analyzing and submitting periodic data to Central Bank on the financial support provided to these borrowers.

The Operational Risk Unit is responsible for monitoring, measuring and reporting the operational risks of the Bank. Operational risk unit collects operational risk data through Risk & Control Self Assessment, KRIs, procedure reviews and reported risk events. A loss database is maintained and reported in the periodic risk management reports. Operational risk unit is also responsible for the bank wide insurance management and for coordinating the bank wide Business Continuity Plan and ensuring regular testing.

Loan Review and Credit Portfolio Control Unit was established during 2019 to handle the following responsibilities which hitherto were handled by the Credit & Investment Review Unit: (a) Evaluating the overall risk profile of the Obligor/borrower on a post-fact basis - based on selection criteria approved by the Management and mainly including exposures of KD 20MM and above, and high risk rating exposures, (b) Monitoring the Credit Administration (CAD) Function on a daily basis to ensure that credit dispensation is in compliance with the related approvals as well as conforming to internal and regulatory guidelines, (c) Developing monthly control reports highlighting the main observations of the Corporate, and International exposures, and (d) Conducting a comprehensive review and analysis of the Corporate Banking Credit, International Banking, Treasury, Investments and Retail Credit Portfolios on a semi-annual basis. Additionally, the Unit is also entrusted to provide independent risk opinion to the Management to improve the overall performance of the facilities, crystallize corrective/recovery actions (if deemed necessary), and take precautionary actions to avoid any potential future losses.

The Risk Policies and Analytics Unit is responsible for monitoring market, liquidity, interest rate, strategic, reputational, compliance and legal risks. It is also responsible for calculating the economic capital for various risks under ICAAP, conducting stress tests, reporting these to the ALCO, BRMC, Board and the Central Bank, keeping the risk management policies up to date, and conducting regular meetings of ALCO and CIC for investments items. Stress tests were conducted on time and the results were appropriately reported. The unit provided key quantitative inputs for ECL calculation under IFRS9. The unit is also responsible for analysis of all KSE listed shares for inclusion as part of acceptable list of collaterals and determining the applicable coverage requirements. The unit also prepares a monthly risk management report which is circulated to the ALCO members. The unit also determines and monitors the strategy metrics comprising of various risk appetite parameters including macroeconomic variables. The unit also is responsible for any special adhoc risk management related projects involving risk analytics. During the year the Unit also computed the stress test to capture the adverse impact of (Covid-19) on the Corporate and International credit portfolio and investment book and a suitable action plan to strengthen capital and liquidity as required by Central Bank.

The Information Security Unit is responsible for monitoring, measuring and reporting all the bank's information Security risks [internal and external threats whether deliberate or accidental] on Information Assets of the bank. Information Security unit ensures that Risks are assessed, gaps identified and the recommended security controls are in line with Regulatory requirements and best practices. These are communicated to the Risk owners to protect Bank's confidential information against unauthorized access and inappropriate disclosures and to ensure that the Information assets are kept safe. Information Security unit sets up and maintains the related Policies and Processes and tests the effectiveness of the controls in order to secure Information Assets. The Risks thus identified and the treatment plans are reported to the Board Risk Management Committee and the BOD.

The Information Security Unit collaborates with various other units within the bank and acts as an advisor to provide inputs to follow best practices across the bank to safeguard the bank's Information Assets.

To improve the maturity of the Information Security of the bank, the unit has taken many initiatives. To embed a Security Awareness culture within the bank, the unit partnered with the HR unit to provide a customized Awareness Course to all staff. The bank obtained PCI-DSS certification by working alongwith ITD to protect the Card Holder Data of the customers. The unit set up a 24x7 Security Operations Control Center to monitor if any anomalous security events occur within the bank and to take necessary corrective actions. Advanced Malware protection to protect the computers from highly sophisticated cyber attacks targeting the end-users of the bank was also implemented.

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, CB and internal policy requirements etc. Credit Administration and Control Unit together are ensuring that the processing and operations of credit facilities for corporate customers are strictly in line with the approved terms and that the interests of both the bank and the client, are safe guarded.

The Risk Management framework includes a hierarchy of committees involving Directors of the Board and the executive management for approval and reporting purposes. The governance structure of the Bank is explained in detail elsewhere in this report.

Treatment of different types of risks:

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 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 approval reviews at the individual and portfolio levels are undertaken to effectively monitor / control the existing credit portfolio. The portfolio reports and post approval reviews are escalated to the management and the Board/Chairman.

The Bank uses an obligor risk rating model developed and periodically validated by reputed external consultants. It utilises an advanced algorithm using both financial and non-financial parameters to generate an obligor risk rating. The system follows a scale of 1 to 11 with 1 being the best risk and 11 being the worst. The internal risk rating is used to drive the credit approval process. During the year the Bank further enhanced its credit rating methodology to rate individual high networth customers based on detailed financial and behavioural criteria developed in consultation with an independent consultant. The obligor rating is calibrated to probability of default. Non-financial considerations are industry specific and thus allow more fine-tuned risk assessment for different industries. 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 are continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings by external credit rating agencies like Moodys and S&P, are in place to ensure adequate portfolio diversification in terms of sovereign ratings and geographies. 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 capital for obligor and collateral concentration under Pillar 2 of Basel III. Measurement of concentration risks uses 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 control the 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. 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 Group's overall investment capacity and individual investments are restricted to stipulated limits and guidelines laid down by the Central Bank.

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. 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 sensitive significant depositors as well as products. Limits are also in place 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, behavioural trends in short-term funds and correlations with macro economic 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 using internally developed methodology is also measured regularly.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) 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 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 also 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 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 this framework 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.

Information Technology Division

Year of 2020 has earmarked an unforgettable year for many. Other than business challenges faced as a support function, we have learned and invoked our technological expertise for Business continuity. As an organization we were put to test whilst facing the unprecedented times of the pandemic, lockdown, and curfew. The role of Information Technology Division (ITD) as a business enabler played a great importance in Commercial Bank of Kuwait this year.

ITD was able to immediately provide the users the tools to work from home (WFH) while at the same time ensuring adherence to security standards. Users were able to support the business and also comply with health protocols laid down by the government. Additionally, customers were able to transact without visiting any CBK branch's and were able to perform critical transactions to support their business and families.

Even with the constraints of WFH this year, ITD have implemented several projects as part of the Bank's commitment towards providing high tech and dependable products and service to the customers.

We have tokenized our cards partnering with Token Service Providers Garmin and Fitbit. Customers are now able to pay at a POS terminal using GarminPay and FitPay enabled wearables. NFC /contactless payment is supported via these new payment techniques thereby ensuring (Covid-19) norms are observed. Issuer wallet is a similar technology implemented for Android phone users using the in app issuer wallet for payments via NFC enabled Android phones at a POS terminal. We are among the first Banks in Kuwait to have the in app issuer wallet. During this time we have also enabled our debit cards to do an ecommerce transactions.

Banking experience is now on-the-go for customers with the introduction of several new features within our Mobile Application. Account Opening, Check Deposit and Civil ID update. We also implemented many value added services to our Smart Machines like check deposit. Customer can deposit check on their own without the need of a human teller. This is integrated with the KECCS system for other Banks check deposit.

In order to reduce the exposure and as a precautionary measure, we have developed the QR Code based attendance system instead of the Contact-based biometric method.

In addition to the day to day challenges in supporting the IT infrastructure and implementing business projects and requirements, ITD were able to comply with Central Bank of Kuwait directive on PCI-DSS and ISO 27001 certification, passing thereby the stringent requirement of both standards.

To support all these changes and project implementation we continued with our Network Infrastructure project and the Data Centre revamp. This gives us the needed capacity, security and flexibility which we would not have been possible unless we improved our Network Infrastructure.

In coordination with the business units we have postponed the monthly payments of loan. This is not only in compliance to government mandate but also to fulfill our social responsibility with our customers during difficult times.

Operations Division

Operations Division had a challenging year 2020 in view of the disruptions faced due to the (Covid-19) Pandemic. The division has been successful in managing overall operational efficiencies through ongoing optimization, workflow streamlining, enhancement in monitoring and control processes, thereby providing improved service to both internal and external customers.

Cash Management Center (CMC)
CMC in collaboration with Information Technology Division (ITD) and Construction & Property Management (CPM) successfully completed installation, testing, and operating of smart machines for withdrawal and deposits and Diebold Automated Teller Machines in all branches, resulting in cash centralization in CMC.

CMC ensured 24/7 cash availability to customers during peak salary periods, weekends, and public holidays and especially during the lock down period.

Due to pandemic restrictions, CMC were temporarily assigned certain additional tasks like card delivery (even in lockdown areas), Cash Delivery, maintaining ATM sanitizer dispensers etc. which were handled efficiently as per the protocols.

Treasury & Investment Operations Department
Treasury & Investment Operations Department has restructured several of its internal processes to reduce Turnaround Time (TAT), automation of all KWD payments and optimization of SWIFT transaction process flow.

The department has also taken the initiative in coordination with Treasury & Investment Division to open new Custody Account for diversification of the Bond Portfolio and reduce concentration risk on the single custodian.

Also contact center handled major corporate customer's requests and executed transactions via all in one off-site kiosk after appropriate verifications; as well as managed few 24/7 self- service functions in some branches.

Fraud & Risk Monitoring Unit (FRMU)
FRMU is responsible for ensuring 24/7 availability to support SWIFT Sanctions Screening, screening for account opening, fraud monitoring that proactively identifies the anomalies to mitigate the fraud risk for CBK customers & Merchants.

Operation Administration Department
The department consists of Operation Processing Control Unit, Record Management Unit and Procedure Documentation Unit.

The department provides specialized back office support required by branches and also supports the organisation with procedure documentation and updation of re-engineered processes. The department has managed to automate and centralize several activities which were manually managed at branches & improved transaction controls reducing the operational pressure on branches to focus on customer service and cross selling.

Retail Credit Admin & Processing Department
The department introduced automated SMS notification to the customer when processing of Personal Loan is completed.
Also, the department initiated the printing of QR code for verification of letters and several product enhancements in the core banking system.

Loan Follow Up and Collection Department
The department introduced card less withdrawal for customers with outstanding loan liability and having legal status to enable withdrawal of salary as per their approved limit round the clock from CBK ATM machines.

The department established an agreement with The Public Institution for Social Security (PIFSS) to transfer the late (unpaid) installment pertaining to Family Fund & Insolvent Loan for retired customers with legal status, who have transferred their salaries to other banks.

Human Resources Division

SUPPORTING NATIONALIZATION AND CORPORATE SOCIAL RESPONSIBILITY

The recent economic crisis that erupted across the world due to the Corona Virus pandemic spread, negatively impacted markets in all business fields and posed unprecedented challenges to the whole Bank in general and the HRD in particular. The Bank has been successfully up to the challenges given the fact that Commercial Bank of Kuwait "CBK" is committed to play a crucial role during this pandemic, by supporting distressed business owners, their employees and workers who lost their businesses and jobs because of the crisis.

With its outlook, CBK has designed various initiatives to attract Kuwaiti talent and create a structured framework to develop and later retain them. The initiatives have contributed towards the sustainable development of the society as a whole and realizing the Bank's Kuwaitization objective reaching more than 72% as at the end of the financial year 2020, exceeding the prescribed ratio mandated by the Central Bank of Kuwait.

"Mubaderoon":

The program has been tailored specifically to support and develop Kuwaiti entrepreneurs, with main focus on Kuwaiti SME's negatively affected by the (Covid-19) pandemic.

Hiring the entrepreneurs on a consultancy agreement, allowing them to gain expertise and capturing their entrepreneurial mindset to benefit our operating model are just some of the several benefits associated with the 6-month extendable program, which also provides the willing candidates with the opportunity of permanent hiring at the end of the consultancy agreement term .

"Rowaad":

The initiative aims at attracting, retaining and developing high skilled fresh Kuwaiti nationals, supported by the insight for the implementation of Kuwait Vision 2035 in creating a competitive and agile workforce able to face upcoming challenges in this ever-changing work environment.

The 1-year program provides participants with an opportunity to understand and take part in all critical activities/areas of the Bank thereby preparing them for promising future roles.

Launching "Al-Tijari Kuwaiti Graduate Program – Finance":

Attracting high quality talent has become an increasingly important key indicator for performance, success and growth in the long term.

With this awareness, The Human Resources Division designed a distinctive graduate program targeting Kuwaiti Fresh graduates - majoring in Accounting and Finance with high GPA's from renown universities - to develop and later retain them.

Trainees hired as Senior Professionals are given the opportunity to rotate in various divisions - with regular periodic performance reviews and assessments in place - and attend various programs (classroom/ virtual based) to enhance their behavioral and technical skills required for future roles.

BUILDING A BLENDED LEARNING CULTURE

THABER Mobile Application

During this unprecedented global health crisis, CBK made the health and well-being of its employees and customers a top priority while ensuring continuity of its business operations.

Hence and to cope with the recent development with regard to the pandemic spread and as many of our employees have had to remain at home for their safety and for the safety of others; The Human Resources Division, as part of its ongoing commitment to their professional development, has launched the THABER Mobile Application.

Similar to our e-learning portal, the mobile application allows users to browse assigned e-programs and complete mandatory (AML, Customer Protection Guide and Information Security Awareness programs) as well as the recommended sessions (Adapting to Change, Customer Service, Internet of Things and Data Analytics just to name a few).

E-programs
Programs deemed highly beneficial during this critical period namely **“Working Remotely”**, **“Managing Teams Remotely”** and “Infection Prevention and You” have been assigned to employees on THABER.

In addition, the “Information Security Awareness” e-learning program has also been launched on the e-learning portal and assigned to all employees in order to create awareness on the importance of information security and inform learners about their responsibilities towards securing information assets.

Virtual Blended Program: Personal Resilience at Times of Change
The Learning & Development function “L&D” has designed a Prototype for a Virtual Blended Program which incorporates an interactive virtual Zoom session with an external vendor, along with Action Tips, Essentials, Articles and Video casts available on THABER (both on the e-learning Portal or Mobile App).

The Virtual Blended training method allowed users to make use of live virtual training (with external instructor) and benefit from a variety of related e-resources uploaded on THABER.

KFAS Emergency Resilience Program (ERP) Grant
In order to encourage and instill a culture of online learning in the private sector and to continue to motivate and help the development of employees during this hard time, the Kuwait Foundation for the Advancement of Sciences (KFAS) offered a special support to companies with major contributions to KFAS through the KFAS Emergency Resilience Program (ERP).

The concerned committee at KFAS has approved the Bank’s Application and hence CBK has been awarded a grant in recognition for its continuous support to provide employees with learning & growth opportunities.

Humanitarian Contributions’ Award
In recognition of its key role towards corporate social responsibility, CBK received “Human Construction System for Humanitarian Contributions” Award. This honoring came within the launching ceremony of ”Their lives are Precious“ Campaign - the national initiative for supporting the psychological health teams caring for the disabled where such Award was given to entities and leaders supporting this initiative. The award has been given to the Bank in recognition of its active contribution in the “ Partners to Employ them” Campaign through employment of the Kuwaiti Youth with special needs in appropriate Bank Divisions.

Return-to-Work Protocol: Post (Covid-19) Pandemic
HRD developed “CBK’s Return-to-Work Protocol: Post (Covid-19) Pandemic” after the lockdown due to (Covid-19) to address the precautionary measures taken by The Bank upon returning to work, as per the resolutions of competent authorities in the State of Kuwait.

It aims at safeguarding occupational health and safety of all employees at work, while maintaining flexibility in responding to any updates related to (Covid-19) or the internationally recognized precautionary measures, whether by tightening or easing restrictions dependent on the conditions prevailing whether threat levels of (Covid-19) are up or down.

In addition to the above, related Informative and awareness messages related to (Covid-19) are sent on weekly basis to all users to spread the culture of compliance with the recommended health and safety measures as per the guidelines of the World Health Organization and Kuwait Ministry of Health.

Internal Audit Division

Internal Audit is an independent, objective, assurance and consulting activity that adds value to and improves the bank's operations. It helps the bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes

The Bank has a well-established Internal Audit Division (IAD), which is responsible for independently testing and evaluating all internal controls and ensuring that the operating and business units adhere to internal policies, procedures and regulatory and legal requirements. The audit function also proactively recommends improvements in operational processes and service quality.

IAD always maintains transparent relationships with all CBK Business Stakeholders during all audit phases through different meetings and discussions from the start of the planning phase till the reporting of audit findings phase.

With the bank digital transformation, Internal Audit is moving to next-generation internal audit function that embraces an agile, holistic approach focusing on governance, methodology and technology while delivering stronger assurance and more valuable insights to the bank's operations in an efficient manner. Therefore, Internal Audit Management developing the staff skills in order to acknowledge the need for change, understands the essential capabilities for effecting change to be ready to provide greater assurance to stakeholders on the risks that matter most and in a more effective approach.

Internal Audit management works closely with Human resources to increase Kuwaiti staff percentage and to develop their resources skills in order to become highly technical and strong auditors to help the bank to assess the risks and related controls effectively .

Compliance and Corporate Governance Division

Compliance & Corporate Governance Division is an independent function which reports directly to the Board Corporate Governance Committee. The Division has a pivotal role in monitoring & verifying the Bank's compliance with local regulatory instructions & requirements pertinent to the Bank's business activities along with helping the Bank in averting risks that may arise from non-compliance with the same. Further, CCGD is a point of reference within the Bank as it reacts to all queries related to compliance with regulatory regulations and strengthens its cooperation with all the Bank's divisions & departments and also acts as a liaison between the Bank and regulators in relation to the instructions issued on compliance and any related issues, in addition to its efforts & endeavors to enhance the compliance and governance environment & culture for all staff members in the Bank. CCGD is responsible for preparing annual reports on compliance and corporate governance framework within the Bank. Such reports are usually raised to the Board Corporate Governance Committee which will in its turn present the same to the Board of Directors. The Division undertakes its duties & functions through both Compliance Department and Corporate Governance & Disclosure Department.

Compliance Department

Compliance Department is responsible for scrutinizing the Bank's compliance with the local regulatory instructions & requirements related to the Bank's business activities so that the Bank can avert risks that may result from non-compliance with the same. For this purpose, Compliance Department undertakes the following:

- Providing the required assistance to the Bank's different divisions / departments to clearly & precisely understand the regulatory instructions along with interpreting and clarifying the same to the divisions / departments.
- Preparing and updating the Bank's compliance policy.
- Reviewing the policies & procedures to ensure their consistency with the regulatory instructions.
- Acting as a point of reference within the Bank regarding all queries related to compliance with regulatory instructions & requirements.
- Coordinating between the Central Bank of Kuwait's inspectors and the Bank's different divisions / departments with regard to the inspection conducted on the Bank.

- Participating in the training sessions organized for the Bank's staff members with a view to get them aware of all compliance related issues.
- Following up the rectifying actions taken by the Bank's different divisions / departments with regard to any violations/remarks raised by the regulatory authorities.
- Monitoring subsidiaries' compliance with regulatory requirements.

Corporate Governance & Disclosure Department

Corporate Governance & Disclosure Department is responsible for verifying the Bank's compliance with the Central Bank's instructions on Corporate Governance principles as well as the rules & controls contained in Corporate Governance Manual. The Corporate Governance rules cover disclosure & transparency standards where the Bank endeavors to strictly comply with such standards as per the instructions of the Central Bank of Kuwait, Capital Markets Authority and Boursa Kuwait. The Corporate Governance & Disclosure Department also conducts regular review of the Bank's Corporate Governance & disclosure framework. The Department is tasked with the following duties:

- Take the necessary actions to monitor the Bank's implementation of the Central Bank of Kuwait's requirements & instructions on Corporate Governance rules.
- Review and update Corporate Governance Manual, bylaws and Corporate Governance related policies to ensure that they are in line with the Corporate Governance & Disclosure rules as per the local regulatory instructions.
- Take the necessary actions with regard to disclosure and transparency requirements as per the applicable regulations in this regard.
- Act as a point of reference within the Bank regarding the queries raised on Corporate Governance and disclosure.
- Verifying the extent to which subsidiaries satisfy Corporate Governance requirements.
- Participate in the training sessions organized by the Bank to get staff members familiarized with all issues related to Corporate Governance principles and disclosure.

During the year 2020, Compliance and Corporate Governance Division handled some new requirements, including the following:

- Implementation of Corporate Governance requirements related to Compliance Department where Compliance Policy was updated to cover identification and assessment of the issues associated with the risks of non-compliance and the extent to which such risks are efficiently managed.
- Following up and verifying the Bank's compliance with the Central Bank's instructions & requirements including those related to Cyber Security Framework and Regulation of the Electronic Payment of Funds.
- Applying the updates & amendments made to Corporate Governance rules & principles including the amendment to be introduced to the Articles of Association by adding independent members and nominating two independent members of the existing Board Members and adding the independent members to the composition of the Board of Directors and the Board Committees in addition to the amendment to be made to Corporate Governance Manual and bylaws of the Board of Directors & the Board Committees besides other related issues and arrangements.
- The Capital Markets Authority's instructions and Boursa Kuwait's rules with regard to disclosure requirements and General Assembly Meetings amid the exceptional circumstances related to the outbreak of coronavirus (Covid-19).

Legal Division

The Bank's in-house Legal Division assumes an effective role in providing the Bank's diverse departments & divisions with the professional legal services in such a way that meets their 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 and enhancing its important role & position in banking industry. Thus, Legal Division endeavors, through a professional working environment & clear objectives, to swiftly render the required legal services in such a professional manner.

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 training and development.

It is worth noting that the Legal Division, owing to the consolidated efforts & successful cooperation among its diverse departments, conducted several deliberations & negotiations with defaulting customers, thereby entailing important & significant financial settlements in favor of the Bank during 2020. This will contribute in strengthening the Bank's legal status and financial position in the coming period.

Furthermore, Legal Division endeavors to provide the Board of Directors, Executive Management and the Bank's diverse departments & branches, expeditiously and on accurate and flexible basis, with the required legal advice and opinions 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, the drafting of the legal contracts & documents related to the Bank's business always come among the Division's priorities for organizing the relationship between the Bank and its customers through appropriate & well-balanced legal framework. However, and when necessary, the Division endeavors to update the Bank's forms & documents from legal perspective to cope with the developments seen in banking industry and to satisfy the Bank's requirements and its customers' needs.

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

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 challenges & developments and the increasing competition seen in banking industry.

The Division also places high importance for contributing in getting staff members, particularly the new recruits at the Bank's different departments & branches familiarized and aware of the legal issues & matters pertaining to banking business.

Corporate Communications Division

Kuwait and the whole World have been experiencing tough circumstances due to the outbreak of the Novel Corona Virus Pandemic (Covid-19). However, these circumstances did not prevent the Corporate Communications Division at the Bank from undertaking its activities during 2020. On the contrary, the said circumstances may have contributed towards enhancing the Bank's endeavors to accentuate its profound footprint as a socially responsible institution that continue providing care and participation in the various social events and activities that cover wide range of humanitarian and charitable areas. These activities have in fact contributed to demonstrating the Bank's public image as a banking institution that realizes the significance of social responsibility in driving sustainable development.

The Corporate Communications Division, with coordinated efforts of all divisions and department, communicated the awareness tips of the pandemic professionally. The Division has been advising employees about the health requirements to be applied at the Bank's premises and branches, placing guidance posters, distributing sterilizers, ensuring the safety of employees working in the front lines and following all health precautionary instructions and Social distancing for the safety of employees and customers alike.

In response to the circumstances Kuwait saw amid the outbreak of Coronavirus (Covid-19), the Bank launched the "Double Your Reward" Campaign which was approved by Ministry of Social Affairs and Labor. This Campaign was meant to boost social solidarity through the Bank's donating an amount equal to one donated by any customer in favor of charitable societies & organizations participating in the Campaign through their accounts at the Bank.

The Bank always endeavors to participate in the diverse events & activities for the interest of all society segments, particularly the physically challenged people. Drawing on this, the Corporate Communications Division welcomed Al- Nibras Ideal School's students with special needs to share with them the celebrations of Kuwait National and Liberation Days. Corporate Communications Division also presented to students the features of Corporate Communications Division activities and briefed them about various other services that the Bank provides to its customers.

For Al-Tijari strong belief that environment conservation and protection is a key pillar of its Corporate Social Responsibility Program, the Bank participated in the largest cleaning up campaign titled "Kuwait is Clean with the Arms of its People" which aims at raising awareness of the importance of land and marine environment conservation. This campaign, organized by "Kuwaiti Al Nowair Initiative" , coincided with the "World Cleanup Day", reflecting the Bank's efforts to support social partnership, enhance cooperation with various society segments, and contribute to the initiatives intended for environment preservation.

On the occasion of celebrating the National Day and the Liberation Day, the Bank decorated and illuminated its headquarters. The Corporate Communications Division has also organized a special visit to the policemen at Al-Nuwaiseeb Security & Custom Border Gate. It also arranged visits to physicians and staff at the Emergency Medical Services Department - Ministry of Health and Al-Razi Hospital to share with them the joy of this happy occasion and give them presents in recognition of their efforts in treating and caring for patients at all times.

The Bank continued enhancing its corporate social role for sustainable social development by providing support and sponsorship for the diverse social activities and events organized by Kuwait six governorates to their inhabitants. This cooperation with Kuwait governorates has yielded great success of these activities under Al-Tijari sponsorship.

During 2020, the Bank continued its humanitarian activities "Hawwen Alaihom" Campaign targeting road cleaners and construction workers. The Bank arranged visits on several occasions to the work sites of this segement in recognition of their efforts towards keeping Kuwait environment safe and clean.

The Bank was keen on publishing its annual calendar for 2020 with pictures and paintings that mirror a period of the past century that witnessed several key achievements marking and recording Kuwait transition and development from one phase to another throughout its prominent history. That period witnessed, inter alia, the building of the Kuwaiti army and development of education in Kuwait. The Calendar with its paintings, like Al-Tijari other publications associated with the revival of heritage, historically document key areas of Kuwait development. As such, Al-Tijari Calendar has become a reference that is not associated with the elapse of the relevant year.

Given the significance of the social media networks, Corporate Communications Division endeavors to activate all means of Communications with the Bank's customers and the public via social media networks (Instagram, Facebook, Twitter, Snapchat, LinkedIn and YouTube) during (Covid-19) Pandemic. Through social media networks, the Bank initiates health awareness tips for protection and fighting against (Covid-19) in addition to launching a media campaign marking the Bank's celebrations of its 60^{th} Anniversary. The Bank also organized competitions for the followers of the Bank's social media accounts.

Given the Bank's wide and diverse activities in the field of corporate social responsibility, the Bank, through Corporate Communications Division, has issued a booklet highlighting all societal activities & events organized and patronized by the Bank during 2020.

Corporate Governance Rules and Systems

Introduction

When applying Corporate Governance rules and systems, Commercial Bank of Kuwait "CBK" 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 and culture within the Bank.

During the year 2020, the Bank continued to enhance its policies, procedures and practices with a view to effectively apply the instructions & standards pertaining to 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 and updated its bylaws and policies and ensure they are in compliance with the Central Bank of Kuwait requirements.

The Bank has also worked on adaptation and streamlining its status to cope with the updated instructions of the Corporate Governance rules and principles issued by the Central Bank of Kuwait "CB" in September 2019. 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 endeavors to adopt the highest levels of transparency and discloses all Bank's material information according to the Capital Markets Authority's instructions and Boursa Kuwait rules. Furthermore, the Bank posts such disclosed information and its approved Corporate Governance Manual on the Bank's website.

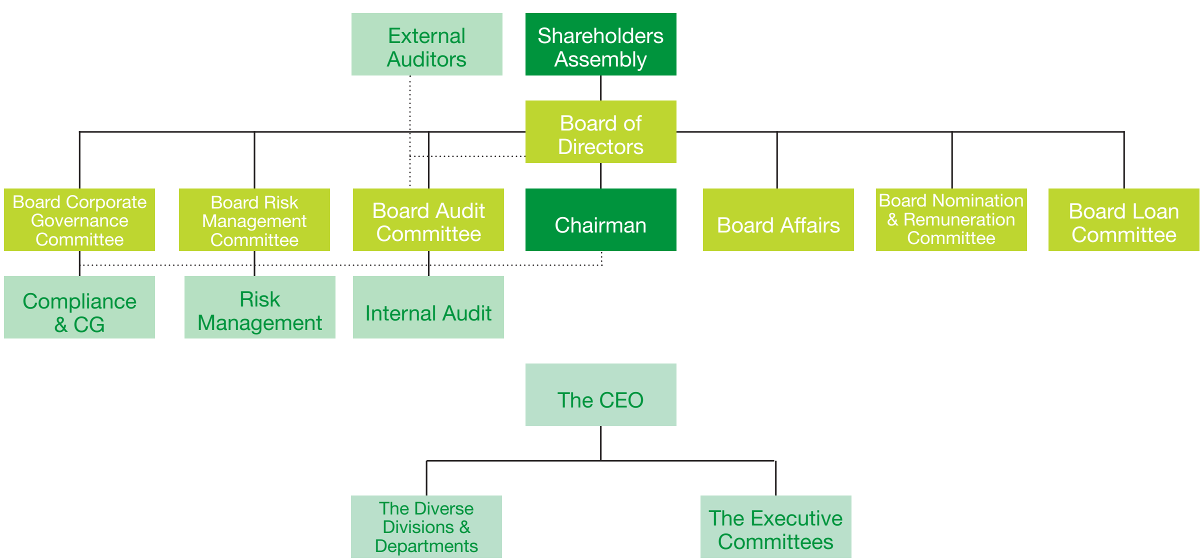
Major Shareholders

Shareholders with a percentage exceeding 5% of the Bank's share capital as at the end of 2020 are as follows:

- Al Sharq Holding 23.221%

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 Group considering that it will include 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:

In accordance with the Companies Law, its Executive Regulations, the Corporate Governance Rules and the Bank's Articles of Association, The Bank's shareholders in their General Meeting have elected the members of the Board of Directors by secret ballot for a term of three years after obtaining the approval of the Central Bank of Kuwait. In April 2020, the General Assembly nominated two independent members from amongst the members of the Board of Directors for implementing the rules of corporate governance and the Bank's Articles of Association. In October 2020, the two independent members resigned from the Board of Directors, and accordingly the Bank initiated the necessary measures to meet the regulatory requirements and nominate the independent members in compliance with Corporate Governance Rules and the Central Bank of Kuwait's 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. 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 Jaber Al Sabah – Chairman

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

Sheikh / Ahmad has chaired the Bank's Board of Directors since 31/3/2018. He is also the Chairman of the Board Loan Committee and the Board Corporate Governance Committee.

Prior to holding the position of the Chairman of the Board in Commercial Bank of Kuwait, Sheikh / Ahmad has held the position of the Vice Chairman 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.

Sheikh / Ahmad 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 February 2019 to 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.

Sheikh / Ahmad has also worked as:

- Investment Manager in Tijari Investment Company during the period from 2010 to 2012.
- 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.

Mr. Abdulrahman Abdullah Abdulrahman Al Ali – Vice Chairman (Since October 2020)

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

Mr. Abdulrahman is an experienced board member with 30 years of experience in investment and projects financing. He mostly acquired his experience during his work at Gulf Investment Corporation, where he held the position of Senior Deputy Chairman, besides being 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 and the United Holding Company from 1998 to 2006. He is currently a Member in the Ethical Review Committee - Dasman Diabetes Institute since 2010.

In addition to his present 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 Chairman of the Board Risk Management Committee and is also a Member in the Board Loan Committee.

Ms. Anoud Fadel Ibrhim Al Hathran – Vice Chairperson (Resigned in October 2020)

Ms. Anoud obtained a Bachelor degree in Accounting 2002 from Kuwait University and Master of Business Administration 2007 from Kuwait Maastricht Business School. Ms. Anoud has gained diverse experience through her work for the following entities:

- Senior Manager, Local and Gulf Investments in Global Investment House during the period from 2002 to 2007.
- Deputy CEO, investment funds and customers' portfolios in Securities Group Company during the period from 2008 to 2016.
- Ms. Anoud was also a Member in the Board of Directors of the following companies:
- National International Holding Company during the period from 2006 to 2007.
- The Kuwaiti Qatari Real Estate Development Company during the period from 2009 to 2016.
- Commercial Bank of Kuwait during the period from 7/4/2010 to 22/3/2011, then she held the position of Vice Chairperson during the period from 23/3/2011 to 29/4/2012.
- Educational Holding Group Company during the period from 2016 to 2017.
- Kuwaiti Saudi Pharmaceutical Industries Company during the period from 2009 to July 2018.
- Tijara & Real Estate Investment Company since 2016 until present.

In addition to occupying the position of a Board Member once again in the Bank's Board of Directors and after being elected as Vice Chairperson since 31/3/2018 until October 2020, Ms. Anoud was the Chairperson of the Board Corporate Governance Committee. Following her nomination as an independent member, she was the chairperson of the Board Risk Management Committee and the Board Nomination and Remuneration Committee. She also served as a member of the Board Loan Committee.

Mr. Bader Sulaiman Abdullah Al Ahmad

Mr. Bader held a Bachelor of Accounting 1980 from Kuwait University and a Master in Business Administration 1983 - USA. Mr. Bader is an experienced board member and has occupied diverse positions in the following institutions:

- Accounting Controller - Civil Service Commission (1983 - 1985).
- Member of the Saudi Organization for Certified Public Accountants in Saudi Arabia (Riyadh) No. 212 on 14/9/1407 AH.
- External Auditor - Kuwait Stock Exchange (1985 - 1986).
- Deputy Manager, Catering Department - Kuwait Aviation Service Company (1986 - 2002).
- General Manager, United Poultry Company (2006 - 2007).
- Manager, Safway General Trading & Contracting Company since 1989 until present.
- Vice Chairman of Commercial Bank of Kuwait during the period from 7/4/2010 to 11/5/2010.
- Chairman of Commercial Bank of Kuwait during the period from 11/5/2010 to 23/3/2011.
- Board Member in Commercial Bank of Kuwait during the period from 23/3/2011 to 29/4/2012.
- Board Member in Securities Group Company from 2013 to September 2019.

In addition to his responsibilities as a Member in the Bank's Board of Directors since 25/6/2013, Mr. Bader is the Chairman of the Board Audit Committee and a Member of the Board Corporate Governance Committee.

Dr. Arshid Abdulhadi Zaid Mubarak Al Houri

Dr. Arshid held a Bachelor of Law & Islamic Jurisdiction from Kuwait University in 1987 and high diploma in Administrative Law 1993 - 1994 from the Police Academy – Egypt, he also held Master in Administrative law 1996 / Cairo University - Egypt and a PhD. in law (General Law - Administrative law) 2001 from Ain Shams University - Egypt. Dr. Arshid has long experience during which he occupied a number of key positions including the following:

- Manager, Legal Department - National Guard (1994 - 2007).
- Advisor to His Highness the Commander of the Kuwait National Guard (2007 - 2008).

Dr. Arshid was also a Board Member in Al-Tijari Investment Company - CBK Capital from 2010 to 2013 and Vice Chairman then Chairman of Yiaco Medical Company. In addition, he was seconded for lecturing in Kuwait University - College of Law during the period from 2012 till now.

In addition to his current position as a Member in the Bank's Board of Directors since 6/7/2013, Dr. Arshid is a Member in both the Board Audit Committee and the Board Corporate Governance Committee.

Mr. Musaed Nuri Musaed AlSaleh Al Mutawaa

Mr. Musaed obtained a Bachelor degree in Business Administration from Suffolk University, USA, 1998. He was also a Fellow at Harvard University's Center for International Affairs.

Mr. Musaed has more than 20-year experience in areas of investments, advisory services, real estate, banking and managing companies.

- He is currently the Deputy CEO at MASS United Trading & Contracting Company.
- He was Former Vice Chairman and CEO - National Projects Holding Company.
- He was selected amongst the leaders shortlist taking part in World Economic Forum annual meeting in (Davos). He was also honored as a Young Global Leader (YGL).
- He is a member of the Young Presidents' Organization (YPO) since 2004.
- He was former Member of the Board of Directors of the Kuwait Society for the Handicapped.
- He has long banking experience acquired from working at banks such as Banque Baring Brothers and FIMBank.

In addition to his present position as a Board Member in Commercial Bank of Kuwait since 30/9/2014, Mr. Musaed is the Chairman of Board Nomination & Remuneration Committee and is also a Member of the Board Risk Management Committee.

Ms. Rasha Yousef Hussein Al Awadhi (Resigned in October 2020)

Ms. Rasha held a Bachelor of Accounting & Auditing 1992, Kuwait University. Ms. Rasha is also a Certified Accountant, a Certified Securities Dealer, an Arbitrator, a Certified International Investment Analyst, a Certified Investment & Derivatives Auditor and a Certified Internal Auditor. She is a member of the Kuwaiti Association of Accountants & Auditors.

In addition to her high academic qualifications & credentials, Ms. Rasha possesses long experience in investment field where she has occupied diverse positions including the following:

- Investment Officer at Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC) (from 1992 to 1996).
- Senior Officer at Kuwait Investment Company (from 1997 to 1998).
- Assistant Deputy Chief Operations Officer at Global Investment House (from 1998 to 1999).
- Deputy Chief Operations Officer at Global Investment House (from 2000 to 2006).
- Senior Deputy Chief Executive Officer - UNICAP Investment & Finance (Previously Housing Finance Company (ISKAN)) from 2006 to 2019.
- General Manager - First Kuwaiti Educational Services Company from 2010 to 2019.
- General Manager - Al Reeyada International Educational Services Company from 2018 to 2019.
- Board Member in Iskan Oman Investment Company and Chairperson of the Audit Committee in the Company from 2008 to 2019.

In addition to the above, Ms. Rasha is currently holding the position of a Board Member of the Private Schools Union.

In addition to her position as a Member of the Bank's Board of Directors from 4/4/2015 to October 2020, Ms. Rasha was a Member in both the Board Corporate Governance Committee and the Board Audit Committee. After being nominated as an independent member, she was the chairperson of the Board Audit Committee and she is member in the Board Corporate Governance Committee.

Mr. Mohamed Abdul Razzaq 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.
- Kuwait Saudi Pharmaceutical Industries Company from 2012 to 2019.
- Eyas for Higher and Technical Education Company from 2016 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 and the Board Audit Committee.

Sheikh / Talal Mohammed Al Salman Al Sabah

Sheikh / Talal held a Bachelor of Science in Business Administration 2001, American University, Washington, D.C. Sheikh / Talal is currently working in Securities Group Company and 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 and the Board Loan Committee.

Mr. Manaf Mohammed Ali 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).
- 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 and the Board Nomination & Remuneration Committee.

Mr. Youssef Yaqoub Al Awadhi

Mr. Al-Awadi 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 from 17 January 2010 to 30 November 2010.
- Investment Manager - Direct Investment Department in Al-Ahlia Holding Company from 4/8/2007 to 31/10/2009.
- Accountant at Wafra International Investment Company from 2004 to 2007.
- In addition to the above, Mr. Al-Awadi 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 from 22/05/2017 to 03/12/2017.
- 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 18/05/2015 to 1/1/2016.
- 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.

In addition to his position as a member in the Bank's Board of Directors from 9 November 2020 to date, Mr. Al-Awadi is also a member of the Board Nomination and Remuneration Committee and the Board Risk Management Committee.

Key Roles & Responsibilities of the Board of Directors

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, 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 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 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 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.

Key Achievements of the Board of Directors for the year 2020

- Approving the Bank's Risk strategy (Risk Appetite 2020- 2024).
- Conducting regular review of Risk Management Strategy Reports.
- 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 review of the structure of both the Corporate Governance & Board of Directors and Risk Management Division.
- Performing review of 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 and approving the stress testing methodology.
- Approving the Bank's budget for 2021.
- Reviewing the external reports related to IT & Information Security Risk assessment and related action plan.
- Reviewing and approving the Cyber security framework.
- Approving the updates & amendments introduced to the bylaws of the Board of Directors and the related Board committees to align them with the Central Bank of Kuwait's updated Corporate Governance instructions.
- Approving the updates & amendments introduced to Corporate Governance related policies and requirements.
- Recomposing the Board Committees in line with the latest updates.
- Approving the updates introduced to risk management policies applicable at the Bank.
- Approving the updates introduced to the diverse policies governing the Bank's business activities.
- Approving the performance evaluation related to the Board of Directors, the Board Members and the CEO, and approving the proposed 2020 Training Plan for the members of the Board of Directors.
- Approving the proposal for creating new job levels and changing the current job grades.
- Reviewing the regular reports on the Bank's diverse business activities.
- Reviewing the restructure of the branching network.
- Reviewing the regular reports on the roles & responsibilities of the Board of Directors and the Board committees.
- Reviewing and assessing the performance of the credit & investment portfolios and loans.
- Following up the observations & violations raised by regulators and the necessary corrective actions taken in this regard.
- Reviewing the External Auditor's Internal Control Review (ICR) report for the year 2019 and the Follow-up reports prepared in this regard.
- Reviewing the Management Letter prepared by the External Auditors.
- Approving the engagement of external audit firms for undertaking certain assignments for the Bank.
- Approving the updates to the Succession Planning.

- Approving the Business Continuity Plan and the related testing report.
- Reviewing and following up the diverse administrative aspects in the Bank pertaining to business continuity during the complete lockdown period from 11 to 30 May 2020.
- Reviewing the Business Continuity Plan to prepare the bank for the Government's Back to Work (Phase1) during the period from May 31 to 18 June 2020.
- Reviewing the list of candidates for the board membership, independent and non-independent Members for the coming Board Session (2021-2023).

The Board Committees, their Main Roles & Responsibilities and Key Achievements for 2020:

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's 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. Brief description about each Committee is given below:

Board Corporate Governance Committee	
Composition	Sheikh / Ahmad Duaij Jaber Al Sabah – Chairman Mr. Bader Sulaiman Al Ahmad Dr. Arshid Abdulhadi Al Houri * Due to the introduction of independent members to the composition of the Board Committees, the Board Corporate Governance Committee was recomposed on 9/6/2020 where Mr. Bader Al-Ahmad became the chairman of the Committee instead of Ms. Anoud Al Hathran. In addition, Ms. Rasha Al Awadhi became a member of the Committee. * Due to the resignation of Ms. Rasha Al Awadhi, the Committee was recomposed on 24/11/2020 where Sheikh/ Ahmad Al-Sabah became the Chairman of the Committee.
Main Roles & Responsibilities	• Prepare and update CG manual to be approved by the BOD, includes the rules and regulations contained in the CB instructions regarding CG rules and systems at a minimum. The same shall be published on the Bank's website. • Review the annual reports submitted by the Compliance Department on The 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 that facing the Bank in light of the Compliance Department identification and 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 taking into account the positions of Bank's subsidiaries, and present these reports to the BOD. • Review the annual reports submitted by the CG and Disclosure Department for the purpose of following-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 subsidiaries to meet the applicable governance requirements and present these reports 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 the CG structure on an annual basis to ensure that it is continuously appropriate, and ensure that such structure contributes to the effective oversight on subsidiaries, and present the same to the BOD annually. • 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.
Key Achievements	• Reviewed the amendments to the Corporate Governance Manual in line with the updated Corporate Governance instructions issued by the Central Bank of Kuwait and verified compliance with the requirements thereof. • Reviewed Compliance Department & Corporate Governance Department's annual reports for 2019 outlining the extent of the Subsidiary capabilities to maintain compliance with Corporate Governance requirements and reported the same along with the necessary recommendations to the Board of Directors for review. • Reviewed the updates to the Compliance Policy. • Reviewed the updates introduced to the Board of Directors' bylaws and the updates introduced to Corporate Governance Committee.

Board Audit Committee	
Composition	Mr. Bader Sulaiman Al Ahmad – Chairman Dr. Arshid Abdulhadi Al Houri Mr. Mohamed Abdul Razzaq Al Kandari * Due to the introduction of independent members to the composition of the Board committees, the Committee was recomposed on 9/06/2020 where Mrs. Rasha Al Awadhi became the chairperson of the Committee instead of Mr. Bader Al-Ahmad. * The Committee was recomposed on 24/11/2020 where Mr. Badr Al-Ahmad became of the Chairman of the Committee due to the resignation of Ms. Rasha Al Awadhi, the former chairperson of the Committee.
Main Roles & Responsibilities	• 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 to ensure the adequacy of resources allocated to control functions. • Oversee and support the independence 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 Bank's 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 performance of the CIA annually and determine his remunerations and the remunerations of internal auditors. • 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. The BAC should meet at least once during a calendar year, without presence of the Executive Management, with the External Auditors, CIA and head of Compliance and Corporate Governance. • Undertakes other duties and responsibilities relevant to internal and external audit and internal control systems.
Key Achievements	• Conducted regular review of the quarterly and year-end financial statements. • Reviewed and followed up the External Auditor's ICR report for the year 2019 and the follow-up reports prepared in this regard. • Reviewed the Management Letter prepared by the External Auditor. • Raised recommendations for reappointing the External Auditors and reviewed the related contractual terms & conditions. • Engaged external auditors to examine internal control systems and verify the Bank's compliance with the application of Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) Agreement. • Engaged external auditor firms to conduct a comprehensive assessment of Bank's condition, status, and operations and to assess 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. • Followed up the implementation of the approved 2019 Audit Plan and the latest updates on the same. • Reviewed the organizational structure of the Internal Audit Division. • Appraised the performance of Chief Internal Auditor and conducted a review of the appraisal performance process and form. • Reviewed the amended 2020 Internal Audit Plan. • Reviewed the updates to the Board Audit Committee's bylaws.

Board Risk Management Committee	
Composition	Mr. Abdulrahman Abdullah Al Ali – Chairman Mr. Mohamed Abdul Razzaq Al Kandari Musaed Nuri Musaed Al Saleh Mr. Youssef Yaqoub Al Awadhi * Due to the introduction of independent members to the composition of the Board committees, the Committee was recomposed on 9/6/2020 where Ms. Anoud Al Hathran became the chairperson of the Committee instead of Mr. Abdulrahman Al Ali. * The Committee was recomposed on 24/11/2020 where Mr. Abdulrahman Al-Ali became the Chairman of the Committee due to the resignation of Ms. Anoud Al Hathran, the former chairperson of the Committee.
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 it is 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 the spread of risk governance culture within the Bank. • Ensure the Executive Management's implementation of the risk strategy, appetite and policies. • Reviewing the reports related to risks associated with the Bank's subsidiaries, and reviewing 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 programs which shall be in line with the Bank's strategy and objectives and risk appetite, and present the same to the BOD and review the follow-up reports prepared by the executive management in this regard.
Key Achievements	• Reviewed Risk Management Strategy for the period 2020-2024 (Risk Appetite). • Reviewed Risk Management Strategy regular reports. • 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) and reputation risks. • Reviewed the analysis of the Corporate, International, and Retail Credit and Investments portfolios. • Reviewed risk reports on subsidiaries. • Reviewed the updates introduced to Risk Management Policies before submission to the Board of Directors for approval. • Reviewed Information Security Framework. • Reviewed Operation Risk Management Policy and abolished the Legal Risk Management Policy. • Reviewed the Market Risk Management Policy. • Reviewed the Interest Rate Risk Management Policy. • Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing Policy and related Process. • Reviewed the Information Technology Management Policy. • Reviewed the Information Security Policy. • Reviewed the Information Security Risk Management Policy. • Reviewed the Business Continuity Policy and Plan and the Business Continuity Plan Testing Report. • Reviewed the organizational structure of the Risk Management Division. • Reviewed the updates to the bylaws of Board Risk Management Committee. • Reviewed and followed up various administrative aspects at the Bank related to business continuity during the total lockdown period from 11 to 30 May 2020 • Reviewed the Business Continuity Plan during the first stage of the Government's Back to Work during the period from 31 May 2020 to 18 June 2020.

Board Nomination & Remuneration Committee	
Composition	Mr. Musaed Nouri Al Saleh – Chairman Sheikh / Talal Mohammed Al Sabah Mr. Manaf Mohammed Ali Al Muhanna Mr. Youssef Yaqoub Al Awadhi * Due to the introduction of independent members to the composition of the Board committees, the Committee was recomposed on 9/6/2020 where Ms. Anoud Al Hathran became the chairperson of the Committee instead of Mr. Musaed Nouri AlSaleh. * The Committee was recomposed on 24/11/2020 where Mr. Musaed Nouri AlSaleh became the Chairman of the Committee due to the resignation of Ms. Anoud Al Hathran, the former chairperson of the Committee.
Main Roles & Responsibilities	• Prepare and update the BOD membership nomination criteria's 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 independence 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. • Ensure annually of the continued availability of independence conditions in the independent members during their BOD membership, and the BNRC Secretary shall follow-up this matter. • 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 clarify their rights and responsibilities, and the 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, and the BNRC Secretary shall follow-up this matter. • Ensure that the BOD members are continuously 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. • Oversee 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 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 includes 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. • 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 those at the same level of executive jobs in the Bank, such recommendations shall be effective only after the 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 instructions in this regard. • 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 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.
Key Achievements	• Appraised the performance of the Board of Directors and performance of each Board Member and conducted review of the performance appraisal forms. • Conducted review of the proposed 2020 Training Plan for the Board Members. • Reviewed the updates to the Board Nomination and Remuneration Bylaw. • Conducted regular review of the Bank's Remuneration Policy before submission to the Board of Directors for approval. • Reviewed the updates to Human Resources Policy. • Reviewed Succession Planning. • Reviewed the Internal Audit Report on the Remuneration Policy. • Reviewed the regular reports & information submitted by Human Resources Division. • Reviewed the proposal for creating new job levels and staff grading system. • Regularly reviewed the Remuneration Policy of the Subsidiary. • Reviewed the proposal for the composition of the Board committees. • Reviewed the list of candidates for membership of the Board of Directors for the coming term 2021-2023 as well as the independent and non-independent members.

Board Loan Committee	
Composition	Sheikh / Ahmad Duaij Al Sabah – Chairman Mr. Manaf Mohammed Ali Al Muhanna Mr. Abdulrahman Abdullah Al Ali Sheikh / Talal Mohammed Al Sabah * The Composition of the Committee was amended on 9/6/2020 then recomposed on 24/11/2020.
Main Roles & Responsibilities	• Review the credit policy and the proposed amendments thereto before the 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, amend and approve to extend the new facilities based on the Credit & Investment Committee's recommendation and within the limits prescribed by the CB. • Give the approvals to the procedures of returning funds, reversing the interests & fees, carrying items off the balance sheet, the final settlement of the written off amounts, 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. • Monitored the position of the Bank's credit portfolio and associated risks.

Meetings of the Board of Directors & its Sub-Committees and Frequency of Participation in such Meetings

The below table presents the number of meetings of the Board of Directors and other related Board Committees during the year 2020 along with an outline of the frequency of participation by the Board Members in the meetings.

Total Number of Meetings Held During 2020	BOD Meetings	BCGC	BRMC	BAC	BNRC	BLC	Total Number of Meetings Attended by Members
	18	**4**	**12**	**10**	**8**	**34**	**86**
Board Members	**Number of Meetings Attended by the Board Members**						
Sheikh/Ahmad Al Sabah	18					34	**52**
Abdulrahmn Al Ali	16		11			33	**60**
Anoud Al Hathran	13	2	6		3	19	**43**
Bader Al Ahmad	13	2	4	8			**27**
Dr. Arshid Al Houri	16	2	1*	10	3		**32**
Musaed Al Saleh	12		2		4	5+1*	**24**
Rasha Al Awadhi	12	4		8			**24**
Mohamed Al-Kandari	16	2	8	9			**35**
Sheikh/Talal Al Sabah	15		4		4	29	**52**
Manaf Al Muhanna	18		4		7	25	**54**
Youssef Al Awadhi	3		1		1		**5**

Remarks:
* Alternate Member for maintaining quorum.

During 2020:

- The total number of the Board decisions taken by circulation was (15).
- The total number of the BCGC's recommendations / acceptance made by circulation was (3).
- The total number of the BRMC's recommendations / acceptance made by circulation was (2).
- The total number of BNRC's recommendations / acceptance made by circulation was (2).
- The total number of BLC's recommendations / acceptance made by circulation was (17).

Due to the resignation of Mr. Hazem Al Khaled from the Board of Directors in January 2020, Mr. Mohamed Abdul Razzaq Al Kandari, the first reserve member, was called for Board membership as at 28/1/2020 to complete the current term of the Board of Directors.

Due to the resignation of the two independent members, Ms. Anoud Al Hathran and Ms. Rasha Al Awadhi, from the Board of Directors in October 2020, Mr. Youssef Yaqoub Al Awadhi, the second reserve member, was called for Board membership as at 10/11/2020 to complete the current term of the Board of Directors.

In this context, we emphasize that the meetings of Board of the Directors & other board committees held in 2020 were in line with the Corporate Governance rules issued by the Central Bank of Kuwait and commensurate with the bylaws governing the roles & responsibilities of the Board of Directors and its related committees in terms of the number & frequency of meetings, the quorum and the issues reviewed and discussed by the Board Members. It should be also noted that due to the resignation of the two independent members in October 2020 and to continue running the Bank's affairs, the meetings of the Board of Directors and the Board committees have been held without the independent members since then. In line of the Central Bank of Kuwait's instructions in this regard, the Bank has taken the necessary measures to satisfy the requirements for nomination to the membership of the Board of Directors for the next session, including the independent members.

Evaluation of the Board of Directors' Performance

In implementation of the Corporate Governance rules, the Board Nomination & Remuneration Committee, through self-assessment methodology under a set of forms & 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 & approval and for taking up the required recommendations with an ultimate objective to enhance the Board of Directors and the Board Members competencies & 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.

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 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 & 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 functions of Internal Audit, Risk Management and Compliance & Corporate Governance. However, proper identification of the duties, responsibilities and authorities of all functions incorporated within this organizational structure should be observed. Furthermore, the organizational structure takes into account the internal control systems that mandate dual control, segregation of duties & responsibilities, having adequate policies & procedures and a 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 operations efficiency, the Board of Directors regularly verifies the policies, controls and internal control functions (such as Internal Audit /Risk Management Division / Compliance & Corporate Governance Division) to identify the areas that require improvement. It also works on identifying and addressing risks and significant issues. Further, the internal control systems are one of the recurring items listed in the Agenda of the Board of Directors' meetings to discuss any updates or enhancement required on applicable controls along with rectifying any findings raised in this regard.

The Board of Directors, through the regular reports raised by the Board committees, reviews and approves the rules, policies and manuals pertinent to Corporate Governance and internal control systems that commensurate the Bank's business & activities, branches and subsidiary. In addition, and in compliance with the Central Bank of Kuwait's instructions on Corporate Governance Rules & Systems, the Board of Directors verifies the effectiveness of such rules & standards and enhances & updates them according to any amendments that may be introduced. 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 2020 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 2019. The Auditor's Report prepared on 27/9/2020 stated that the accounting and other records and internal control systems of the Commercial Bank of Kuwait and its subsidiary "the Group" for the year ended 31 December 2019, for the areas subject to review, have properly been established and maintained in compliance with the requirements of the Central Bank of Kuwait's General Guidelines Manual dated 14/11/1996, Central Bank of Kuwait's circular dated 14/01/2020, 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 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 2019. 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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Opinion letter

The Board of Directors
Commercial Bank of Kuwait K.P.S.C.
Mubarak Al Kabeer Street
Safat,13029
State of Kuwait.
27 September, 2020

Dear Sirs,

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 05 July 2020, 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 2019:

We covered the following areas of the Bank:

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

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) circular dated 14 January 2020 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 2019, 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 14 January 2020,

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 2019, 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

BDO Al Nisf & Partners is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Code of Conduct & 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 & ethical values and raise awareness of all staff members about such values.
The Bank complied with and enhanced Corporate Governance values through a set of policies, procedures and practices applicable at the Bank. 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, 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 Audit & 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 Corporate 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 & records regulating disclosure on Conflict of Interests cases and the mechanism for addressing them.

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 Corporate 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 & records regulating disclosure of related parties' transactions.

Disclosure and Transparency

The Bank stresses the importance of the disclosure & 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 & Transparency Policy that applies to the information available with the Board of Directors and the Executive Management including the Bank's divisions / departments where such information should be disclosed to local regulators & 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 & Transparency.

Insider Trading

Within its endeavors to preserve the confidentiality of the inside information of the Bank & 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 Corporate Governance Committee and approved by the Board of Directors. Furthermore, the Bank initiated some procedures, such as obtaining acknowledgments & undertakings from the insiders, determining the proper contractual arrangements with the other insiders, preparing the insiders list & updating it on an ongoing basis along with all required forms & records in this regard.

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 of protecting the banking secrecy.

Information Security & 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 & 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 & approving the policies & controls for Information Security & Cybersecurity systems and establishing an independent & specialized department equipped with qualified professionals and the required resources with clear duties for implementing & 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 Communications culture to the Bank's employees & others. It provides a tool by which staff can be involved in the protection of the Bank and its interests and to establish a mechanism that enables them to communicate any information that may come to their knowledge to the Bank regarding: any transaction or behavior within the Bank that is suspected of violating or already violated the laws, regulatory instructions or internal policies, or information about any 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 and provides them with the necessary protection in the meantime.

Customer Complaints

Within the Bank's endeavors to find proper solutions for complaints received from customers and to satisfy regulatory requirements, the Bank has established specialized department, with direct reporting line to the CEO, to deal with customers' complaints. This Department has in place approved policy & procedures governing its duties & responsibilities as well as the appropriate mechanisms for dealing with complaints. Further, the Department oversees and ensures effective implementation of the Customer Protection Manual and ensures strict compliance with the instructions issued by the Central Bank of Kuwait in this regard.

Remuneration 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 25/08/2020.

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 & benefits that ensures positioning the employees in an appropriate manner.
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 & 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 & fixed/ supplementary allowances & variable remunerations which are related to the performance and depend on the Bank's financial performance and divisions / departments' roles & efforts towards this performance in addition to the 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 and 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 & Corporate Governance Division, Risk Management Division and Internal Audit Division are reporting to the Board Corporate 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, prepares the performance appraisal of heads of both Compliance & Corporate Governance Division and Risk Management Division while the Board Audit Committee prepares 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 2020

Board of Directors:

The Bank's Chairman and the Board Members' remunerations totaled KD 438,000 during the year 2020. The Board of Directors' remunerations are disclosed in the annual financial statements of the Bank which is subject to the approval of shareholders at the General Assembly Meeting.

Top Executives:

Remunerations totaling KD 934,912 have been paid to five Top Executives inclusive of the Chief Executive Officer. The mentioned amount also included the remuneration paid to the Chief Financial Officer, the Chief Internal Auditor and the Chief Risk Officer.

Employees' categories:

Category	Number	Total Remunerations	Remarks
Top Executive & Supervisory Management	14	KD 1,393,845	Including 9 executives whose appointment is subject to approval of the Central Bank of Kuwait's and their remuneration amounted to KD 959,977.
The officials with authorities for taking decisions on the issues related to risk exposures (Risk Takers).	4	KD 578,379	Including the CEO, Deputy CEO for Corporate & International Banking Division, Head of Treasury & Investment Division and Head of Retail Banking Division.
The officials in charge of Financial Control and Risk Management.	5	KD 414,874	Including Heads of Financial Planning & Control Division, Internal Audit Division, Risk Management Division, Compliance & Corporate Governance Division and 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 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 & 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 Bank appraises the performance of the qualified incumbents selected to occupy such key positions from amongst high skilled professionals having the required qualifications & 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 & systems and the approved Corporate Governance Manual. The Bank has prepared, completed and approved all byelaws & policies and requirements pertaining to Corporate Governance rules. The Bank, further, updates these byelaws & 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 supervision on the Bank's business & activities and also follow up & monitor the implementation of the various requirements of the Corporate Governance.
- The Code of Conduct is circulated to the Board Members and all employees of the Bank along with obtaining their signatures for 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, add to this 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 & instructions. It should be noted that the External Auditor's 2019 Report has not included any findings on the Corporate Governance rules.
- Further, the Bank has worked on adjusting & regularizing its processes in line with the updated instructions of Corporate Governance rules & systems issued by the Central Bank of Kuwait in September 2019. Necessary amendments have been introduced to the Bank's Articles of Association by increasing the number of Board Members and adding independent Members to the composition of the Board of Directors. The Board and Board committees' bylaws and other policies & requirements related to Corporate Governance have also been amended. The Bank continues in the rigorous implementation of these rules for ensuring compliance with the Central Bank instructions and for maintaining the principles of sound corporate governance.

The Rights of Shareholders & Stakeholders

The Bank's 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 & stakeholders, and 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 & accurate information without discrimination.

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 Committees

The Bank has in place eight executive committees reporting to the CEO as follows:

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

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

3. **Provisioning Committee**
   The Provisioning Committee is responsible for analyzing & 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. **IT & Operational Risk Committee**
   The IT & Operational Risk Committee is responsible for establishing the Bank's strategy & policies related to information technology & IT security and ensuring their consistency with the Bank's strategy along with monitoring the required procedures for implementation thereof. The Committee shall be also responsible for supervising, discussing and reviewing the Bank's operational risk related issues.

5. **Purchasing & Tender Committee**
   The Purchasing & Tender Committee is responsible for reviewing the purchasing 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.

6. **Management Committee**
   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 & exchanged between the Bank's divisions / departments on one hand and the Executive Management & the Board of Directors and the Board Committees on the other hand.

7. **Suspicious Transactions Reporting Committee**
   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).

8. **Special Assets Committee**
   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.

Executive & Supervisory Management

Elham Yousry Mahfouz
The 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, 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.

Before joining Commercial Bank of Kuwait, Ms. Elham worked in a number of Kuwaiti financial institutions. She possesses extensive knowledge in all banking & financial areas and banking industry trends in Kuwait on the back of her extensive experience and proven track record exceeding 36 years in banking sector. Ms. Elham holds a Bachelor degree with honors in Business Administration 1984 from the American University, Egypt.

Sahar Abdulaziz Al Rumaih
Deputy CEO – Corporate & International Banking Division
Ms. Sahar is a banker holding a Bachelor degree in Economy 1988 from Kuwait University and possesses more than 31-year experience in the banking sector mostly in corporate Banking. Ms. Sahar joined Commercial Bank of Kuwait in 2000 after working for about 12 years in other Kuwaiti banking institutions. Ms. Sahar manages, in cooperation with her team, the Bank's corporate banking portfolio. Further, she was assigned, during the period from 9/12/2015 until 30/6/2018, the responsibilities as Acting General Manager – Retail Banking Division in addition to her responsibilities as General Manager - Corporate Banking Division. Ms. Sahar was also assigned, effective from 23/9/2018, the responsibilities of Acting General Manager – International Banking Division. She was then promoted to the position of Deputy CEO - Corporate and International Banking Division in December 2018.

Masud Ul-Hassan Khalid

Chief Financial Officer – Financial Planning & Control Division

Mr. Masud is an accountant having 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 in the Institute of Costs & Management Accountants in Pakistan. Mr. Masud has been working with the Bank over the last 29 years in various positions. He is able to drive the business in line with the Bank's favouring strategies with a strong financial underpinning, possesses soft skills in Communications, presentation and workplace relationship building and dedicated to continued professional development. Mr. Masud believes in succession planning and career coaching to improve team performance. He encourages professional growth through mentoring and skill improvement training.

Hussain Ali Al Aryan

General Manager – Treasury and Investment Division

Mr. Hussain obtained a Bachelor degree with double majors in computer science and business administration – marketing from California State University - Sacramento, USA – 1992. He has an extensive banking experience exceeding 26 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 until 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.

Hanadi Ahmad Al Musallam

Acting General Manager – Retail Banking Division

Ms. Hanadi obtained a Bachelor degree in Political Science and General Management – 1990 from Kuwait University. She has 28-year experience in retail banking area. She worked at Kuwait Finance House as a supervisor during the period from 1992 to 1995 and held the position of Assistant Branch Manager at Gulf Bank during the period from 1995 to 1998. Ms. Hanadi joined Commercial Bank of Kuwait in 1998 as Branch Manager and progressively occupied a number of positions such as Deputy Region Manager and Region Manager until she was assigned the responsibilities of Acting General Manager – Retail Banking Division on 12 November 2019.

Paul Daoud

General Manager – Operations Division

Mr. Paul is a banker holding a Bachelor of Business Administration 2006 from Kendi Western - USA. Mr. Paul has 39 years experience at Commercial Bank of Kuwait where he joined the Bank in 1981. He worked in Retail Banking area 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 commencing from 28/6/2016.

Muneer Abulsalam Saleh

Legal Advisor to the Chairman and General Manager – Legal Division

Mr. Muneer 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 GCC Arbitration Center and a Member in Arab Lawyers Union and the Egyptian Association of International Law.

Mr. Muneer started his career in Egypt since graduation, 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 Burgan 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 & GM – Legal Division at Commercial Bank of Kuwait in May 2019. Mr. Muneer managed, during his career path, to get a number of judgments passed in favor of the institutions in which he worked. He has given diverse legal contributions in several committees concerned with drafting laws and executive regulations.

Nawaf Ali Al Saied

Acting Chief Internal Auditor – Internal Audit Division

Mr. Nawaf obtained a diploma in Accounting - 1999 from the Public Authority for Applied Education - College of Business Studies, Kuwait. He attended number of professional courses and obtained certificate in professional internal auditing and certificate in professional anti-money laundering and terrorist financing.

Mr. Nawaf has long experience in the banking sector extending for 22 years, during which he worked in several local banks, such as Industrial Bank of Kuwait, Gulf Bank and Ahli United Bank. His practical experience varied in both Operations and the Internal Audit functions. He joined Commercial Bank of Kuwait in 2010 as a supervisor in the Internal Audit Division. He was assigned the duties of Acting Chief Internal Auditor on 1/11/2020.

Syama Sundar Parvatraj

Acting Chief Risk Officer – Risk Management Division

Mr. Syama obtained a Bachelor of Science Degree in 1979 from S.V University in India. He is a certified member of the Indian Institute of Bankers and holds several specialized professional courses in Risk & Credit Management.

Mr. Syama has long experience extending to 37 years in the banking field with focus on credit risk. He started his banking career in the Bank of India as a branch staff, and progressed over 11 years to hold the position of Deputy Credit Manager in Hyderabad Branch. He also worked for IndusInd Bank in India in the position of Assistant Deputy Chief and Credit Analyst. Mr. Syama has been working in the Bank since 2007. In 2020, he assumed the position of acting Chief Risk Officer. He regularly participates in the meetings of the Board of Directors and both the Board Risk Management Committee and the Board Loan Committee. He is also a member of the Provisioning Committee, the Assets and Liabilities Committee and the Procurement and Tender Committee.

Tamim Khalid Al Meaan

General Manager – Compliance and Corporate Governance Division

Mr. Tamim obtained a Bachelor degree in Accounting – Kuwait University in 2000. He is a Certified Anti-Money Laundering Specialist. He has over 20 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. Mr. Tamim joined Commercial Bank of Kuwait on 24 June 2018 as General Manager – Compliance and Corporate Governance Division.

Sheikha / Nouf Salem Al Sabah

General Manager – Corporate Communicationss Division

Sheikha / Nouf has more than 23-year experience in banking advertising & media. She joined the Bank as Manager - Advertising & Public Relations Department, and then she progressively occupied a number of key positions. In 2018, she held the position of GM – Corporate Communicationss Division. During her tenure at the Bank, Sheikha / Nouf and the Corporate Communicationss Team endeavored to demonstrate the Bank's corporate image as well as its social responsibility efforts through Communications with the public through traditional Communications channels and modern social media networks as well.

Bader Mohamed Qamhieh

Acting General Manager - Information Technology Division

Mr. Bader Qamhieh obtained Bachelor of Computer Science in 2000 from Al Albayt University – The Hashemite Kingdom of Jordan. His professional experience exceeds 19 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.

During his tenure with the Bank, Mr. Bader, with his team, managed to develop and create many systems & software which contributed in developing the Bank's operations and upgrading all e-channels starting from the Core Banking System & 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 & electronic Communications networks inside and outside the Bank and data centers in both production & staging/testing environments using the latest technologies and devices in line with the most widely recognized international security standards.

Sadeq Jaffar Abdullah

General Manager – Human Resources Division

Mr. Sadeq obtained a Bachelor degree in Business Administration from Kuwait University – 2004 and a Master degree from Kuwait-Maastricht Business School in 2007. He has over a 16- year experience in the Kuwaiti banking sector where he progressively held a number of positions in customer service, financial & strategic analysis then human resources. 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.

Corporate Social Responsibility

The significance and importance of corporate social responsibility has emerged during the outbreak of the Novel Coronavirus (Covid-19) Pandemic. The Corporate Communications Division "CCD", backed by the coordinated efforts of all divisions and departments across the Bank, has initiated a professional process of dealing with the pandemic. CCD efforts in this regard covers many aspects such as raising employees awareness about health requirements that should be followed in the Bank's premises and headquarters, placing guidance posters, distributing sterilizers and ensuring the safety of the employees in front lines and following all health precautionary instructions and social distancing to maintain the safety of both employees and customers.

In response to the circumstances Kuwait undergoes amid the outbreak of Coronavirus (Covid-19), the Bank launched the "Double Your Reward" Campaign which was approved by Ministry of Social Affairs and Labor. This Campaign was meant to boost social solidarity through the Bank's donating an amount equal to one donated by any customer in favor of charitable societies & organizations participating in the Campaign through their accounts at the Bank.

The Bank has also contributed in the National Fund established by Kuwait Banking Association for raising KWD 10 Million by Kuwaiti Banks for supporting the efforts of the Ministry of Health in fighting (Covid-19) Pandemic.

The Bank always endeavors to participate in the diverse events & activities for the interest of all society segments, particularly the physically challenged people. Drawing on this, CCD welcomed Al- Nibras Ideal School's students with special needs to share with them the celebrations of Kuwait National and Liberation Days.

For Al-Tijari strong belief that environment conservation and protection is a key pillar of its Corporate Social Responsibility Program, the Bank participated in the largest cleaning up campaign titled "Kuwait is Clean with the Arms of its People" which aims at raising awareness of the importance of land and marine environment conservation.

On the occasion of Kuwait National & Liberation days, Al-Tijari arranged a visit to Security and Custom officers at Al-Nuwaiseeb border and also visited physicians and staff at the Emergency Medical Services Department - Ministry of Health and Al-Razi Hospital to rejoice with them this happy occasion and gave them gifts in recognition of their efforts for treating and caring for patients at all times.

In another context, the Bank continued enhancing its corporate social role for sustainable social development by providing support for the diverse social activities and events organized by Kuwait six governorates to their inhabitants. The cooperation has yielded great success of these activities under Al-Tijari sponsorship.

The Bank proceeds in its humanitarian activities "Hawwen Alaihom" Campaign targeting road cleaners and construction workers. The Bank arranged visits on several occasions to the work sites of road cleaners and construction workers in recognition of their efforts towards Keeping Kuwait environment safe and clean.

The Bank was keen on publishing its annual calendar for 2020 with pictures and paintings that mirror a period of the past century that witnessed several key achievements marking and recording Kuwait transition and development from a stage to another throughout its great history.

Given the significance of the social media networks, Corporate Communicationss Division endeavors to activate all means of Communications with the Bank's customers and the public via social media networks (Instagram, Facebook, Twitter, Snapchat, LinkedIn and YouTube) during (Covid-19) Pandemic. Through such social media networks, the Bank initiates health awareness tips for protection and fighting against (Covid-19) in addition to organizing competitions for followers of the Bank's social media accounts.

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, strong 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 31st December, 2020. All amounts are stated in Kuwaiti Dinars and have been derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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 three strategic priorities:

- Focusing on key client segments to accelerate our earnings growth.
- Simplifying and transforming to deliver a modern relationship-banking proposition.
- To up-skill and right-skill bank's overall talent.

Bank's medium-term financial objectives for certain 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.

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 to 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 through.
- Diversified operations well positioned to capture growth opportunities
- Transformative technology architecture, data and digital capabilities delivering customer and business value
- Well-capitalized.
- Creating 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

Efforts to contain the (Covid-19) pandemic have had a profound impact on economies around the world. In GCC, the banking sector implemented a variety of measures to ease the strain on consumers and businesses. Governments, together with central banks introduced programs to mitigate the fallout of the crisis and support the effective functioning of financial markets. Commercial Bank has been actively engaged in this collective effort. Beginning in March 2020, the Bank temporarily closed some of its branches and limited hours in others. With ease in restrictions during third quarter, the Bank re-opened a number of its branches and started restoring hours of service to meet customer needs, in line with the directives of Ministry of public health. Extra precautions were taken in locations that remained open, including adjusting staff levels, installing protective equipment, enhancing cleaning, and implementing physical distancing measures to reduce personal contact. In addition, enhanced online and mobile applications features were launched to facilitate the delivery services without any need to personally visiting the branch premises. The Bank continued to experience further margin pressure from the low interest rate environment.

The year 2021 earnings should be supported by lower provisions, improving customer activity and continued expense discipline. At the same time, The Bank expects further margin compression given the low interest rate environment. With its strong capital and liquidity levels, substantial loan loss reserves, and diversified and customer-focused franchise, we believe the Bank to be well-positioned to manage both upside and downside risks and to execute on its growth opportunities.

Balance Sheet Strength

Maintaining a strong balance sheet is foundational to our long-term success. Our goal is to maintain strong capital and liquidity positions.
We look to constantly balance our objectives of holding a prudent amount of excess capital for unexpected events and environmental uncertainties, investing in our core businesses, digital transformation and people.

- **Basel III Common Equity Tier 1 (CET1) ratio**

At the end of 2020, our Basel III CET1 ratio was 17.2%, well above the current regulatory target set by the Central Bank of Kuwait of 9.5% and total capital ratio was 18.4% against regulatory limit of 13.5%.

- **Liquidity Coverage Ratio**

Our ability to meet our 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 December 31, 2020, our annual daily average LCR was 166% compared to regulatory requirement of 100%.

- **Net Stable Funding Ratio (NFSR)**

Our ability that the bank has an adequate long and medium term 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.
For the year ended December 31, 2020, our annual daily average NSFR was 107.3% compared to regulatory requirement of 100%.

Total assets at KD 4.4 billion are lower by 9.9% compared to last year. Loans and advances represent 51.9% of total assets, investment securities 12.9% and Treasury & Central Bank bonds are 4.2%. It is worth mentioning that it is the third consecutive year the Bank's non-performing loans are zero.

The total liabilities of KD 3.7 billion include customer deposits of KD 2.4 billion. Total shareholders' equity reached KD 692.8 million.

Income Statement

The operating income for the year 2020 was KD 131.6 million (a decline of 17.1%) is mainly comprised of net interest income KD 79.0 million, fees and commission KD 37.0 million, foreign exchange income KD 6.4 million and dividend income of KD 3.6 million Loans amounting to KD 83.59 million were written off during the year while recovery against previously written off loans amounted to KD 15, 9 million. In line with Bank's prudent policy of proactive recognition of problems, the operating profit was allocated to specific provisions against loans where the management has some concerns. The specific provision was used to transfer those loans to the memorandum account. The resultant net profit attributable to the shareholders of the bank was zero for the year 2020 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 30.5% is one of the lowest in the industry.

Review of the Operating Environment

As per the International Monetary Fund (IMF), the global economy is projected to grow by 5.5% in 2021 and 4.2% in 2022, after contracting by an estimated 3.5% in 2020. The forecast for 2021 was revised up to reflect the rise in activity, later this year, driven by vaccine rollout, and an additional policy support in a few large economies. The strength of the recovery is projected to vary significantly across countries, depending on access to medical equipment, effectiveness of policy support, and exposure to cross-country spillovers.

As part of the preventative measures to cope with the negative impact of the pandemic, the Central Bank of Kuwait took the decision in mid-March 2020 to cut the discount rate from 2.5% to 1.5%. The decision came after a steep decline in global commodity prices and the Federal Reserve decision to cut interest rates by 1%. Moreover, the central bank announced adjustments to its regulatory policy to support banks to perform their crucial role in providing much-needed financing to avoid turning a shortage in liquidity into long-term solvency issues.

Domestic credit growth increased by 1.7% q/q in Q3 2020, resulting in a 5% y/y growth rate. Unlike the first two quarters of the year, credit growth in third quarter was driven (in quarterly terms) by the household sector; registering a growth of 6.2% y/y (and a eight-year high of 4.7% q/q), while business lending was broadly muted in quarterly terms but managed to grow by 5.5% y/y. The rebound in housing credit was driven by both housing loans and personal consumption loans, with a growth of 5% y/y and 20% y/y, respectively. Deposit growth continued its pick up in Q3, with a 6% y/y growth rate. This was driven by both private and government deposits, resulting in around 5% y/y and 12% y/y growth, respectively. The growth in private sector deposits has been remarkable so far in 2020, compared with the nearly 2% decrease in 2019. The deferral of household loan repayments and lower spending on the back of restrictions and less travel are potential reasons for the deposit growth.

After reaching a low of KD 106 million in Q2 2020, the value of projects being awarded increased by 82% q/q in the third quarter, reaching KD 192 million in value. This figure however, remains modest and is around 45% less than the value of projects approved in Q3 2019. The pace of project awards eased to KD 129 million in the last quarter of 2020, down 18.5% compared to the same period in 2019. Overall, the total projects awarded in 2020 slightly exceeded that of 2019 (of KD 1.1 billion), standing at KD 1.23 billion and aided by the substantial projects awarded (valued at KD 568 million) in the first quarter prior to the pandemic. According to Middle East Economic Digest (MEED), around KD 3.4 billion worth of projects are planned for 2021, mostly in the construction sector, but given the recent delays, the total value is expected to be smaller. The Ministry of Public Work's Mubarak Al-Kabeer Seaport (KD 271 million) and the Kuwait Oil Company's Jurassic Phase 2 facility (KD 270 million) account for large portions of the expected project awards in 2021.

Kuwait's current account surplus narrowed in the second quarter of 2020, registering KD 108 million (1.2% of estimated GDP in Q2) compared with a surplus of KD 220 million in the first quarter of the year (2.4% of GDP). This was due to a plummeting trade surplus resulting from the collapse in oil prices during the beginning of Q2; despite partial offset from the steep decline in imports (by 17.7% q/q) and outbound tourism. On the other hand, the capital account remained unchanged to the previous quarter, registering a net outflow of KD 700 million (8.1% of GDP).

Oil export revenues, which account for around 89% of total exports, declined by approximately 50% in Q2 2020 (reaching KD 1.8 billion) compared to the previous quarter due to the plunge in crude oil prices. In the first nine months of FY20/21 (from April to December), total revenues registered a decline of 46% y/y to KD 6.9 billion; meanwhile spending fell by around 10% to KD 12.3 billion during the same period. As a result, the fiscal deficit stood at KD 5.4 billion (around 22% of pro-rated GDP). The underlying deficit is expected to be larger moving forward, and on current circumstances, the deficit is expected to be around KD 10 billion for the whole financial year. The price of Kuwait Export Crude (KEC) averaged at $25.8 per barrel in Q2, from $52.1 per barrel in Q1. Furthermore, oil production fell to a (quarterly average) nine-year low of 2.48 million barrels per day (mb/d) in Q2 due to OPEC supply cuts. As of January-end 2021, oil prices have fallen slightly from recent highs amid renewed oil demand concerns following the spread of more aggressive virus strains. The demand for oil could accelerate in the second half of the year as suggested by the International Energy Agency, and in line with the IMF's 2021 growth forecasts.

Inflation rose through the third quarter of 2020, ending the quarter at 2.0% y/y, from 1.7% y/y in Q2. On an annual average basis, inflation is estimated at 1.8% in 2020, from 1.1% in 2019. The increase in inflation is mainly driven by rising prices in food and household maintenance items resulting from the economic disruptions brought about by the pandemic. Looking ahead to 2021, there may be downside pressure deriving from the expected weakening in housing demand on the back of the declining expat population, which may help to offset some of the inflationary pressures expected from improving economic activity. Moreover, with lockdowns being re-imposed in Europe during the last quarter of 2020, supply-side disruptions could once again have a material impact on import and retail prices.

Economic outlook – risks and challenges

Systemic risks

Global and regional uncertainties

The Year 2020 has been among the worst years for global economy in more than 70 years. We have seen unprecedented shut downs of economic activity along with ultra easing of monetary policy by central banks all around the world. With the rollout of the vaccine it is expected that corporate earnings and global output will come back to pre pandemic levels by the end of 2021. However, the normalization will largely depend on the speed of vaccine rollout which poses downside risks. Due to pandemic central banks all over the world resorted to easing leading to record low interest rates. Consequently, market value of the global negative bond yielding debt has reached USD 18 trillion which is red flag for the global economy . With commodity cycle turning and getting out of bear market , the world may see 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 loan book and initiate appropriate measures.

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 monitoring the same, along with key macroeconomic variables, in order to identify any areas of improvement.

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

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

Local disruptive factors

Coordinated management of supply of Oil by OPEC and Russia has ensured relative stability in oil prices. However, in case this strategy does not deliver the desired results, lower oil prices and its spill over impact on the capital markets poses a challenge to the balance sheet of the Bank. Further, renewed focus of large economies (US, Europe and China) on renewable sources of energy to fight climate change pose downside risks to Oil. Slowdown in award of government-sponsored projects seen during 2020due to pandemic was negative for the growth of the banking sector. The risk of translation of lower oil revenues into reduction in government spending will be a major domestic concern.

Asset and liability concentrations

The Bank continued to reduce the share of securities sector in its lending portfolio while exposure for Construction & Contracting sectors declined marginally on account of progress in execution of major on-going contracts. The share of Trade and Services sectors increased during the period.

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.

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 operational risk issues which are identified from the risk events, operational loss data collected, and through conducting Risk and Control Self Assessments for all Bank divisions. Using a standardized scorecard implemented across all areas of the bank, an Operational Risk Scorecard score is given to each area which takes into consideration all factors effecting the operational risks and the strength of the controls.

Significant improvements have been seen in resolving earlier identified operational risks and strengthening of operational controls.

The Bank has also put in place a Key Risk Indicator (KRI) framework for setting up, collecting and monitoring the KRIs from different business/non-business areas. Operational Risk Department also performs a Business Impact Analysis to identify and assess annually the business critical processes, and conducts annual Business Continuity Tests to ensure the Business Continuity Plans are up to date and implemented with efficiency.

During the 2020 Pandemic and with the announcement of the Government precautionary holiday followed by the full lockdown and then the resumption phases, Operational risk managed the invoking and working as per the Business Continuity plan. The Bank was able to operate the critical services and serve the customer thru various channels while enabling the staff to work remotely and maintaining all the controls and minimizing the operational risks

Information Security

With digitalization of banking services, the Bank recognizes the importance of cyber security and is committed to implement the advanced Cyber Security mechanism to ensure that the bank is ready for any Cyber Threats. The Bank has invested on many Security controls to improve the security posture. Establishment of 24x7 Security Operation Center to monitor any cyber-attacks, ISO27001:20013 Certification (in 2020) , coupled with strengthening of robust risk treatment, showcases that a robust security culture is embedded and a matured security organization is established within the bank.

Financial Review

The year 2020 was described by exceptional challenges, high level of uncertainty and introduction of partial and full lock down. This resulted in reduction of business volume as well as income. The interest rates cuts by Central Bank and other measures taken by state to ease the economic burden on business and individuals had its toll on bank's revenue and profitability.

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 79.0 million is lower by KD 18.3 million compared to KD 97.3 million of last year, a decline of 18.81%. The average yield on interest earning assets decreased to 2.89% from 3.84% of last year. The average cost on interest bearing liabilities also decreased from 1.85% to 1.24% during 2020. Bank's overall net interest margin of 1.82% decreased by 42 basis points due to lower interest rate regime.

- **Non-interest income**
  Non-interest income at KD 52.6 million which comprises all revenues other than net interest income declined by KD 8.8 million (14.32%) Fee income decreased by KD 5.5 million and other income by KD 1.9 million.

- **Non-interest expenses**
  Staff expenses of KD 22.8 million were lower by KD 5.2 million (18.53%) compared to 2019 mainly due to lower incentive to staff and reduction in headcount. General and administration expenses of KD 15.1 million for 2020 were lower by KD 2.9 million (16.21%), mainly due to lower marketing and card related expenses. Depreciation and amortisation expenses decreased by KD 1.9 million mainly due to lower capital expenditures.

- **Impairment and other provisions**
  The charge for Impairment and other provisions of KD 91.4 million is lower by KD 17.1 million compared to 2019. The impairment and provision charge is net of recoveries KD 15.8 million against previously written off loans. The provision reserve at year end 2020 is KD 136.5 million while Non-performing loans are zero.

- **Net Profit**
  The net profit attributable to the shareholders of the bank is zero, last year was also. In line with Bank's prudent policy of proactive recognition of problems, the operating profit was mainly allocated to specific provisions against certain loans where the management has some concerns. The specific provision was used to transfer those loans to the memorandum account.

- **Balance Sheet**
  Total assets of KD 4,388.8 million decreased by KD 484.5 million over last year. The major decline was in bank placements resulting from Treasury liquidity management activities. The Investment securities increased by KD 9.0 million and Loans and advances net of provisions increased by KD 12.4 million.

  The customer deposits decreased by KD 84.0 million and the deposit from banks and financial institutions decreased by KD 626.1million, while other borrowed funds increased by KD 253.7 million.

  Equity attributable to shareholders of the Bank was KD 691.9 million.

- **Dividends and Proposed Appropriations**
  The Board of Director has proposed distribution of 3% bonus shares for the year 2020 from the treasury shares held by the Bank. This proposal is subject to the approval of shareholders' Annual General Assembly.

Consolidated Financial Statements

31 December 2020
And Independent Auditors' Report to the Shareholders

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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 2020, 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 2020, 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 2.279 billion as at 31 December 2020 representing 52% 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.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

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.

As disclosed in Note 24, the COVID-19 pandemic significantly impacted management's determination of the ECL and required the application of heightened judgment. To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in the Bank's modelled results, management applied quantitative and qualitative adjustments for the impacts of the unprecedented macroeconomic scenarios arising from the pandemic, the temporary effects of the bank and government led payment support programs, which may not completely mitigate future losses, and the impacts to particularly vulnerable sectors affected by COVID-19.

Due to the significant judgment required by management in designing and forecasting macroeconomic variables and applying probability weighted scenarios together with the high degree of estimation uncertainty which have arisen due to the economic impacts of COVID 19, we have considered the ECL computation as a key audit matter.

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.

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 and checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. For a sample of credit facilities, we have checked the appropriateness of 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 to determine ECL. We have also checked the consistency of various inputs and assumptions used by the Group's management to determine ECL, including incorporating consideration of the economic disruptions caused by COVID 19.

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, 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 checked the resultant provision calculations.

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditors' report thereon.

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.

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)

Other information included in the Annual Report of the Group for the year ended 31 December 2020

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.

Report on the Audit of Consolidated Financial Statements (continued)

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

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.

- 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.

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)

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.

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 2020 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 2020 that might have had a material effect on the business of the Bank or on its financial position.

Bader A. Al-Wazzan	Nayef M. Al-Bazie
License No. 62A	License No. 91A
Deloitte & Touche - Al-Wazzan & Co.	RSM Albazie & Co.

Kuwait
7 February 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2020

		2020	2019
ASSETS	**Note**	**KD 000's**	KD 000's
Cash and short term funds	3	**721,408**	856,901
Treasury and central Bank bonds	4	**186,522**	248,806
Due from banks and other financial institutions	5	**581,622**	880,415
Loans and advances	6	**2,279,057**	2,266,662
Investment securities	7	**568,919**	559,960
Premises and equipment		**29,177**	29,375
Intangible assets	9	**3,506**	3,506
Other assets	10	**18,546**	27,603
TOTAL ASSETS		**4,388,757**	4,873,228
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**215,925**	585,382
Due to other financial institutions		**452,499**	709,107
Customer deposits		**2,368,873**	2,452,930
Other borrowed funds		**443,652**	189,944
Other liabilities	11	**214,984**	203,148
TOTAL LIABILITIES		**3,695,933**	4,140,511
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		**199,206**	199,206
Proposed bonus shares		**27,107**	-
Treasury shares		**(32,340)**	(21,690)
Reserves		**353,710**	370,219
Retained earnings		**144,208**	184,093
		691,891	731,828
Non-controlling interests		**933**	889
TOTAL EQUITY	12	**692,824**	732,717
TOTAL LIABILITIES AND EQUITY		**4,388,757**	4,873,228

Sheikh Ahmad Duaij Jaber Al Sabah
Chairman

Elham Yousry Mahfouz
Chief Executive Officer

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2020

	Note	2020 KD 000's	2019 KD 000's
Interest income		**124,957**	166,808
Interest expense		**(45,973)**	(69,527)
NET INTEREST INCOME		**78,984**	97,281
Fees and commissions		**37,044**	42,520
Net gain from dealing in foreign currencies		**6,375**	7,199
Net gain from investment securities		**532**	203
Dividend income		**3,605**	4,558
Loss on disposal of assets pending sale		**(55)**	(36)
Other operating income		**5,109**	6,961
OPERATING INCOME		**131,594**	158,686
Staff expenses		**(22,773)**	(27,952)
General and administration expenses		**(15,109)**	(18,033)
Depreciation and amortisation		**(2,256)**	(4,179)
OPERATING EXPENSES		**(40,138)**	(50,164)
OPERATING PROFIT BEFORE PROVISIONS		**91,456**	108,522
Impairment and other provisions	13	**(91,391)**	(108,462)
PROFIT BEFORE TAXATION		**65**	60
Taxation	14	**(16)**	-
NET PROFIT FOR THE YEAR		**49**	60
Attributable to:			
Shareholders of the Bank		**-**	-
Non-controlling interests		**49**	60
		49	60
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	15	**-**	-

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2020

	2020 KD 000's	2019 KD 000's
Net profit for the year	**49**	60
OTHER COMPREHENSIVE 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	**(17,470)**	53,010
Property revaluation (loss) gain	**(788)**	775
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	**1,954**	2,173
Net loss on disposal transferred to income statement	**(210)**	(70)
	(16,514)	55,888
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(16,465)**	55,948
Attributable to:		
Shareholders of the Bank	**(16,509)**	55,892
Non-controlling interests	**44**	56
	(16,465)	55,948

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	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 2019	181,096	18,110	(4,578)	66,791	115,977	17,927	-	24,108	89,524	314,327	184,093	35,976	729,024	833	729,857
Total comprehensive income for the year	-	-	-	-	-	-	-	775	55,117	55,892	-	-	55,892	56	55,948
Issue of bonus shares	18,110	(18,110)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(17,112)	-	-	-	-	-	-	-	-	-	(17,112)	-	(17,112)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(35,976)	(35,976)	-	(35,976)
Balance as at 31 December 2019	199,206	-	(21,690)	66,791	115,977	17,927	-	24,883	144,641	370,219	184,093	-	731,828	889	732,717
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(788)	(15,721)	(16,509)	-	-	(16,509)	44	(16,465)
Purchase of treasury shares	-	-	(10,650)	-	-	-	-	-	-	-	-	-	(10,650)	-	(10,650)
Proposed bonus shares (note 12(g))	-	27,107	-	-	-	-	-	-	-	-	(27,107)	-	-	-	-
Modification loss on deferral of loans and installments (note 24)	-	-	-	-	-	-	-	-	-	-	(12,778)	-	(12,778)	-	(12,778)
Balance as at 31 December 2020	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

Investment valuation reserve includes a loss of KD 5,450 thousand (2019: loss of KD 5,432 thousand) arising from foreign currency translation of the Bank's investment in its associate.

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 KD 000's	2019 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		**65**	60
Adjustments for:			
Impairment and other provisions	13	**91,391**	108,462
Income from investment securities		**(4,137)**	(4,761)
Foreign exchange loss on investment securities		**(2,237)**	2,068
Depreciation and amortisation		**2,256**	4,179
Profit before changes in operating assets and liabilities		**87,338**	110,008
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		**62,284**	82,941
Due from banks and other financial institutions		**298,806**	(510,063)
Loans and advances		**(100,179)**	(104,479)
Other assets		**9,919**	43,207
Due to banks		**(369,457)**	238,282
Due to other financial institutions		**(256,608)**	(171,774)
Customer deposits		**(84,057)**	161,040
Other liabilities		**(10,165)**	22,350
Net cash used in operating activities		**(362,119)**	(128,488)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		**114,040**	116,770
Acquisition of investment securities		**(133,513)**	(73,301)
Dividend income from investment securities		**3,605**	4,558
Proceeds from disposal of premises and equipment		**3**	13
Acquisition of premises and equipment		**(547)**	(662)
Net cash (used in) from investing activities		**(16,412)**	47,378
FINANCING ACTIVITIES			
Other borrowed funds		**253,708**	132,269
Purchase of treasury shares		**(10,650)**	(17,112)
Dividend paid		**-**	(35,976)
Net cash from financing activities		**243,058**	79,181
Net (decrease) in cash and short term funds		**(135,473)**	(1,929)
Cash and short term funds as at 1 January		**856,913**	858,842
Cash and short term funds as at 31 December	3	**721,440**	856,913

The attached notes 1 to 24 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2020

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 07 February 2021 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 21.

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 Communicationss, 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) Recognition of modification losses on financial assets arising from payment holidays to customers in response to (Covid-19) to be recognised in retained earnings instead of profit or loss as required by IFRS 9.

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 2020 as described below;

New and amended standards issued and effective

i) IFRS 9 and IFRS 7 Amendments: Impact of initial application of interest rate benchmark reform

Effective from 1 January 2020, the Group has implemented amendments to IFRS 9 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms. The amendments (referred as Phase I of IBOR transition project) addresses the hedge accounting requirements arising before Interbank Offered Rate (IBOR) and proposed a hedging relief for such hedges. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group.

ii) Amendment to IFRS 16: Impact of the initial application of (Covid-19)-Related Rent Concessions

In May 2020, the IASB issued (Covid-19)-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of (Covid-19), by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a (Covid-19)-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the (Covid-19)-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. This amendment did not have any material impact on consolidated financial statement of the Group.

Other standards and amendments which are effective for annual accounting period starting from 1 January 2020 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

i) Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a risk-free rate (RFR).

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to RFR. As a practical expedient, changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place.

The Group is currently assessing the impact of transition and will apply IBOR reform Phase 2 when it becomes applicable. The Group continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

Other standards and amendments which are effective for annual periods beginning on or after 1 January 2021 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 16) 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 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 interest
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 equity securities and 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).
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.
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.
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, 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 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 profit or loss. 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 19(d).

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 income statement, 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 Days	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 income statement, 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) 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(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
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

	2020 KD 000's	2019 KD 000's
Cash and cash items	**166,614**	113,004
Balances with the CBK	**133,199**	133,137
Deposits with banks maturing within seven days	**421,627**	610,772
	721,440	856,913
Less: Provision for impairment (ECL)	**(32)**	(12)
	721,408	856,901

4. TREASURY AND CENTRAL BANK BONDS

	2020 KD 000's	2019 KD 000's
Treasury bonds	**59,867**	131,069
Central Bank bonds	**126,655**	117,737
	186,522	248,806

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

	2020 KD 000's	2019 KD 000's
Placements with banks	**469,278**	704,453
Less: Provision for impairment (ECL)	**(34)**	(66)
	469,244	704,387
Amounts due from other financial institutions	**-**	30,000
Loans and advances to banks	**113,200**	147,806
Less: Provision for impairment	**(822)**	(1,778)
	112,378	176,028
	581,622	880,415

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 2020

	KD 000's				
	Kuwait	**Asia**	**Europe**	**Others**	**Total**
Trade and commerce	**540,354**	**66,530**	**-**	**-**	**606,884**
Construction and real estate	**673,637**	**15,275**	**5,369**	**-**	**694,281**
Other financial institutions	**41,954**	**30,369**	**-**	**9,118**	**81,441**
Retail customers	**453,851**	**-**	**-**	**-**	**453,851**
Others	**537,254**	**40,124**	**759**	**175**	**578,312**
	2,247,050	**152,298**	**6,128**	**9,293**	**2,414,769**
Less: Provision for impairment					**(135,712)**
					2,279,057

As at 31 December 2019

	KD 000's				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	541,254	63,098	-	-	604,352
Construction and real estate	702,961	13,662	-	-	716,623
Other financial institutions	60,397	30,375	-	-	90,772
Retail customers	456,442	-	-	-	456,442
Others	476,041	45,725	-	4,044	525,810
	2,237,095	152,860	-	4,044	2,393,999
Less: Provision for impairment					(127,337)
					2,266,662

Movement in provisions for loans and advances

	2020 KD 000's			2019 KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**-**	**127,337**	**127,337**	-	142,212	142,212
Written-off	**(83,536)**	**-**	**(83,536)**	(116,806)	-	(116,806)
Exchange differences	**-**	**79**	**79**	-	(18)	(18)
Charged / (released) to consolidated statement of income	**83,536**	**8,296**	**91,832**	116,806	(14,857)	101,949
Provisions 31 December	**-**	**135,712**	**135,712**	-	127,337	127,337

The specific and general provision for cash credit facilities amounting to KD 135,712 thousand (2019: KD 127,337 thousand) includes additional provision amounting to KD 105,539 thousand (2019: KD 97,500 thousand) which is over and above the CBK's minimum general provision requirements. The available provision for non-cash credit facilities of KD 42,561 thousand (2019: KD 25,272 thousand) is included in other liabilities.

The ECL on all cash and non-cash credit facilities determined under IFRS 9 amounted to KD 107,513 thousand as at 31 December 2020 (2019: KD 50,344).

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

7. INVESTMENT SECURITIES

	2020 KD 000's	2019 KD 000's
Financial assets at FVOCI:		
Debt securities -quoted	**318,203**	272,231
Debt securities -unquoted	**14,449**	15,952
Equity securities -quoted	**208,477**	246,631
Equity securities -unquoted	**27,787**	25,138
Financial assets at FVPL:		
Others	**3**	8
	568,919	559,960

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

	2020			
	Stage 1 KD 000's	**Stage 2 KD 000's**	**Stage 3 KD 000's**	**Total KD 000's**
Gross carrying amount as at 1 January	**279,602**	**8,681**	**1,745**	**290,028**
Net movement during the year	**44,621**	**(55)**	**-**	**44,566**
	324,223	**8,626**	**1,745**	**334,594**

Movement in ECL	**2020**			
	Stage 1 KD 000's	**Stage 2 KD 000's**	**Stage 3 KD 000's**	**Total KD 000's**
ECL allowance as at 1 January	**97**	**3**	**1,745**	**1,845**
(Released) charged during the year	**(30)**	**127**	**-**	**97**
	67	**130**	**1,745**	**1,942**

	2019			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Gross carrying amount as at 1 January	299,239	8,531	2,265	310,035
Net movement during the year	(19,637)	150	(520)	(20,007)
	279,602	8,681	1,745	290,028

Movement in ECL	2019			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL allowance as at 1 January	198	19	2,265	2,482
Released during the year	(101)	(16)	(520)	(637)
	97	3	1,745	1,845

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 119,869,340 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 has 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. The Bank will continue to recognise these shares as part of Investment Securities until the judgment issued by the Court of Cassation is executed.

On 16 June 2019, a judgment was issued 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, an expert delegate will determine the amount due from each of the five subsidiaries out of the principal amount to be refunded to the Bank, determine share of each subsidiary 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 29 June 2020, the Court of Appeal dismissed the judgment issued by Court of First Instance on 16 June 2019 to suspend the execution immediately. The bank appealed against this ruling before Court of Cassation, and no hearing session has yet been scheduled.

Regarding the lawsuit on delegating an expert, it was deliberated before the experts on 19 October 2020 and the expert department will submit their report to the court in the next hearing scheduled on 7 February 2021.

b) During the year ended 31 December 2020, 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 2020 was KD 251,140 thousand (2019: KD 190,594 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the year was KD 3,334 thousand (2019: KD 3,609 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% (2019: 32.26%) interest in Al Cham Islamic Bank S.A, a private bank incorporated in the Republic of Syria, engaged in Islamic banking activities. This has been fully impaired in the prior years.

9. INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license KD 3,506 thousand (2019: KD 3,506 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2020, 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 3.2% (2019: 3.1%). These cash flows were then discounted using a pre-tax discount rate of 9% (2019: 10%) 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 (2019: KD nil thousand).

10. OTHER ASSETS

	2020	2019
	KD 000's	KD 000's
Accrued interest receivable	**965**	3,814
Other receivables	**17,581**	23,789
	18,546	27,603

Other receivables include assets pending sale amounting to KD nil (2019: KD 188 thousand) that was obtained through the settlement of loans and advances.

11. OTHER LIABILITIES

	2020 KD 000's	2019 KD 000's
Accrued interest payable	**9,287**	36,955
Deferred income	**6,361**	6,376
Provision for non-cash facilities and others	**108,403**	90,932
Staff related accruals	**10,057**	9,373
Others	**80,876**	59,512
	214,984	203,148

12. EQUITY

(a) Share capital

The authorised share capital of the Bank comprises of 2,500,000,000 (2019: 2,500,000,000) shares of 100 fils each.

The share capital comprises of 1,992,056,445 (2019: 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

	2020	2019
Number of treasury shares	**68,834,561**	47,563,008
Percentage of total shares issued	**3.46%**	2.39%
Cost of shares (KD 000's)	**32,340**	21,690
Fair value of shares (KD 000's)	**34,417**	25,161
Weighted average fair value per treasury share (fils)	**450**	479

Movement in treasury shares are as follows:

	No. of shares	
	2020	2019
Balance as at 1 January	**47,563,008**	12,172,728
Purchases	**21,271,553**	34,173,007
Bonus issue	**-**	1,217,273
Balance as at 31 December	**68,834,561**	47,563,008

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 2020 and 2019 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) Proposed dividend and bonus shares

Annual General Assembly of the shareholders held on 8 April 2020 approved not to distribute dividend for the year 2019 (2018: cash dividend of 20 fils per share amounting to KD 35,976 thousand, and 10 bonus shares for every 100 shares held).

As at 31 December 2020, the Bank is holding 68,834,561 treasury shares at a cost of KD 32,340 thousand. The Board of Director has proposed distribution of 3% bonus shares for the year 2020 from the treasury shares held by the Bank. This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

13. IMPAIRMENT AND OTHER PROVISIONS

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

	2020 KD 000's	2019 KD 000's
Loans and advances - specific	**(83,536)**	(116,806)
Loans and advances - recoveries	**15,870**	11,930
Loans and advances - general	**(7,340)**	14,105
Investment securities	**(111)**	117
Non cash facilities	**(16,784)**	(15,688)
Other provisions	**510**	(2,120)
	(91,391)	(108,462)

Impairment and other provisions includes charge of ECL on financial assets other than loans and advances for the year ended 31 December 2020 amounting to KD 97 thousand (2019: Released of KD 637 thousand).

Recoveries of KD 15,870 thousand as at 31 December 2020 include an amount of KD 5,759 thousand (KD 3,242 thousand received in cash and the shares equivalent to 16.69% of a local unlisted closed shareholding company valued at KD 2,517 thousand) as a settlement agreement between a customer and the Group through a court verdict.

14. TAXATION

	2020 KD 000's	2019 KD 000's
National Labour Support Tax (NLST)	**-**	-
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	**(8)**	-
Zakat	**(8)**	-
	(16)	-

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 for the year, in accordance with the calculation based on the Foundation’s Board of Directors resolution, which states that the Board of Directors’ remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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.

15. 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.

	2020	2019
Net profit for the year attributable to shareholders of the Bank (KD 000's)	**-**	-
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)	**(65,135)**	(26,122)
	1,926,921	1,965,934
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	-	-

16. SUBSIDIARY

Name of Entity	**Country of Incorporation**	**Principal Business**	**% of Ownership**	
			2020	2019
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage services	**93.55%**	93.55%

17. 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:

	2020			2019		
	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	1	1	1,730	3	1	1,612
Credit cards	4	1	4	4	2	24
Deposits	9	14	644	9	16	1,669
Executive Management						
Loans	22	2	749	22	3	609
Credit cards	22	1	38	22	1	39
Deposits	29	35	819	31	22	608
Associates						
Deposits	1	-	13,173	1	-	13,592
Major Shareholders						
Deposits	1	-	41	1	-	11

Interest income and interest expense include KD 15 thousand (31 December 2019: KD 38 thousand) and KD 270 thousand (31 December 2019: KD 373 thousand) respectively on transactions with related parties.

Details of compensation for key management including remuneration of the Chief Executive Officer amounting to KD 207 thousand (31 December 2019 KD: 221 thousand) are as follows:

	2020	2019
	KD 000's	KD 000's
Salaries and other short-term benefits	1,277	1,543
Post employment benefits	27	29
End of service benefits	90	178

The remuneration to the Chairman and members of the Board of Directors is KD 438 thousand (2019: KD 445 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.

18. 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(viii): "Significant Accounting Policies".

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

	2020			
	KD 000's			
	Level 1	**Level 2**	**Level 3**	**Total**
Debt securities	**318,203**	**14,449**	**-**	**332,652**
Equities and other securities	**208,477**	**27,790**	**-**	**236,267**
	526,680	**42,239**	**-**	**568,919**
Derivative financial instruments (note 19)	**-**	**3,376**	**-**	**3,376**

During the year ended 31 December 2019, there were no transfers between level 1, level 2 and level 3.

	2019			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	272,231	15,952	-	288,183
Equities and other securities	246,631	25,146	-	271,777
	518,862	41,098	-	559,960
Derivative financial instruments (note 19)	-	(3,866)	-	3,866)

19. 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.

	2020	2019
	KD 000's	KD 000's
Credit exposure relating to on-balance sheet items		
Cash and short term funds	**721,408**	856,901
Treasury and Central Bank bonds	**186,522**	248,806
Due from banks and OFIs	**581,622**	880,415
Loans and advances - Corporate	**1,829,729**	1,814,768
Loans and advances - Retail	**449,328**	451,894
Debt securities	**332,652**	288,183
Other assets	**18,546**	27,603
	4,119,807	4,568,570
Credit exposure relating to off-balance sheet items		
Acceptances	**29,028**	50,003
Letters of credit	**153,927**	138,382
Letters of guarantee	**1,446,985**	1,417,651
Undrawn lines of credit	**933,112**	961,426
	2,563,052	2,567,462
	6,682,859	7,136,032

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 2020							
Banks	**88,850**	**-**	**24,350**	**-**	**-**	**-**	**-**
Corporate	**386,300**	**922,076**	**377,915**	**273,580**	**1,047**	**-**	**-**
Retail	**-**	**-**	**440,417**	**13,434**	**-**	**-**	**-**
	475,150	**922,076**	**842,682**	**287,014**	**1,047**	**-**	**-**
As at 31 December 2019							
Banks	106,301	15,257	26,248	-	-	-	-
Corporate	296,359	1,045,440	296,724	298,241	793	-	-
Retail	-	-	438,367	18,075	-	-	-
	402,660	1,060,697	761,339	316,316	793	-	-

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 company specific, management specific, business specific, age and quality of financial information, historical account performance, general economic and political conditions etc. 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

	2020 KD 000's		2019 KD 000's	
	Assets	**Off Balance Sheet**	Assets	Off Balance Sheet
Geographic sector				
Kuwait	**3,227,515**	**1,980,767**	3,413,083	2,060,434
Asia	**880,258**	**312,218**	1,045,641	309,598
Europe	**198,199**	**197,602**	326,998	148,621
USA	**17,322**	**58,155**	10,016	28,001
Others	**32,780**	**14,310**	44,609	20,808
	4,356,074	**2,563,052**	4,840,347	2,567,462

	2020 KD 000's		2019 KD 000's	
	Assets	**Off Balance Sheet**	Assets	Off Balance Sheet
Industry sector				
Government	**280,122**	**-**	248,806	-
Trade and commerce	**607,122**	**693,861**	604,352	647,742
Construction and real estate	**695,788**	**1,077,086**	716,623	1,151,489
Banks and financial institutions	**1,993,431**	**471,022**	2,270,395	427,240
Others	**779,611**	**321,083**	1,000,171	340,991
	4,356,074	**2,563,052**	4,840,347	2,567,462

(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 notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk.

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.

As at 31 December 2020	KD 000's						
			Notional amount by term maturity				
	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	10,300	2,749	227,750	274,418	22,784	-	524,952
Interest Rate Swaps (held as fair value hedges)	-	6,311	-	3,946	53,273	183,342	240,561
Interest Rate Swaps (others)	5,819	3,683	-	-	-	190,610	190,610
	16,119	12,743	227,750	278,364	76,057	373,952	956,123

As at 31 December 2019	KD 000's						
			Notional amount by term maturity				
	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	738	1,627	209,870	49,094	69,252	-	328,216
Interest Rate Swaps (held as fair value hedges)	176	3,153	-	1,917	40,684	146,892	189,493
	914	4,780	209,870	51,011	109,936	146,892	517,709

(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	KD 000's	
		2020	2019
Kuwaiti dinar	+25	**1,720**	2,146
US dollar	+25	**560**	645
Other currencies	+25	**54**	419
		2,334	3,210

(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.

		KD 000's			
		2020		2019	
	% change in currency rates	**Statement of income**	**Equity**	Statement of income	Equity
US Dollar	+5	**7**	**-**	(201)	-
Sterling Pound	+5	**(40)**	**144**	3	147
Australian Dollar	+5	**2**	**-**	2	-
Saudi Riyal	+5	**10**	**-**	48	-
UAE Dirham	+5	**27**	**-**	66	-
Qatari Riyal	+5	**39**	**-**	26	-
Others	+5	**(49)**	**-**	27	-
		(4)	**144**	(29)	147

(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:

		KD 000's			
		2020		2019	
	% Change in equity price	**Statement of income**	**Equity**	Statement of income	Equity
Boursa Kuwait	**+5**	**-**	**10,424**	-	12,332

(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 2020	**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	720,500	-	908	-	-	721,408
Treasury and Central Bank bonds	186,250	191	81	-	-	186,522
Due from banks and OFIs	169,034	151,388	119,411	24,280	117,509	581,622
Loans and advances	695,201	188,939	235,525	225,581	933,811	2,279,057
Investment securities	249,041	1,484	2,125	9,780	306,489	568,919
Premises and equipment	-	-	-	-	29,177	29,177
Intangible assets	-	-	-	-	3,506	3,506
Other assets	5,668	22	346	-	12,510	18,546
	2,025,694	342,024	358,396	259,641	1,403,002	4,388,757
LIABILITIES						
Due to banks	101,710	94,996	-	12,447	6,772	215,925
Due to OFI's	116,156	182,148	79,476	73,050	1,669	452,499
Customer deposits	1,772,061	291,273	258,544	42,516	4,479	2,368,873
Other borrowed funds	-	-	-	51,292	392,360	443,652
Other liabilities	63,471	12,802	3,122	509	135,080	214,984
	2,053,398	581,219	341,142	179,814	540,360	3,695,933
Net liquidity gap	(27,704)	(239,195)	17,254	79,827	862,642	692,824

	KD 000's					
As at 31 December 2019	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	843,517	-	13,384	-	-	856,901
Treasury and Central Bank bonds	247,997	636	173	-	-	248,806
Due from banks and OFIs	289,578	285,762	145,581	73,381	86,113	880,415
Loans and advances	275,513	273,465	298,041	440,496	979,147	2,266,662
Investment securities	190,476	1,138	1,125	21,125	346,096	559,960
Premises and equipment	-	-	-	-	29,375	29,375
Intangible assets	-	-	-	-	3,506	3,506
Other assets	21,646	1,110	805	42	4,000	27,603
	1,868,727	562,111	459,109	535,044	1,448,287	4,873,228

	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	135,694	30,330	202,053	210,932	6,373	585,382
Due to OFI's	158,849	261,146	110,921	161,413	16,778	709,107
Customer deposits	1,635,913	272,694	275,396	185,272	83,655	2,452,930
Other borrowed funds	-	-	-	74,915	115,029	189,944
Other liabilities	47,284	17,245	11,797	10,022	116,800	203,148
	1,977,740	581,415	600,167	642,554	338,635	4,140,511
Net liquidity gap	(109,013)	(19,304)	(141,058)	(107,510)	1,109,602	732,717

(B) Contractual expiry by maturity.

	KD 000's					
As at 31 December 2020	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
Contingent Liabilities	**720,283**	**429,139**	**303,708**	**367,692**	**742,230**	**2,563,052**
As at 31 December 2019						
Contingent Liabilities	529,384	463,496	416,037	493,606	664,939	2,567,462

(C) Contractual undiscounted repayment obligations by maturity.

	KD 000's					
As at 31 December 2020	**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	**101,729**	**95,103**	**-**	**12,582**	**6,846**	**216,260**
Due to OFI's	**116,196**	**182,290**	**80,055**	**73,381**	**1,682**	**453,604**
Customer deposits	**1,772,159**	**291,529**	**258,586**	**42,578**	**4,526**	**2,369,378**
Other borrowed funds	**212**	**607**	**651**	**51,566**	**407,613**	**460,649**
Other liabilities	**63,472**	**12,802**	**3,122**	**509**	**132,492**	**212,397**
	2,053,768	**582,331**	**342,414**	**180,616**	**553,159**	**3,712,288**

As at 31 December 2019	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
	KD 000's					
UNDISCOUNTED LIABILITIES						
Due to banks	135,847	30,451	205,048	214,535	6,633	592,514
Due to OFI's	158,926	262,200	112,102	164,106	16,797	714,131
Customer deposits	1,636,174	273,167	277,023	188,288	87,366	2,462,018
Other borrowed funds	38	1,265	-	75,441	128,177	204,921
Other liabilities	47,284	17,245	11,797	10,022	116,800	203,148
	1,978,269	584,328	605,970	652,392	355,773	4,176,732

20. 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.

21. 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**	
	2020	2019	**2020**	2019	**2020**	2019
Net interest income	**67,641**	82,097	**11,343**	15,184	**78,984**	97,281
Non interest income	**37,366**	44,943	**15,244**	16,462	**52,610**	61,405
Operating income	**105,007**	127,040	**26,587**	31,646	**131,594**	158,686
Impairment and other provisions	**(91,268)**	(108,049)	**(123)**	(413)	**(91,391)**	(108,462)
Net profit for the year	**(7,976)**	(9,131)	**8,025**	9,191	**49**	60
Total Assets	**2,399,055**	2,409,532	**1,989,702**	2,463,696	**4,388,757**	4,873,228
Total Liabilities and Equity	**1,709,123**	1,560,721	**2,679,634**	3,312,507	**4,388,757**	4,873,228

22. 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 1,842 thousand (2019: KD 1,660 thousand) has been provided.

23. 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.

24. SIGNIFICANT EVENT

The rapid spread of (Covid-19) pandemic causing disruption to business and economic activities has brought about uncertainties in the global economic environment. Starting from 15 March 2020 Kuwait government implemented partial curfew and instructions were issued to avoid the spread of the virus. The fiscal and monetary authorities, both domestic and international, announced various support measures across the globe to counter possible adverse implications.

Further, the Group’s operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the (Covid-19) outbreak may have on its operations and financial performance.

The Group has performed an assessment of (Covid-19) in light of the available guidance of the CBK and IFRS which resulted in the following changes to the expected credit loss methodology and valuation estimates and judgments as at and for the year ended 31 December 2020.

Expected Credit Loss (ECL) estimates

The uncertainties caused by (Covid-19), and the volatility in oil prices and world GDP have required the Group to update the inputs and assumptions used for the determination of ECLs as at 31 December 2020. ECLs were estimated based on a range of forecast economic conditions as at that date by considering the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned (upturn 25%, baseline 40%, downturn 35%) to these scenarios. In addition, the Group updated the relevant forward-looking information of the Group’s international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective market in which it operates.

Group has given specific consideration to the relevant impact of (Covid-19) on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances.

ECL requirement for credit facilities estimated as at 31 December 2020 continues to be lower than the provisions required as per CBK instructions. In accordance with Group accounting policy, the higher amount, being the provision required as per CBK instructions, is therefore recognised as the provision requirement for credit losses on credit facilities.

Valuation estimates and judgments

The Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Accounting for modified financial assets

Considering the economic circumstances post the (Covid-19) outbreak, the CBK implemented various measures with a view to enhance the ability of banks to play a vital role in the economy, expanding their lending space, strengthening their financing capabilities, encouraging them to lend to productive economic sectors and providing liquidity to the impacted customers. In addition, Kuwait Banking Association decided to postpone the collection of instalments on consumer and instalment loans and credit cards for a period of six months from April to September 2020 without charging any additional interest arising from this postponement. The impact of loan deferral scheme amounted to KD 12,778 thousands was recognised by charging retained earnings as required by the CBK circular dated 5 July 2020.

Similarly CBK encouraged banks in Kuwait to restructure the facilities by delaying repayments for affected corporate customers. Accordingly the Group delayed repayments of certain customers and the modification loss on those financing assets amounted to KD 326 thousand was recognised in the consolidated statement of income.

Others factors

The Group is actively monitoring the impact on its financial conditions, liquidity, and workforce and will take necessary measures for business continuity in line with the instruction from the Government of Kuwait and CBK.

During the year the group received a grant from the Public authority of manpower related to Kuwaiti staff amounting KD 1,960 thousands as a part of (Covid-19) support to cover the group staff expenses. The amount received have been included in other income in consolidated statement of income.

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD
31 December 2020

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) - (93.55% 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 (2019: 2,500,000,000) shares of 100 fils each.

Share Capital – Share capital comprises of 1,992,056,445 (31 December 2019: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2020, the Bank held 68,834,561 treasury shares (31 December 2019: 47,563,008 treasury shares).

The Group has the following components of Tier 1 and Tier 2 capital base:

	2020 KD 000's	2019 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	27,107	-
3.Share premium	66,791	66,791
4.Retained earnings	156,986	184,093
5.Investment valuation reserve	128,920	144,641
6.Property revaluation reserve	24,095	24,883
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	(32,340)	(21,690)
12.Non significant investments in banking, financial and insurance entities	(96,326)	(108,562)
13.Significant investments in banking, financial and insurance entities	-	-
Total	604,837	619,760
ii Additional tier 1		
1.Non-controlling interests in consolidated subsidiaries	933	889
Total	933	889
Total tier 1 capital	605,770	620,649

b.Tier 2 capital.		
1.General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	41,969	43,612
Total tier 2 capital	41,969	43,612
Total eligible capital	647,739	664,261

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

	2020 KD 000's			2019 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	370,646	4,877	512	403,097	611	79
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	143,079	1,133	119	122,723	4	1
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	1,746,263	534,719	56,145	2,132,322	623,440	81,047
6.Claims on corporates	4,028,911	2,121,183	222,724	4,065,370	2,145,009	278,851
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	40,396	-	-	30,014	-	-
9.Regulatory retail	455,416	451,953	47,455	477,589	463,080	60,200
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	57	15	2
12.Other assets	139,798	142,078	14,919	162,557	164,615	21,401
13.Claims on securitised assets	-	-	-	-	-	-
Total	**6,924,509**	**3,255,943**	**341,874**	7,393,729	3,396,774	441,581

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	2020 KD 000's			2019 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	**4**	**6**	**1**	9	15	2
3.Foreign exchange risk	**4,189**	**4,189**	**440**	4,021	4,022	523
4.Commodities risk	**-**	**-**	**-**	-	-	-
5.Options	**-**	**-**	**-**	-	-	-
Total	**4,193**	**4,195**	**441**	4,030	4,037	525
c.Operational risk	**145,365**	**259,159**	**27,212**	150,592	268,297	34,879
Total	**7,074,067**	**3,519,297**	**369,527**	7,548,351	3,669,108	476,985

B.Capital ratios

1.Total capital ratio	**18.41%**	18.10%
2.Tier 1 capital ratio	**17.21%**	16.92%
3.CET 1 capital ratio	**17.19%**	16.89%

C. Additional capital disclosure

1.Common disclosure template

	2020 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	i+l
2. Retained earnings	156,986	r
3. Accumulated other comprehensive income (and other reserves)	314,026	j+m+n+o+p+q
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	737,009	
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	g
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)	32,340	k
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)	**96,326**	**f**
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)	**-**	**d**
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	**132,172**	
29. Common Equity Tier 1 capital (CET1) after regulatory adjustments	**604,837**	

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)	**933**	**s**
35. of which: instruments issued by subsidiaries subject to phase-out	**-**	
36. Additional Tier 1 capital before regulatory adjustments	**933**	

Additional Tier 1 Capital: Regulatory Adjustments

37. Investments in own Additional Tier 1 instruments	**-**	
38. Reciprocal cross-holdings in Additional Tier 1 instruments	**-**	

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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)	**933**	
45. Tier 1 capital (T1 = CET1 + AT1)	**605,770**	
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	**41,969**	**c**
51. Tier 2 capital before regulatory adjustments	**41,969**	
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)	**41,969**	
59. Total capital (TC = T1 + T2)	**647,739**	
60. Total risk weighted assets	**3,519,297**	

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Capital Ratios and Buffers		
61. Common Equity Tier 1 (as a percentage of risk weighted assets)	**17.19%**	
62. Tier 1 (as a percentage of risk weighted assets)	**17.21%**	
63. Total capital (as a percentage of risk weighted assets)	**18.41%**	
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)	**10.19%**	
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	**96,326**	**f**
73. Significant investments in the common stock of financials institutions	**70,116**	**e**
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)	**143,520**	**a+b+h**
77. Cap on inclusion of provisions in Tier 2 under standardized approach	**41,969**	**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	**-**	

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	2019 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	i+l
2. Retained earnings	184,093	r
3. Accumulated other comprehensive income (and other reserves)	303,428	j+m+n+o+p+q
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	753,518	
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	g
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)	-	
17. Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	21,690	k
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)	108,562	f

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)	-	d
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	133,758	
29. Common Equity Tier 1 capital (CET1) after regulatory adjustments	619,760	
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)	889	s
35. of which: instruments issued by subsidiaries subject to phase-out	-	
36. Additional Tier 1 capital before regulatory adjustments	889	
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)	889	
45. Tier 1 capital (T1 = CET1 + AT1)	620,649	

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	43,612	c
51. Tier 2 capital before regulatory adjustments	43,612	

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)	43,612	
59. Total capital (TC = T1 + T2)	664,261	

60. Total risk weighted assets	3,669,108	
Capital Ratios and Buffers		
61. Common Equity Tier 1 (as a percentage of risk weighted assets)	16.89%	
62. Tier 1 (as a percentage of risk weighted assets)	16.92%	
63. Total capital (as a percentage of risk weighted assets)	18.10%	
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)	10.00%	
65. of which: capital conservation buffer requirement	2.50%	
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)	9.89%	
National Minima		
69. National Common Equity Tier 1 minimum ratio	9.50%	
70. National Tier 1 minimum ratio	11.00%	
71. National total capital minimum ratio excluding CCY and DSIB buffers	13.00%	
Amounts below the Thresholds for Deduction (before Risk Weighting)		
72. Non-significant investments in the capital of financials institutions	108,562	f
73. Significant investments in the common stock of financials institutions	72,832	e
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)	135,758	a+b+h
77. Cap on inclusion of provisions in Tier 2 under standardized approach	43,612	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;

	2020 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	721,408		
Treasury and Central Bank bonds	186,522		
Due from banks and other financial institutions	581,622	822	a
Loans and advances	2,279,057		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		135,712	b
Of which: Cap on inclusion of general provisions in Tier 2		41,969	c
Investment securities	568,919		
Of which: significant investment in the capital of financial institutions (amount above 10% threshold of bank's CET1 capital)		-	d
Of which: significant investment in the capital of financial institutions (amount below 10% threshold of bank's CET1 capital)		70,116	e
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		96,326	f
Premises and equipment	29,177		
Intangible assets	3,506	3,506	g
Other assets	18,546		
Total assets	4,388,757		

	2020 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	215,925		
Due to other financial institutions	452,499		
Customer deposits	2,368,873		
Other borrowed funds	443,652		
Other liabilities	214,984		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		6,986	h
Total liabilities	3,695,933		
Equity			
Equity attributable to shareholders of the Bank			
Share capital	199,206	199,206	i
Proposed bonus shares	27,107	27,107	j
Treasury shares	(32,340)	32,340	k
Reserves	353,710		
of which: share premium		66,791	l
of which: statutory reserve		115,977	m
of which: general reserve		17,927	n
of which: treasury share reserve		-	o
of which: property revaluation reserve		24,095	p
of which: property investment valuation reserve		128,920	q
Retained earnings	144,208	156,986	r
	691,891		
Proposed dividend	-		
	691,891		
Non-controlling interests	933	933	s
Total equity	692,824		
Total liabilities and equity	4,388,757		

	2019 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	856,901		
Treasury and Central Bank bonds	248,806		
Due from banks and other financial institutions	880,415	1,778	a
Loans and advances	2,266,662		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		127,337	b
Of which: Cap on inclusion of general provisions in Tier 2		43,612	c
Investment securities	559,960		
Of which: significant investment in the capital of financial institutions (amount above 10% threshold of bank's CET1 capital)			d
Of which: significant investment in the capital of financial institutions (amount below 10% threshold of bank's CET1 capital)		72,832	e
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		108,562	f
Premises and equipment	29,375		
Intangible assets	3,506	3,506	g
Other assets	27,603		
Total assets	4,873,228		
Liabilities and equity			
Liabilities			
Due to banks	585,382		
Due to other financial institutions	709,107		
Customer deposits	2,452,930		
Other borrowed funds	189,944		
Other liabilities	203,148		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		6,643	h
Total liabilities	4,140,511		

	2019 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	i
Proposed bonus shares	-	-	j
Treasury shares	(21,690)	21,690	k
Reserves	370,219		
of which: share premium		66,791	l
of which: statutory reserve		115,977	m
of which: general reserve		17,927	n
of which: treasury share reserve		-	o
of which: property revaluation reserve		24,883	p
of which: property investment valuation reserve		144,641	q
Retained earnings	184,093	184,093	r
	731,828		
Proposed dividend	-		
	731,828		
Non-controlling interests	889	889	s
Total equity	732,717		
Total liabilities and equity	4,873,228		

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:

		2020 KD 000's	2019 KD 000's
1	Total consolidated assets as per published financial statements	**4,388,757**	4,873,228
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	**25,144**	4,931
5	Securities Financing Transaction Exposures	**-**	-
6	Exposures for off-balance sheet items (i.e. credit equivalent amounts)	**876,617**	882,647
7	Other exposures	**(99,832)**	(112,068)
8	**Total exposures in calculation of leverage ratio**	**5,190,686**	5,648,738

(b) Leverage ratio common disclosure:

1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**4,388,757**	4,873,228
2	(Asset amounts deducted in determining Tier 1 capital)	**(99,832)**	(112,068)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4,288,925**	4,761,160
4	Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	**16,119**	914
5	Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	**9,025**	4,017
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)	**-**	-

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		2020 KD 000's	2019 KD 000's
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**	**25,144**	4,931
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)	**2,563,052**	2,567,462
18	(Adjustments for conversion to credit equivalent amounts)	**(1,686,435)**	(1,684,815)
19	**Total Off-balance sheet exposure**	**876,617**	882,647
20	**Total exposures**	**5,190,686**	5,648,738
21	**Tier 1 capital**	**605,770**	620,649
22	**Leverage ratio (Tier 1 capital / total exposures)**	**11.67%**	10.99%

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 the Group is an independent and dedicated function reporting directly to 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 sub divided into different units which assess, monitor and control different risks. The Credit and Investment review unit is responsible for pre-fact assessment of corporate credit and international banking proposals including assessment of credit lines for various countries and banks and investment proposals as per the credit policy. In addition the Credit & Investment review unit is responsible for review and updating the Credit policy of the Group at periodic intervals so as to ensure that the policy is attuned to the operating environment and is in line with regulatory guidelines. Loan Review and Credit Portfolio control unit (LR&CPC), responsible to evaluate the risk profile on post approval basis, conducts post fact review of corporate credit and international banking exposures. The unit also prepares a detailed half-yearly portfolio analysis which is put up to ALCO, BRMC and the Board of Directors. In addition, Control Unit, part of LR & CPC, verifies and monitors the activities and functions carried out by Credit Administration department on an ongoing basis to ensure that credit dispensation is in compliance with the approvals as well as within internal and regulatory guidelines. Risk Management Division also oversees the functioning of Credit Administration Department to ensure that credit dispensation is in line with the approved credit terms and conditions and meets all the collateral and other requirements.

The operational risk unit is responsible for monitoring, measuring and reporting operational risks of the Group. Operational risk unit collects operational risk data through Risk & Control Self Assessment (RCSA), Key Risk Indicators (KRI), procedure reviews and reported incidents. A loss database is maintained and reported in the periodic risk management reports. Operational risk unit is also responsible for the group-wide insurance management and for coordinating the group-wide Business Continuity Plan and ensuring regular testing of the plan.

The Risk Policies and Analytics unit 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, keeping the risk management policies up to date and for conducting ALCO and Credit & Investment Committee (CIC) for investments items. The unit 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 unit also works out the PD and LGD annually associated with the different obligor grades to use in IFRS9 calculations. The unit also functions as a Treasury middle office where it monitors risk limits related to Treasury on a daily basis.

The information security unit is responsible for monitoring, measuring and reporting all the Group's information security risks ''internal and external threats whether deliberate or accidental" on information assets of the bank. information security ensures that risks are assessed, gaps identified and the recommended security controls in line with regulatory requirements and best practices are communicated to the risk owners so that the information is protected against unauthorized access and disclosures and the information assets are kept safe. Information security defines the policies and processes pertaining to the requirements defined by regulatory / standard bodies and tests the effectiveness of the controls put forth by various risk owners to secure the information assets. Identified risks and the treatment plans are reported to BRMC.

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 which 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 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 comprehensive analysis of a set of pre-determined parameters prior to introduction of new products or instruments. The policies have put in place internal limits (nominal as well as risk based) 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 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 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 in 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 obligor rating. Non-financial considerations are industry specific and thus allow more fine-tuned risk assessment for different industries. 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 are 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.

Banks exposure to derivatives are 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 standardised method for calculating capital for market risks.

Market risk limits are in place to control the 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 address 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 establishment of hedge, 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 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, identify core deposits, behavioral trends in short-term funds and correlations with macro economic 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 minimising the impact of risk events that may arise through inadequate processes, human error, system failures as well as external factors by using a range of assessment methods including Risk Control Self Assessments (RCSA) and Key Risk Indicator (KRI) framework and a comprehensive review of group-wide operating procedures. 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, compliance risk and legal risk. Internally maintained loss data, consolidated principally from incident reporting channels, provides information on the frequency and impact of operational risk events. A group-wide business continuity framework 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 this framework 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, credit risk of insurer, 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, 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 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.

Provision for credit losses are recognized on credit facilities based on the Central Bank of Kuwait (CBK) guidelines (The guidelines). As per the guidelines 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 stipulates two tier approach for credit loss estimation. Total credit loss to be recognized is sum of General and Specific provision. General provision is computed as 1% of outstanding cash facility balance and 0.5% of non cash facility balance after netting of certain restricted category of collateral. Specific provision calculation is based on 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 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 application of stipulated risk weights for different ECAI ratings and in case of claims on banks, into short-term and long-term exposures, as laid down in the regulations.

PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD
31 December 2020

a. Gross credit exposures

	2020			2019		
	KD 000's			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	370,646	370,646	-	403,097	403,097	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	143,079	143,079	-	122,723	122,723	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	1,746,263	1,403,447	342,816	2,132,322	1,795,011	337,311
6.Claims on corporates	4,028,911	1,809,296	2,219,615	4,065,370	1,850,727	2,214,643
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	40,396	40,396	-	30,014	30,014	-
9.Regulatory retail	455,416	454,795	621	477,589	462,138	15,451
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	57	-	57
12.Other assets	139,798	139,798	-	162,557	162,557	-
13.Claims on securitised assets	-	-	-	-	-	-
	6,924,509	4,361,457	2,563,052	7,393,729	4,826,267	2,567,462

b. Average gross credit exposures

	2020			2019		
	KD 000's			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	386,872	386,872	-	441,373	441,373	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	132,901	132,901	-	125,153	125,153	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	1,939,292	1,599,229	340,063	1,831,702	1,477,270	354,432
6.Claims on corporates	4,047,140	1,830,011	2,217,129	3,913,857	1,815,355	2,098,502
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	35,205	35,205	-	123,439	123,439	-
9.Regulatory retail	466,503	458,467	8,036	480,330	465,177	15,153
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	29	-	29	57	-	57
12.Other assets	151,177	151,177	-	197,676	197,676	-
13.Claims on securitised assets	-	-	-	-	-	-
	7,159,119	4,593,862	2,565,257	7,113,587	4,645,443	2,468,144

c. Total credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2020						
1.Claims on sovereigns	**335,436**	**35,210**	-	-	-	**370,646**
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	**143,079**	-	-	-	-	**143,079**
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**487,742**	**896,046**	**314,327**	**10,275**	**37,873**	**1,746,263**
6.Claims on corporates	**3,622,622**	**260,729**	**78,482**	**57,948**	**9,130**	**4,028,911**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	**39,936**	**48**	**74**	**335**	**3**	**40,396**
9.Regulatory retail	**455,284**	**79**	-	-	**53**	**455,416**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	**129,566**	**364**	**2,918**	**6,919**	**31**	**139,798**
13.Claims on securitised assets	-	-	-	-	-	-
	5,213,665	**1,192,476**	**395,801**	**75,477**	**47,090**	**6,924,509**
Percentage of credit exposure by geographical sector	**75.3%**	**17.2%**	**5.7%**	**1.1%**	**0.7%**	**100.0%**

	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2019						
1.Claims on sovereigns	392,805	10,292	-	-	-	403,097
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	122,723	-	-	-	-	122,723
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	538,728	1,104,364	428,862	10,202	50,166	2,132,322
6.Claims on corporates	3,739,395	239,490	43,488	27,816	15,181	4,065,370
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	30,014	-	-	-	-	30,014
9.Regulatory retail	476,771	652	96	-	70	477,589
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	57	-	-	-	-	57
12.Other assets	158,945	439	3,173	-	-	162,557
13.Claims on securitised assets	-	-	-	-	-	-
	5,459,438	1,355,237	475,619	38,018	65,417	7,393,729
Percentage of credit exposure by geographical sector	73.8%	18.3%	6.4%	0.6%	0.9%	100.0%

d. Funded credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2020						
1.Claims on sovereigns	**335,436**	**35,210**	-	-	-	**370,646**
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	**143,079**	-	-	-	-	**143,079**
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**487,742**	**692,337**	**189,725**	**10,068**	**23,575**	**1,403,447**
6.Claims on corporates	**1,642,476**	**152,220**	**5,482**	-	**9,118**	**1,809,296**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	**39,936**	**48**	**74**	**335**	**3**	**40,396**
9.Regulatory retail	**454,663**	**79**	-	-	**53**	**454,795**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	**129,566**	**364**	**2,918**	**6,919**	**31**	**139,798**
13.Claims on securitised assets	-	-	-	-	-	-
	3,232,898	**880,258**	**198,199**	**17,322**	**32,780**	**4,361,457**
Percentage of funded credit exposure by geographical sector	**74.1%**	**20.2%**	**4.5%**	**0.4%**	**0.8%**	**100.0%**

	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2019						
1.Claims on sovereigns	392,805	10,292	-	-	-	403,097
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	122,723	-	-	-	-	122,723
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	538,623	882,052	323,825	10,016	40,495	1,795,011
6.Claims on corporates	1,693,988	152,695	-	-	4,044	1,850,727
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	30,014				-	30,014
9.Regulatory retail	461,905	163	-	-	70	462,138
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	158,945	439	3,173	-	-	162,557
13.Claims on securitised assets	-	-	-	-	-	-
	3,399,003	1,045,641	326,998	10,016	44,609	4,826,267
Percentage of funded credit exposure by geographical sector	70.4%	21.7%	6.8%	0.2%	0.9%	100.0%

e. Unfunded credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2020						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	-	203,709	124,602	207	14,298	342,816
6.Claims on corporates	1,980,146	108,509	73,000	57,948	12	2,219,615
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	621	-	-	-	-	621
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure		-	-	-	-	-
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	1,980,767	312,218	197,602	58,155	14,310	2,563,052
Percentage of unfunded credit exposure by geographical sector	77.2%	12.2%	7.7%	2.3%	0.6%	100.0%

	KD 000's					
	Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2019						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	105	222,312	105,037	186	9,671	337,311
6.Claims on corporates	2,045,407	86,795	43,488	27,816	11,137	2,214,643
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	14,866	489	96	-	-	15,451
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	57	-	-	-	-	57
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	2,060,435	309,596	148,621	28,002	20,808	2,567,462
Percentage of unfunded credit exposure by geographical sector	80.3%	12.1%	5.7%	1.1%	0.8%	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 2020						
1.Claims on sovereigns	169,188	44,899	58,070	24,161	74,328	370,646
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	63	-	-	-	143,016	143,079
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	829,607	286,936	155,343	81,701	392,676	1,746,263
6.Claims on corporates	1,132,046	470,622	466,043	461,511	1,498,689	4,028,911
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	40,396	-	-	-	-	40,396
9.Regulatory retail	15,811	506	597	2,842	435,660	455,416
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	139,620	133	36	1	8	139,798
13.Claims on securitised assets	-	-	-	-	-	-
	2,326,731	803,096	680,089	570,216	2,544,377	6,924,509
Percentage of total credit exposures by residual maturity	33.6%	11.6%	9.8%	8.2%	36.8%	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 2019						
1.Claims on sovereigns	172,707	58,954	60,056	30,235	81,145	403,097
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	56	-	-	-	122,667	122,723
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	1,109,341	373,633	201,169	101,359	346,820	2,132,322
6.Claims on corporates	782,513	630,236	640,349	879,400	1,132,872	4,065,370
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	30,014	-	-	-	-	30,014
9.Regulatory retail	24,184	3,585	4,607	6,388	438,825	477,589
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	47	-	-	10	57
12.Other assets	152,850	172	4,439	28	5,068	162,557
13.Claims on securitised assets	-	-	-	-	-	-
	2,271,665	1,066,627	910,620	1,017,410	2,127,407	7,393,729
Percentage of total credit exposures by residual maturity	30.7%	14.4%	12.3%	13.8%	28.8%	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 2020						
1.Claims on sovereigns	169,188	44,899	58,070	24,161	74,328	370,646
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	63	-	-	-	143,016	143,079
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	716,254	155,279	129,591	64,502	337,821	1,403,447
6.Claims on corporates	525,267	173,244	188,109	111,135	811,541	1,809,296
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	40,396	-	-	-	-	40,396
9.Regulatory retail	15,659	402	575	2,724	435,435	454,795
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	139,620	133	36	1	8	139,798
13.Claims on securitised assets	-	-	-	-	-	-
	1,606,447	373,957	376,381	202,523	1,802,149	4,361,457
Percentage of funded credit exposures by residual maturity	36.8%	8.6%	8.6%	4.6%	41.4%	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 2019						
1.Claims on sovereigns	172,707	58,954	60,056	30,235	81,145	403,097
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	56	-	-	-	122,667	122,723
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	989,554	260,325	176,091	92,304	276,737	1,795,011
6.Claims on corporates	374,658	281,895	252,051	399,139	542,984	1,850,727
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	30,014	-	-	-	-	30,014
9.Regulatory retail	22,569	1,849	1,972	2,103	433,645	462,138
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	152,850	172	4,439	28	5,068	162,557
13.Claims on securitised assets	-	-	-	-	-	-
	1,742,408	603,195	494,609	523,809	1,462,246	4,826,267
Percentage of funded credit exposures by residual maturity	36.1%	12.5%	10.2%	10.9%	30.3%	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 2020						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	113,353	131,657	25,752	17,199	54,855	342,816
6.Claims on corporates	606,779	297,378	277,934	350,376	687,148	2,219,615
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	152	104	22	118	225	621
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-					-
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	720,284	429,139	303,708	367,693	742,228	2,563,052
Percentage of unfunded credit exposures by residual maturity	28.1%	16.7%	11.8%	14.3%	29.1%	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 2019						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	119,787	113,308	25,078	9,055	70,083	337,311
6.Claims on corporates	407,855	348,341	388,298	480,261	589,888	2,214,643
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	1,615	1,736	2,635	4,285	5,180	15,451
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	47	-	-	10	57
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	529,257	463,432	416,011	493,601	665,161	2,567,462
Percentage of unfunded credit exposures by residual maturity	20.6%	18.1%	16.2%	19.2%	25.9%	100.0%

i. Analysis of loans past due but not impaired by standard portfolio

	2020		2019	
	KD 000's		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	273,580	1,047	298,241	793
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	-	-	-
9.Regulatory retail	13,434	-	18,075	-
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	-
12.Other assets	-	-	-	-
13.Claims on securitised assets	-	-	-	-
	287,014	1,047	316,316	793

j. General provision and provisions charged to statement of income by standard portfolio

	2020		2019	
	KD 000's		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	822	(656)	1,478	452
6.Claims on corporates	128,045	87,949	119,512	100,758
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	-	-	-
9.Regulatory retail	5,864	4,508	6,011	9,256
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	-
12.Other assets	1,803	(410)	2,114	(2,004)
13.Claims on securitised assets	-	-	-	-
	136,534	91,391	129,115	108,462

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 2020				
Kuwait	-	-	287,014	1,047
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	-	-	287,014	1,047

	KD 000's			
	Gross Debt	Specific Provision	Past due but not impaired	
			0-60 days	61-90 days
As at 31 December 2019				
Kuwait	-	-	316,316	793
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	-	-	316,316	793

l. Movement in provisions

	2020			2019		
	KD 000's			KD 000's		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	-	129,115	129,115	-	143,238	143,238
Write-offs	(83,566)	-	(83,566)	(116,922)	-	(116,922)
Exchange differences	-	79	79	-	(18)	(18)
Ceded to Central Bank	-	-	-	-	-	-
Statement of income	83,566	7,340	90,906	116,922	(14,105)	102,817
	-	136,534	136,534	-	129,115	129,115

m. Credit exposures after CRM and CCF

	2020		2019	
	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	370,844	-	403,273	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	-	148,744	-	122,744
4.Claims on MDBs	-	-	-	-
5.Claims on banks	1,130,886	494,040	1,420,100	542,661
6.Claims on corporates	32,777	2,190,760	45,272	2,206,743
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	40,396	-	30,014
9.Regulatory retail	-	452,566	-	466,059
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	3
12.Other assets	-	135,629	-	162,336
13.Claims on securitised assets	-	-	-	-
	1,534,507	3,462,135	1,868,645	3,530,560

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 include 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 adequacy standard.

The credit policy of the Group lays down guidelines for collateral valuation and management which includes, minimum coverage requirement 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 2020				
1.Claims on sovereigns	370,646	-	-	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	143,079	-	-	-
4.Claims on MDBs	-	-	-	-
5.Claims on banks	1,746,263	-	-	-
6.Claims on corporates	4,028,911	697,705	192,012	-
7.Claims on central counter parties	-	-	-	-
8.Cash items	40,396	-	-	-
9.Regulatory retail	455,416	11,237	2,640	-
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	-
12.Other assets	139,798	16,812	4,169	-
13.Claims on securitised assets	-	-	-	-
	6,924,509	725,754	198,821	-

	KD 000's			
	Total gross exposures	Collateralised Exposures	Financial Collaterals	Bank Guarantees
As at 31 December 2019				
1.Claims on sovereigns	403,097	-	-	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	122,723	-	-	-
4.Claims on MDBs	-	-	-	-
5.Claims on banks	2,132,322	-	-	-
6.Claims on corporates	4,065,370	712,498	215,003	-
7.Claims on central counter parties	-	-	-	-
8.Cash items	30,014	-	-	-
9.Regulatory retail	477,589	11,992	3,890	-
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	57	-	25	-
12.Other assets	162,557	4,521	221	-
13.Claims on securitised assets	-	-	-	-
	7,393,729	729,011	219,139	-

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:

	2020	2019
	KD 000's	KD 000's
1.Interest rate position risk	**-**	-
2.Equity position risk	**1**	2
3.Foreign exchange risk	**440**	523
4.Commodities risk	**-**	-
5.Options	**-**	-
	441	525

IX - Operational risk

The Group uses the standardised approach for computation of operational risk capital charge that amounted to KD 27,212 thousand (2019: KD 34,879 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 standard. However, capital for operational risk is separately calculated for pillar two purposes using a variation of the standardised 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 last published bid price. The fair value for unquoted investments are determined by reference to any recent transaction of shares of same entity, 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:

	2020	2019
	KD 000's	KD 000's
1.Value of investment disclosed in the balance sheet	**236,264**	271,769
2.Type and nature of investment securities		
Financial assets at FVOCI		
Equity securities -quoted	**208,477**	246,631
Equity securities -unquoted	**27,787**	25,138
	236,264	271,769
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	**18,098**	50,587
5.Capital requirements		
Financial assets at FVOCI	**39,979**	56,500

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 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:

	2020		2019	
	Impact on earnings		Impact on earnings	
	±@ 1%	**±@ 2%**	±@ 1%	±@ 2%
	KD 000's	**KD 000's**	KD 000's	KD 000's
Kuwaiti dinars	**6,880**	**13,760**	8,584	17,168
US dollars	**2,240**	**4,480**	2,580	5,160
Other currencies	**216**	**432**	1,676	3,352
	±9,336	**±18,672**	±12,840	±25,680

XII - Remuneration

Board nomination and remuneration committee (BNRC) is composed of three non - executive Board members, including Chairperson as appointed by the Board of Directors (Board). Secretary to the Board acts as the secretary to BNRC. BNRC currently comprises of the following non executive Board members.

Mr. Musaed Al-Saleh
Sh. Talal Al-Sabah
Mr. Manaf Al-Muhanna
Mr. Yousef Alawadhi

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 2020 BNRC was assisted by Internal Audit Division to review Remuneration Policy.

BNRC met 8 times during 2020. Remuneration paid to BNRC members for 2020 cover their memberships in other Board Committees and any other tasks assigned to them by the Board. Total remuneration KD 438 thousand (2019: KD 445 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 2020 remuneration policy was reviewed by BNRC, which submitted the updated remuneration policy to Board on 25 August 2020. 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 at least once every 3 years. 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:

	2020	2019
	KD 000's	KD 000's
Amount paid	-	1,310
No. of employees	-	1,196

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:

	2020		2019	
	No. of Employees	KD 000's	No. of Employees	KD 000's
Amount paid to:				
Kuwaiti employees	74	481	230	394
Non Kuwaiti employees	88	361	171	544

The table below shows the value of remuneration paid to senior management and other material risk taker:

	KD 000's			
	2020		2019	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed				
Cash-based	1,394	-	1,463	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
Total fixed	1,394	-	1,463	-

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:

	2020		2019	
	No. of Employees	KD 000's	No. of Employees	KD 000's
Senior Management	14	1,394	14	1,463
Material Risk Takers	4	578	4	692
Financial & Control Functions	5	415	5	588

Branches Network	Tel	شبـكـة الـفــروع
Mubarak Al-Kabir	22990001	مبارك الكبير
Airport (Arrival)	22990004	المطار (الوصول)
Al-Rai	22990045	الري
Ali Sabah Al-Salem	22990042	علي صباح السالم
Al-Naeem	22990056	النعيم
Al-Rabia	22990057	الرابية
Al-Messila	22990065	المسيلة
Andalus	22990036	الأندلس
Ardhiya	22990019	العارضية
Dahiyat Abdulla Mubarak	22990059	ضاحية عبدالله المبارك
East Ahmadi	22990014	شرق الأحمدي
Fahaheel	22990066	الفحيحيل
Fahaheel - Ajyal Complex	22990011	الفحيحيل - مجمع أجيال
Faiha	22990067	الفيحاء
Farwaniya Co-op	22990027	الفروانية (الجمعية)
Hadiya	22990064	هدية
Hawalli (Beirut St.)	22990020	حولي - شارع بيروت
Jabriya	22990035	الجابرية
Jahra	22990007	الجهراء
Jleeb Al-Shyoukh	22990063	جليب الشيوخ
Khaitan	22990008	خيطان
Khaldiya	22990015	الخالدية
Labour Unit	22990324	وحدة حساب العامل
Mansouriya	22990044	المنصورية
Ministries Complex	22990031	مجمع الوزارات
Qurain	22990024	القرين
Regaee	22990050	الرقعي
Rumaithiya	22990018	الرميثية
Sabah Al-Salem	22990054	صباح السالم
Sabahiya	22990012	الصباحية
Salmiya	22990023	السالمية
Salwa	22990051	سلوى
Sharq	22990026	شرق
Shuwaikh	22990021	الشويخ
Six Ring Road	22990034	الدائري السادس
Al-Salam	22990055	السلام
Sulaibikhat	22990013	الصليبخات
West Shuwaikh	22990028	غرب الشويخ

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