التجاري
Al-Tijari

ANNUAL REPORT 2021

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

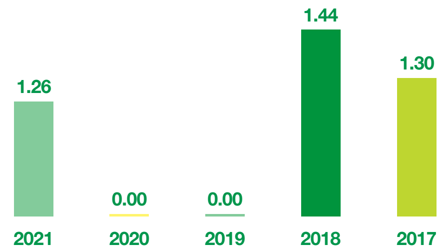
Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of The State of Kuwait

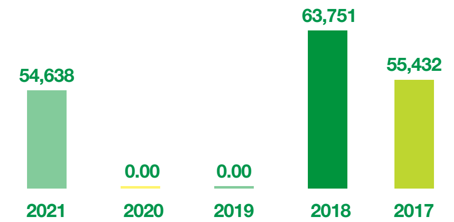
Table of Contents

Board of Directors 6
Introduction 8
Chairman's Message 10
Executive & Supervisory Management 14
Economic Review 16
Review of Operations 18
Corporate Governance Rules and Systems 38
Financial Review 74
Consolidated Financial Statements 76

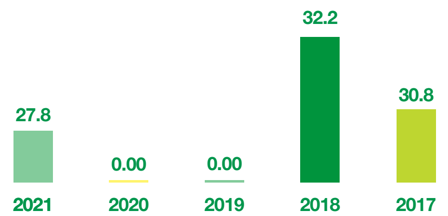
Financial Trends



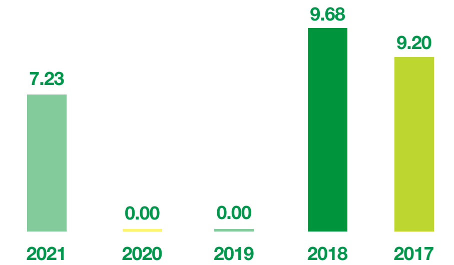
Return on Average Assets %



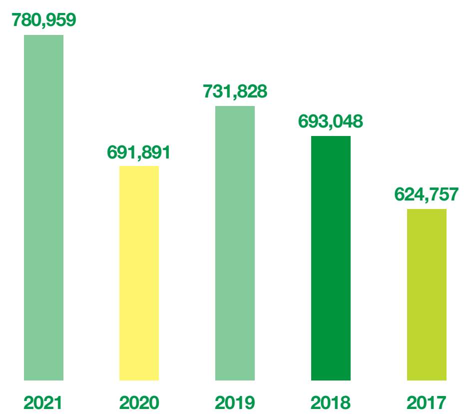
Net Profit Attributable to Shareholders of the Bank
KD 000's



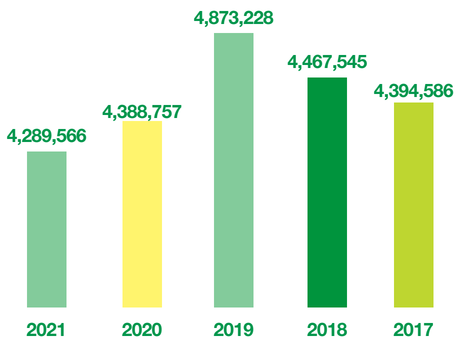
Earning Per Share Attributable to Shareholders of the Parent Bank
Fils Per Share



Return on Shareholders' Equity
(Average) %



Equity Attributable to Shareholders of the Bank
KD 000's



Total Assets
KD 000's

Board of Directors

Sheikh/ Ahmad Duaij Al Sabah
Chairman

Abdulrahman Abdullah Al Ali
Vice Chairman

Bader Sulaiman Al Ahmad
Board Member

Dr. Arshid Abdulhadi Al Houri
Board Member

Sheikh/ Talal M. Al Sabah
Board Member

Mohammed Abdulrazzaq Al Kandari
Board Member

Yousef Yaqoub Al Awadhi
Board Member

Manaf M. Al Muhanna
Board Member

Dhari Ali Al Mudhaf
Board Member

Dr. Mahmoud Abdulrasoul Behbehani
Board Member

Fahad Zuhair Al Bader
Board Member

Mona Hussain Al Abdulrazzaq
Secretary to the Board

Musaed Nouri Al Saleh - Board Member (Former)

Introduction

Introduction

Stability ... in the Face of Challenges

Despite the continuing implications of the “Pandemic” on the operating environment, the unprecedented circumstances the entire world has been experiencing due to the lockdown, and the subsequent decline in business growth, Al-Tijari has been able to underline its footprint as one of the leading banks in Kuwait, thanks to its strategic vision and investments in technology.

Amidst the tremendous developments the banking industry has witnessed on the local, regional and global fronts, the importance of the Bank’s strategic vision and Management prudent policy is further accentuated. These have been intended for targeting all growth opportunities and developing products and services offered to customers on the one hand, and managing the risks facing the banking industry on the other hand. This approach has enabled the Bank to sustain stability and resilience in the face of challenges.

With the massive digital developments in the banking industry, Al-Tijari has had a clear imprint by offering many sophisticated digital banking services in Kuwait through its applications for online banking, CBK App. on smart phones and tablets. The Bank has even been proactive in providing cutting-edge contactless payment methods through smart and even classic wearable watches that enabled customers to shop and pay for their purchases without need to carry a banking card. In addition, the Bank has also launched advanced self-services within its branches keeping pace with the latest developments in the banking industry so that Al-Tijari will always remain customers’ “Bank of Choice”.

With its rich history, promising future and corporate social responsibility and sustainability endeavors, Al-Tijari will continue its journey towards realizing a qualitative leap in the banking industry by providing innovative banking services and solutions to customers through a highly professional team. Meanwhile, Al-Tijari accentuates its commitment to the core values set by the Management which are: citizenship, leadership and social responsibility.

Chairman’s Message

Chairman's Message

Sheikh/ Ahmad Duaij Al Sabah
Chairman

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

Dear shareholders,

Peace and Blessing of Allah be upon you

It gives me great pleasure to present the annual report for 2021, where we review together the Bank's key achievements in 2021.

In a year marked by the ongoing (Covid-19) pandemic, economic uncertainty, and vital conversations about oil prices and climate change, our team stepped up once again to provide leadership for all the stakeholders to efficiently and effectively sail through these challenging times. Al Tijari was present to extend all the services to our customers. In 2021, we invested in the tools available to our front desk staff to educate our customers' to enhance their experience at various touch points. We continued to focus on building a modern, relationship-oriented bank. Through these efforts, we are delivering superior customer experience while maintaining financial strength, risk discipline and advancing our purpose-driven culture. Foundational to our progress is a consistent focus on the Bank's strategic priorities including: strengthening our retail banking franchise, maintaining and growing our resilient corporate banking, accelerating ongoing investments in human capital and technology, deepening the pillars and values of governance, environment preservation and corporate social responsibility.

Our accomplishments this year and our ambitions for the future are made possible by our tremendous team. Their professionalism and dedication are the foundation for everything we have accomplished. Al-Tijari Team will be the catalyst for accelerated growth as we carry our momentum into the years ahead. All across the Bank, we have continued to invest in our most valuable asset – our people – to enable them to grow their careers at Al-Tijari. In the past year, more than three-quarters of our colleagues expanded their skill set and deepened their knowledge by using "Thaber" our online learning platform "Thaber" received the "Most Distinctive Learning and Development Strategy" Award in the 9th Annual GOV HR Summit – the Region's Biggest Public Sector HR Platform sponsored by Dubai Government Human Resources (DGHR) Department- United Arab Emirates.

Our strategic focus on simplifying and diversifying our business has put the Bank in a strong position for growth as we continue to invest in people, products, and technology. In particular, we would like to highlight strong gains in digital innovation that have allowed us to deliver improved customer experiences while improving efficiency. In an increasingly digital world, trust is essential. We have continued to proactively invest in our cyber security defenses and risk management practices to protect our clients' data and ensure secure banking experiences.

We have financed new projects of national importance worth about KD 480 million. The Bank also directly financed a new PPP (Public-Private Partnership) project sponsored by Public Authority of Housing Welfare (PAHW). Further, the Bank has been one of the lead managers for a syndicated loan related to oil field production facility for an expected project value of around USD 398 Million.

A new branch at the Avenues mall has been added to the branches network, equipped with the latest technology and providing digital experience for our customers. Al-Tijari is proud to be the first bank in Kuwait to launch some distinguished products and services and will continue to introduce more and more products, solutions and services to the customers in future.

Al-Tijari continued its philanthropic and humanitarian activities intended for social sustainable development of Kuwaiti Society. The Double Your Reward campaign aims at boosting social solidarity by matching an equal amount of customer donations to certain charities and organizations. The Bank also proceeded in its innovative GGC award-winning social initiative Hawwen Alihom targeting road cleaning and construction workers in recognition of their efforts towards keeping Kuwait environment safe and clean. The Bank has participated in many initiatives such as the “Go Green” approach encouraging our people to have the least impact on the environment and to rationalize water and energy consumption. The Bank also sponsored voluntary activities targeted at cleaning beaches and the desert and other initiatives for environment preservation.

As part of its Corporate Social Responsibility, the Bank continues its support to The ‘Let’s Be Aware’ “Diraya” Campaign’ launched by Central Bank of Kuwait in cooperation with Kuwait Banking Association. The Bank has been helping in giving awareness messages to customers and the public by posting banking and financial information, tips and warning messages against fraud through its website, mobile App, branches, social media platforms and frequently asked questions (FAQs) section on the Bank’s online portal.

Synopsis of 2021 Financials

The Bank continues to deliver decent results at operating profit level with return on equity before provision at 11%. In the year 2018, we adopted a proactive policy of early recognition of any expected problems and achieved non-performing loans level of zero. Thus we maintained the non-performing loans at zero for the fourth consecutive year. It is a demonstration of our commitment to operate within our risk appetite but maintain strong capital and liquidity positions. We also allocated a decent portion of the operating profit to create judgmental provision against some loans where the Management had concerns.

The Bank announced a net profit of KD 54.6 million for the year 2021 compared to zero for the last year. Notable hike in net profit by KD 54.6 million during current year was mainly attributed to lower provision charge than last year. However, operating profit declined to KD 81.3 million by 11.1% (2020: KD 91.5 million) mainly attributable to lower interest rate environment. It is worthwhile to note that last year’s operating profit included non-recurrent governmental grant and significant fair valuation gain on a derivative.

As at the end of 2021, total loan loss reserve held with the Bank amounted to KD 216.2 million.

Financial highlights:

- Operating income of KD 124.8 million and operating profit KD 81.3 million for the year ended 31 December 2021, decreased by 5.1% and 11.1% against year ended 31 December 2020 respectively. Cost to income ratio is 34.9%.
- Customer loans and advances at KD 2,278.1 million are maintained at the same level of 2020. However, the total assets at KD 4,289.7 million marginally decreased by 0.2%, on year to year basis.
- Robust regulatory ratios, comfortably exceeded the Central Bank’s statutory requirement, Capital Adequacy Ratio 19.0%, Liquidity Coverage Ratio 130.0%, Net Stable Funding Ratio of 104.2% and Leverage ratio of 12.2%. It is worthy to note that Commercial Bank of Kuwait has not resorted to the relaxed amendments to the regulatory ratios and macro prudential measures issued by the Central Bank of Kuwait in light of the exceptional circumstances resulting from the outbreak of the Covid-19 Pandemic in order to provide the necessary support to banks and the local economy.

Looking ahead to 2022 and beyond

As we look ahead to 2022, we are optimistic. Despite the challenges of the last two years, Al-Tijari has accelerated its investments in growth initiatives that support our customer-focused strategy. This positions us well for future growth. Our customers are important stakeholders in our Bank. Helping to make their ambitions a reality is our shared purpose, and required an investment in our team to ensure they have the tools and technology to help our customers plan for the future and achieve their goals.

We will continue to align our purpose with performance to grow Al-Tijari in a more inclusive and sustainable world. We will continue to prioritize a disciplined focus on expense management to remain financially and strategically flexible. We believe that our "bionic" blend of great people and technology will remain a key success factor.

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

Sheikh/ Ahmad Duaij Al Sabah

Executive & Supervisory Management

Executive & Supervisory Management

Elham Yousry Mahfouz
Chief Executive Officer

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

Hussain Ali Al Aryan
GM – Treasury & Investment Division

Bader Mohammed Musleh Qamhieh
GM - Information Technology Division

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

Amr Mohamed El Kasaby
Chief Internal Auditor - Internal Audit Division

Paul Abdoulnour Daoud
GM – Operations Division

Ebtissam Baqer Al Haddad
GM - Strategic Planning & Follow up

Tan Tat Thong
Chief Risk Officer – Risk Management Division

Kunal Singh
GM – International Banking Division

Sadeq Jaafar Abdullah
GM – Human Resources Division

Ahmed Hammed Bo Abbas
Acting GM – Corporate Banking Division

Tamim Khaled Al Meaan
GM – Compliance & Corporate Governance Division

Abdulaziz Saleh Al Zaabi
Acting GM – Retail Banking Division

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

Talal Reyadh Al Nassar
Head - General Services Division

Economic Review

Global Economy:

The global economic recovery is continuing, even as the pandemic resurges. According to IMF, the global economy is projected to grow 5.9 percent in 2021 and 4.4 percent in 2022. The advanced economies are expected to be impacted adversely due to supply chain disruption and rising energy prices.

Despite recent increases in headline inflation in both advanced and emerging market economies, long-term inflation expectations remain anchored. Looking ahead, headline inflation is projected to peak in the final months of 2021 but is expected to return to pre-pandemic levels by mid-2022 for most economies. But given the recovery's uncharted nature, considerable uncertainty remains, and inflation could exceed forecasts for a variety of reasons

Kuwait Economy:

The economy likely recovered in Q2, as the annual decline in oil output moderated, while the non-oil sector benefited from stronger consumer spending growth—partly due to a low base effect, but also aided by the extension of the debt deferral program and looser restrictions. Turning to Q3, while activity likely lost momentum in annual terms amid a fading base effect, conditions should have improved on a sequential basis: Crude oil output picked up again in July–August, online spending remained red hot in the same period and household lending growth should have benefited from improving consumer confidence. Meanwhile, the government recently adopted a restructuring plan for the public sector for 2022–2025, aimed at disbanding some ministries, and changing laws around investment, foreign ownership, bankruptcy and public-private partnerships, which should support fiscal metrics over the medium term. The market experts forecast GDP growth of 2.1% in 2021 and 4.80% in 2022. The higher growth rate in 2022 is backed by increased oil output and solid domestic demand.

With huge oil in reserve, 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 KWD 12.1 billion in 2021. KWD customer & interbank deposit rates mostly remained stable throughout the year mainly due to the Central Bank of Kuwait's pandemic related relaxation measures on the ratios.

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

USD KWD traded in a range of 0.300 to 0.303 in 2021 that is in line with the market volatility. Moreover, jump in the oil price due to the ongoing recovery from COVID crisis added strength to the KWD against USD.

Kuwait Stock Market:

Kuwait Stock market outperformed many regional indexes mainly backed by strong demand from foreign investors. Kuwait main market index posted a gain of 29% and Premier index posted a gain of 27% in the year 2021. After the inclusion of Kuwait market in the MSCI index, we have witnessed large inflows from the international market. Further gains on the back of higher oil price and non-oil GDP sector growth are expected in the coming months. A major threat to Kuwait stock market will be soaring inflation across the globe which could pressure the Central banks to act swiftly on the monetary policy by hiking interest rate.

Review of Operations

Retail Banking Division

The Retail Banking Division "RBD" is a key driver to Al-Tijari dynamic product and service developments, providing a broad range of retail products, services and solutions tailored to satisfy customer needs through full-fledged accounts, deposits and cards. RBD has a mission to reach out to all society segments to ensure retail portfolio growth, customer base expansion, strong presence, sizable market share, brand recognition and to help achieving financial inclusion. For achieving this mission, RBD keeps in pace with the tremendous global and domestic development in light of the rapid technological advances that the banking industry has been experiencing. The priority in 2021 was to drive rapid adoption of digital banking transactions across all segments.

RBD continued to provide a wide array of new, diversified and innovative services in line with the digital transformation of banking services to meet the evolving 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 2021 saw the launch of many innovative banking services, including but not limited to the following:

New Services

Launching Payment Service via Swatch Pay

This is a contactless payment method that enables customers to make purchases at stores using wearable analogue watches from Swatch. 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. To avail this service, the customer can add any of his/her credit, prepaid and debit cards on his Swatch then begin enjoying the service at all stores that allow payment through POS terminals locally and internationally.

Launching Multicurrency Prepaid MasterCard

Al-Tijari launched Multi-Currency Prepaid MasterCard that allows customers to benefit from the secured locked-in exchange rates as per the exchange rate on the purchase date. The card is issued in 10 different currencies controlled at the palm of the customers' hands without having to carry multiple cards or cash in different currencies. The reloadable Prepaid MasterCard is designed for frequent travelers, online shoppers and students studying abroad making transactions more convenient and easy.

Customers can choose from a variety of foreign currencies on their online banking and benefit from secured exchange rates.

Prepaid Card Issuance Services via CBK Mobile App.

Electronic services have been developed to facilitate the customer's banking experience. Customers can issue a new prepaid card or renew their cards directly through the Bank's application on mobile phones. This service has been offered to expand the base of customers holding prepaid cards and to make their transactions with the Bank at their ease without need to visit the Bank branches. The customer can opt to get the card delivered to his chosen address or to pick the card from the branch if he so wishes.

Adding New Account Type "Savings Account" To Mobile Onboarding

A saving account has been added to types of accounts that can be opened for new customers via CBK Mobile App "Mobile onboarding"

IBAN Certificate Issuance Service

A new service has been launched that allows the customer to issue an IBAN "International Bank Account Number" certificate free of charge via CBK Mobile App. The certificate is issued electronically by the Bank and enhanced by a QR Code.

Issuance of an Electronic Bank Statement

The Bank launched the service of issuing an E-statement free of charge for up to five years. The Service can be availed directly via CBK Mobile App.

Civil ID Information Update Service via PACI “Kuwait ID” App.

A new service has been launched to allow customers whose civil ID cards are expired with the Bank to update the card information without need to visit the Bank. The Bank sends an authentication request to the customer through the application of the Public Authority for Civil Information “Kuwait ID” and when the customer accepts the authentication request, the customer’s information at the Bank will be updated electronically.

New Customer Onboarding Service via PACI “Kuwait ID” App.

New customer Onboarding service has been upgraded so that customers can use their digital ID card through the application of the Public Authority for Civil Information “Kuwait ID” in the account opening process with the Bank.

Upgrading the Push Notification Service

Mobile Push Notification Service has been upgraded whereby notifications are classified into two types: The first type is for banking transactions while the other type is for awareness and marketing objectives. The Notification Icon has been placed on the Main Menu at the top of CBK Mobile App. Interface so it is always easy for the customer to access.

Six International Languages Available for Use at the Smart Teller Machines

The Bank has added four key languages (Hindi, Urdu, Tagalog and Persian) to the user interface of Smart Teller Machines (STM) located in all branches for cash withdrawal and deposit. This is a unique service offered for the first time in Kuwait and provides customers from diverse nationalities with easy, convenient and secured way to access their banking profiles and conduct an array of financial and non-financial services.

Upgrading Smart Teller Machines

The Bank has developed the methods for using its Smart Teller Machines “STM” whereby a customer can now identify himself/herself to the STM and use it through the PACI “Kuwait ID” App. STM software has also been upgraded so it became available not only for CBK customers but also for other banks’ customers to use CBK STMs for cash withdrawals through ATM cards issued by any bank in Kuwait.

Introducing Bulk Teller Machines “BTM”

RBD takes pride that Al-Tijari is the first bank in Kuwait to introduce Bulk Teller Machine (BTM) where customers (corporate and individual) can withdraw bulk amounts in multiples of KD 5,000 so that the amount withdrawn can reach KD 50,000. The customer can initiate the withdrawal request via Self Service Machine, obtain cash withdrawal approval from Customer Service Desk, scan the barcode on the transaction slip, enter the received OTP number to collect the money dispensed.

Opening the Avenues Branch

To achieve physical expansion of the Bank’s presence through branches in Kuwait, the Bank has inaugurated its latest branch in the Avenues Mall. The Avenues Branch has been equipped with cutting-edge digital technology, including interactive touch screens, and communication services via live video chat service with our Contact Centre. Thus, customers are enabled to quickly and easily perform all their banking transactions.

Contact Centre

The Contact Centre continued to play a pivotal role to assist customers banking with CBK outside working hours and around the clock through Live chat service with video and audio options along with co-browsing the latest banking products and services on the Bank's webpage.

Marketing Campaigns

Several campaigns and promotional advertisements for new services were organized, particularly for Al-Najma account, new payment services and the salary transfer campaign during which an interest-free loan of up to KD 70,000 was offered to customers for a set period. The Bank also launched the promotional "Desert / Sea" Campaign over four months targeting the Bank's credit and prepaid cardholders to encourage them to use CBK cards in Kuwait and while travelling abroad in view that life is getting back to normal. The Bank awarded 20 fabulous prizes to winners including desert and sea gears as well as two Polaris cars.

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. During 2021, the Division has been restructured to six specialized business units viz. Contracting Unit, Oil & Gas Unit, Services Unit, Commercial Unit I, Commercial Unit II, and Wealth Management Unit which cater to the requirements of various sectors. A dedicated and specialized Credit Analysis Unit within CBD focuses on conducting detailed financial, industry and overall risk analysis of customers which works closely with the above 6 units to prepare comprehensive credit proposals 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 has succeeded in financing new projects worth about KD 480 Million. CBD also directly financed a new PPP Project sponsored by PAHW with a total commitment of KD 44 Million. Further, CBK has been mandated during the year as one of the lead arrangers for a syndicated loan related to oil field production facility for an expected value of around USD 310 million, with the CBK's contributing 25% of this finance

As part of social responsibility, CBD have also provided support to affected Small & Medium Enterprises under the umbrella of Law 2/2021 during the year. According to market intelligence, CBK pride itself to have had provided the highest amount of support compared to peers against the said law.

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

International Banking Division

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

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

In 2021, despite continued challenging operating environment saddled with ample global liquidity and persisting tight margins, the Division has continued to contribute to the Bank's overall profitability. The focus during the year continued on managing the assets. Through a combination of funded and unfunded transactions, the Division proactively managed asset book whilst maintaining the asset quality. IBD proactively managed key relationships, while assisting several clients and projects to continue performing during these challenging times. IBD continued to hold detailed discussions with the borrowers and other counterparties gauging the impact of global slowdown during 2020 and 2021 and provided relief to the clients through deferments of instalments, partial waivers & funding support The Division has kept continuous engagement with clients based out of the Middle East, Africa, South Asia and the Far Eastern countries.

After successful execution of Umm Al Hayman PPP (Public Private Partnership) project in Kuwait, the Division will continue to seek participation in such PPP projects to generate stable income in future years. However, the major project announcements had been delayed, as the country had been grappling with the impact of covid and lockdowns. The Division issued few retention bond for a large infrastructure project in Oil & Gas sector in Kuwait. The Division continued to develop new business relationships with companies from the Far Eastern region, Turkey and Europe which are executing projects in Kuwait.

The Federal Reserve of United States has announced that it will be doubling the pace of tapering i.e. reduce monthly asset purchases and has indicated several interest rate hikes throughout 2022. Several regulators have already increased the interest rates in order to curb inflation.

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

Treasury and Investment Division

The Bank's liquidity condition strengthened further in the year 2021 backed by successful completion of long-term fund raising via bilateral loans and term-repo. Furthermore, the balance sheet was optimized by replacing short-term costlier customer / interbank deposits. The Central Bank of Kuwait kept the liquidity ratio relaxation measure unchanged, which helped banks effectively reduce the cost of funds.

As part of our customer base diversification and expansion plan, we have managed to add more nonresident customers, and reduced the concentration of resident customers. We have on boarded new e-platform brokers to source more customer deposits from different geographies. The bank's proactive liquidity management helped to achieve a stable low cost of funding throughout the year. By adding new funding instruments such as repos using the bond portfolios will help the bank further reduce the cost of funds going forward.

For the purpose of effective liquidity management, the Bank has invested more funds into sovereign USD bonds at a reasonable better return than the ongoing money market rate. Our bond portfolio reduced in size by approx. 20% mainly due to bond maturities & ongoing tighter spread in the market for investments. Our collateralized long-term borrowing via a term repo using the investment grade bonds in our portfolio helped the bank achieve a growth of approx. 19% in the long-term borrowing. Such secured funding rate was relatively 50 bps cheaper than unsecured borrowing rate.

To enhance our customer services beyond market hours (non-banking hours), we have developed and integrated an online FX platform with our core banking system that provides live streaming of FX rates at attractive spreads. The auto-hedging feature of this platform will help the bank manage the market risk most effectively.

TID is well equipped with the latest technology fast execution trading portals such as Reuters FX trading, Bloomberg, 360T, and private major bank platforms. Our system efficiency and control features helped us achieve a paperless dealing atmosphere and improve efficiency.

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

• **Foreign Exchange Desk:** Trading & covering in FX Spot/Forward & Swaps;

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

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

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

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

Risk Management

The Bank believes 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, 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 Bank 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 Bank's executive committees are among the factors which reflect the independent nature of the division's operations and the central role it plays within the Bank. For better integration of the risk management process to aid decision making across the organisation, the roles and functions of the division were streamlined during the year and grouped according to three broad risk categories, namely Credit Risk Management (CRM) Department, Operational, Fraud and Information Security Risk Management (OFISRM) Department and Enterprise Risk Management (ERM) Department .

CRM Department comprises the following Units:

1. Credit and Investment Review Unit with specific focus on pre-fact review and assessment of credit facilities from Corporate Banking Division and International Banking and Syndication Division including assessment of credit lines for various countries and banks as well as investment proposals as per the Credit Policy/Investment Policy. The Unit is also responsible for updating and maintenance of risk grades of corporate credit exposures. In addition the Credit and Investment Review Unit is responsible for reviewing and updating the Bank's Credit Policy 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, this 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 the Central Bank on the financial support provided to these borrowers.

2. Loan Review and Credit Portfolio Control Unit is responsible for (a) evaluating the overall risk profile of the obligor/borrower on a post-fact basis - based on selection criteria approved by the Management which mainly include exposures of KD 20MM and above, as well as high risk rating exposures; (b) monitoring the Bank's corporate credit portfolio in line with the broader benchmarks/limits set in various policies; (c) developing monthly control reports to monitor and highlight the main observations of the corporate, and international exposures; and (d) conducting a comprehensive review and analysis of the credit portfolios for Retail Banking Division, Corporate Banking Division, International Banking and Syndication Division as well as Treasury and Investment Division. Additionally, the Unit is entrusted to provide independent risk opinion to Management to improve the overall performance of the facilities, crystallize corrective/recovery actions (where necessary), and take precautionary actions to avoid any potential future credit losses.

OFISRM Department comprises the following units:

1. Operational Risk Unit is responsible for monitoring, measuring and reporting the operational risks of the Bank. The 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.

2. Information Security Risk Management Unit is responsible for monitoring, measuring and reporting all the Bank's information security risks - internal and external threats whether deliberate or accidental - on all information assets of the Bank. This Unit ensures that information security risks are assessed, gaps identified and the recommended security controls are in line with regulatory requirements and best practice standards. These are communicated to the risk owners to protect the Bank's information assets against unauthorized access and inappropriate disclosures. Information Security Risk Management Unit establishes and maintains the related policies and procedures; as well as tests the effectiveness of the controls in order to keep the Bank's information assets secure. The risks identified and the treatment plans are reported to the Board Risk Management Committee and the BOD. Notwithstanding this, Information Security Risk Management Unit collaborates with all other units within the Bank and acts as an advisor to provide inputs to follow mandated compliance requirements across the Bank to safeguard its information assets. To improve the maturity of the Bank's information security framework in the past year, the Unit has undertaken taken many initiatives. The Unit partnered with the Human Resource Division to provide a customized Information Security Awareness Course to all staff in order to embed a Security Awareness culture within the Bank; and while working along with Information Technology Division to implement adequate controls, the Bank also received its PCI-DSS re-certification and achieved ISO 27001 certification. The Unit also established a managed 24x7 Security Operations Control Center to monitor all anomalous security events and to take necessary corrective actions; and advanced Malware protection to protect the computers from highly sophisticated cyber-attacks targeting the end-users of the Bank was also implemented.

Enterprise Risk Management Department:

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

1. Risk Policies and Secretariat Unit – with a primary focus to assess new/changes in regulations and accordingly develop/establish approach risk management policy responses.

2. Risk Reporting and Middle Office – responsible for the timely and proper preparation of risk management reports with narrative based on descriptive analytics; and

3. Analytics and Simulations Unit - concentrates on predictive (forecasting) and prescriptive (simulation and optimization) analytics, develops financial models to provide forward looking and proactive insights

During the year, the ERM Department through its inter-related Units is responsible for periodic computation monitoring, reporting of risk metrics related to market, liquidity and interest rate risks as well as various risk appetite parameters including macroeconomic variables; for calculating the economic capital for various risks under the Bank's Internal Capital Adequacy Assessment Plan; for conducting stress tests and reporting these to the ALCO, BRMC, Board and the Central Bank; for keeping the risk management policies up to date; for conducting regular meetings of ALCO and CIC for investments items; for providing key quantitative inputs like Probability of Defaults and Loss Given Defaults for ECL calculation under IFRS9. The Department also prepared a monthly risk management report which is circulated to the ALCO members; and conducted various special adhoc risk management related projects involving risk analytics and simulation in order to assess the risks from a quantitative perspective; while completing the validation project of its IFRS9 models (PD / LGD) by an independent consultant.

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

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

a) Credit Risk
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 while all credit decisions are made after giving due consideration to the requirements in the Credit Policy. 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 and control the existing credit portfolio. Portfolio Reports and Post Approval Reviews are escalated to Management, Chairman and/or Board.

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. The Bank further enhanced its credit rating methodology to rate individual high networth customers based on detailed financial and behavioral 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 Bank 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

The advent of information technology to every aspect of human life and business has been so obvious that it does not need to be accentuated more. Information Technology Division in the Bank has been of great essence in all fronts. ITD in Al-Tijari tends to save the time of the customers and the employees conspicuously; ITD cuts down the expenses and facilitates network transactions.

Information Technology Division has become the forefront in the Bank's Digital Innovation Strategy. The Bank IT infrastructure has been enhanced to support the business in enhancing the services and products offered to the customers.

We have upgraded our servers with the latest Operating System for better performance and security to improve the processing of the system and to be in compliance with the certification awarding bodies. We have completed the implementation of the security of our production environment. This limits the attack vector of any potential unauthorized intruder to our systems. Monitoring of security events of IT devices which include servers, network and security equipment's is now being sent to the Security Information Event Management system which collates all event and correlates for a better view of the Bank's infrastructure security.

To support the Bank's strategy on enhancing customer experience, ITD has implemented new systems and improved existing once.

The Smart Teller (STM) and Smart Deposit (SDM) machines have been updated. The customer can now choose to use his/her native language (Arabic, English, Hindi, Filipino, Urdo and Persian). The ability to choose whether to get a receipt for the transaction or not. This is done to support the drive for an environment friendly ecosystem. Security of the customer personal information when using both machines is made compliant to certification standards. In addition we have not kept the STM technology for our customers only. Now other Banks customer can withdraw from the STM, this will allow them to experience what our customers are enjoying.

We have improved our Mobile Banking application, aligning the services available in the Mobile application with that of the branch. With the implementation of the Account opening, KYC and Civil ID update services, customers are given the chance to configure their credit cards to be multi-currency and may change the displayed name of their cards for better card management. In addition, the customer IBAN can now be downloaded for the information of the customer.

Information Technology Department developed the technological aspects related to the launch of Bulk Transaction Machine. This supports the STM service and focuses on customers who have large amount of cash requirement.

Foreign currency transactions from the different channels are automatically sent to T360 for a counter deal in order to reduce the risk for the Bank.

As for the regulatory compliance, Risk Scoring was implemented. This covers all individual accounts. In addition to this, the KYC update to all accounts are now being executed daily which was previously done once a month. With this implementation, the risk rating of the individual customer is updated based on the criteria set forth in the Central Bank of Kuwait's requirement and its corresponding KYC review date is updated regularly. In addition we have also implemented World Check a name screening system that helps the bank check blacklist existing customers and prospective one.

The Information Technology Division in the Bank shall continue its endeavors towards enabling sophisticated product development, better technology infrastructure, implementation of reliable techniques for control of risks thus emerging as an important medium for delivery of banking products and services.

Operations Division

The Operation Division in Commercial Bank of Kuwait is a back-end team responsible for executing and settling transactions initiated by the front-end teams while ensuring adherence to risk and regulatory guidelines. The Operation Division is pivotal for the Bank as a back-office function that impact customers' experience in opening new accounts, monitoring existing ones, processing loan applications and other everyday transactions. The Division had a smoother transition in year 2021after the challenges faced due to the Covid Pandemic in 2020. Through ongoing optimization, workflow streamlining, enhancement in monitoring and control processes, the Division continued to perform its core functions.

Cash Management Center (CMC)
CMC ensured 24/7 cash availability to customers during peak salary periods, weekends, and public holidays including Cash Express deliveries. CMC has remodeled the work flow to cater to the replenishment requirements in larger number of machines in comparison to previous years to achieve efficiency.

CMC in collaboration with Information Technology Division (ITD) and Construction & Property Management (CPM) are working on finalizing the preparations to install the Bulk Teller Machine (BTM) in selected branches.

Treasury & Investment Operations Department
Treasury & Investment Operations Department has successfully migrated to the new local payment system (PayHub) in line with the requirement of Central Bank of Kuwait. The bond portfolio has been successfully migrated to the new custody account which has led to cost saving on the portfolio fees and also reduced concentration risk due to portfolio diversification.

Fraud & Risk Monitoring Unit (FRMU)
FRMU is responsible for ensuring 24/7 availability to support SWIFT Sanctions Screening, Account opening, CBK Cheque screening presented by non CBK customers and KYC screening, fraud monitoring that proactively identifies the anomalies to mitigate the fraud risk for CBK customers & Merchants. Enhancement of Detect TA fraud monitoring system has strengthened the monitoring process and has inbuilt alert features.

The claim resolution systems for Visa & MasterCard Claims were boosted to provide robust dispute rules, streamline the process with reduced time frames and offer enhanced tools for proactive resolution. This is in alignment with the strategic goal of faster dispute resolution, with minimal error.

The successful migration of E-Banking related tasks to FRMU has ensured availability of 24/7 services to major corporate customers without need for visiting branches.

Procedure Documentation Unit
The unit has supported the Bank in updating and releasing the re-engineered processes during the year required by the regulatory authorities and various business areas of the Bank.

Operation Administration Department
The Department consists of Operation Processing Control Unit, Record Management Unit, Legal Operations and Data & Process Management Unit (DPMU). DPMU has been efficiently handling tasks pertaining to deceased customer's account. Record Management Unit (RMU) is responsible for complete archiving of documents of our bank. To achieve better storage of documents, a new automated system was created for the movement of documents from branches/departments to storage units and finally for destruction after the mandated archival period. Additionally, the Department has been providing specialized back-office support required by branches.

Retail Credit Admin & Processing Department (RCAP)
The department introduced amendments in the MIS related to Rescheduled Loans, New Loans & Settlements to ensure more accurate information is received for decision making.

Trade Service Department (TSD)
Trade Services Department is a highly specialized department supporting our customers in their functions such as Import - Export (letter of credit), Collections and Guarantees (local and foreign as well as guarantees issued locally against foreign bank request). It also provides short term import finance against trade obligations as well as arranges discounting of export receivables.

The Department is managed by highly skilled staff who are well equipped to handle different type of trade transactions due to planned rotation, training & skill enhancement and awareness of international trade rules as well as local laws and regulations.

The Department has been able to provide superior customer service along with least TAT and has been successful in tracking all customers request through FX web based system and automated extend /pay and Guarantees cancelation reports, and is currently exploring to achieve higher automation in other functions of the Department.

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

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

The Department has successfully recovered bad assets in terms of loans and credit cards under Retail Banking, and has provided a phenomenal growth of 97% in recovery for the year 2021.

The Operation Division will continue to leverage automation to enhance processes, control costs and deliver sustainable levels of quality in the years ahead.

Strategic Planning & Follow Up Division

The Division has been established with a direct reporting line to the Chairman of the Board of Directors and dotted reporting line to the Chief Executive Officer, in line with the Central Bank of Kuwait guidelines. The Division is meant to ensure the successful formulation and implementation of the Bank "Shaping the Future" Strategy for the upcoming five years. The Strategy is interwoven to booster digital transformation of the Kuwait Banking Industry, Customer Centricity, National Empowerment, Environment Protection, Society and Governance as an integral component of the Kuwait Vision 2035.

As such, the Division in collaboration with all the Bank's relevant Divisions and Departments has constructed Al-Tijari's shaping the Future strategy taking into consideration the Country wide vision and direction which was interwoven into the main strategic goals over the upcoming five years.

The Division also follows up the implementation of the Bank's approved strategy, measures the metrics of progress achieved as mandated in the Strategic Plan and evaluates the performance against fixed key performance indicators as well as the targets achieved in coordination with all concerned parties.

In addition, the Division is responsible for preparing detailed periodic reports submitted to the Chairman of the Board of Directors. The reports underline the achievements, failures and unrealized goals along with the causes behind the shortfalls and their relevant area owners. The reports also take into account the overall implementation schedules of all projects and programs within their designated timelines and demonstrate the results of executing each project, whether at the Bank, society or customers levels.

The Division takes into account the holistic view of the strategy reports to coverall the Bank's strategic plans and vision, risk analysis, challenges, strengths and weaknesses, opportunities and threats. The Division's reports serve as a tool for tracking the methodology and processes adopted for implementing the projects and programs, which demonstrate how the Bank proceeds in serving customers and society by providing high-quality and secure digital banking services and products at a reasonable cost.

Human Resources Division

Recruitment Department

Commercial Bank of Kuwait participated in multiple virtual career fairs during the (COVID-19) pandemic; the Bank has supported hosting institutes by sponsorships and by being a participant to fulfil the corporate social responsibility and the Bank's strategy towards Kuwaitization and providing stable job opportunities for Kuwaiti graduates.
In this context, the Bank endeavours to attract ambitious Kuwaiti youth, qualify and train them for working in the various departments across the Bank, thus increasing the national labour percentage in the Bank and preparing a generation of new Kuwaiti bankers as part of the Bank's mission for "Building the Future together".

Al-Tijari Kuwaiti Graduate Program

In an effort to maintain alignment with our mission and the overall strategic plans of the Bank, the Human Resources Division "HRD" has put conscious effort towards improving of its overall processes and day-to-day activities.

With this mission in mind, HRD is expanding on Al-Tijari Kuwaiti Graduate Program within several divisions of the Bank by targeting Kuwaiti Fresh graduates with high GPA's from renowned universities to prepare and develop the graduates to be qualified for working in various divisions within the Bank including Corporate Banking, International Banking, Risk Management, and the ongoing FP&C program.

Recruitment Platforms

CBK's brand awareness has expanded as a result of the Recruitment Department's involvement in online recruitment platforms like Bayt.com, Khibra, and LinkedIn. We have enhanced the CBK career page applicant experience by amending the page aspects in way that provide the candidates easy and simplified methods of application. Due to this the Bank's career page has witnessed an increased number of applicants throughout the year and the database of these applicants was filtered, sorted, and managed with help of TalentEra which is a product of Bayt.com and reached more applicants through Khibra. Finally, our LinkedIn followers have gone up to 24,000 followers, which is a 30% increase from last year as a result of our efforts to attract talents within LinkedIn to be a part of our growing organization.

Learning & Development Department
Due to the competitive forces that corporations face today, companies are required to do more with the resources they have or - in many cases - do more with less. In addition to delivering more services faster and with more value; customizing the experience; providing life-long learning and work-life balance and moving everything online and making it accessible to clients, with full privacy and security.

The efforts to achieve such excellence - through a focus on learning, quality, teamwork and reengineering - are fundamental HR issues, which have been embedded in the various HR initiatives to ensure alignment with CBK strategic direction.

Well Being Initiative "PULSE"
The success of CBK mainly depends on the productivity and work performance of its employees. Hence, CBK is keen on promoting wellbeing at the workplace, as it will positively influence both employees and the Bank by increasing productivity, enhancing employee morale and reducing absenteeism.

As such, various learning resources (E-sessions, Workshops, Awareness Tips, videos and Articles) have been put in place to provide users with the information and practicalities required to address related topics.

In addition to and in order to prepare the designated volunteers to handle safety emergencies, Learning & Development Department "L&D" in collaboration with Dasman Diabetes Institute organized several in-house sessions on "CPR and First Aid". Attendees were awarded an international license from the American Heart Association.

GPS - Grow, Perform Succeed
The initiative is designed on one hand to allow Mentors develop and exercise their leadership capabilities and showcase their unique abilities and strengths to new recruits and trainees. On the other hand, the Mentees will gain a fast-tracked learning opportunity, gaining knowledge and learning leadership skills from the various Mentors.

To achieve the desired results, the initiative carefully blends several talent development tools and techniques, namely, psychometric assessments in addition to mentoring sessions.

Talent Management
The initiative allows CBK to unveil the potential of High Flyers using renowned tools in order to provide them with targeted personal development. It also allows the Bank to retain talent and ensure continuous development and career advancement.

Hence, High Potentials undergo a series of assessment tools to evaluate their skills and abilities against specific leadership competencies. The purpose of it is to unveil their potential and accordingly provide them with targeted personal development.

Security Measures
HRD in collaboration with GSD has been working on updating "CBK's Security Measures" content and designing related Infographic Videos. The purpose of this project is to improve awareness on the Security Measures applied in the Bank with regards to Fire Prevention, First Aid Techniques, Bank Safety... to name a few.

Signature Verification
To ensure that staff are equipped with skills in detecting forgery on official papers, certificates, invoices and checks, L&D conducted the "Signature Verification" Program. The comprehensive training was attended

by 170 Retail Banking employees.

Mandatory Programs on THABER
As part of Central Bank of Kuwait's mandated training programs, Anti-Money Laundering, Cyber Security Awareness, Customer Protections Guide and Fraud Prevention training courses were launched on THABER.

The Bank successfully achieved 100% completion on all four programs, resulting from HRD's targeted campaigns and keen support on the e-learning platform.

GOV HR Summit and Most Distinctive L&D Strategy Award
Mr. Sadeq Abdullah – GM HR participated as one of the speakers in the 9th Annual GOV HR Summit – the Region's Biggest Public Sector HR Platform. He joined a remarkable set of panelists for the CHRO Panel Discussion on 25-26 October, 2021 in Dubai.

In addition, the Learning and Development Department won the coveted "Most Distinctive Learning and Development Strategy" award in the recently concluded 9th GOV HR Awards.

From among 250 nominations, CBK was judged to have the best regional L&D initiative and a world-class strategy that is focused on skills enhancement, career progression and performance management, and aptly aligned to the business goals. The award also recognizes L&D initiatives that are aimed towards introducing new format in learning programs.

Internal Audit Division

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

Different types of Audit Reports are issued, summarizing the results from each performed audit engagement, which are then communicated to the responsible heads of the auditable groups, divisions, and departments. These reports provide evidences to support the annual evaluation of the overall operating effectiveness of the internal control environment. However, any internal control system can only provide reasonable, but not absolute assurance that the objectives of that control system are met. Further, the design of a control system must reflect the fact that there are resources' constraints, and that the benefits of controls must be considered relative to their costs.

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

Compliance and Corporate Governance Division

Compliance & Corporate Governance Division ("CCGD") is an independent function 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 to avert risks that may arise from incompliance.

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

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

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

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

CCGD monitors subsidiaries' compliance status and verifies the extent to which they satisfy the Corporate Governance requirements.

CCGD prepares annual reports on Compliance and Corporate Governance Framework within the Bank. The reports are usually raised to the Board Corporate Governance Committee which, in turn, presents them to the Board of Directors. The Division undertakes its duties & functions assigned to it to ensure Bank's Compliance with regulatory requirements and to avert incompliance risks.

During the year 2021, CCGD addressed all requirements for smooth workflow ensuring the Bank's compliance with all regulatory instructions issued by the Central Bank of Kuwait, Kuwait Capital Markets Authority as well as Boursa Kuwait rules for disclosure requirements and the processes for handling business amid the exceptional circumstances posed by the outbreak of the Coronavirus Pandemic (COVID-19).

Anti-Money Laundering Department

Commercial Bank of Kuwait always exerts all efforts to protect its services and operations, monitor and detect suspicious activities, disrupt any support that may be provided to criminals and prevent them from having any access to the financial system, conduct customer risk assessments in terms of geographical regions or countries, services offered and the type of products. The Bank ensures that no transactions are processed under anonymous or fictitious names in consistency with the principles set forth by regulatory authorities. To ensure compliance with regulatory requirements on anti-money laundering and combating the financing of terrorism as well as the recommendations issued by the FATF, the Bank has been undertaking the following:

- Establishing a specialized department for Anti Money Laundering and Combating the Financing of terrorism "AML", while providing it with all human and material capabilities from well- trained and qualified employees having the required experience. AML employees regularly undergo specialized training programs to ensure that they are always aware of and well familiar with the best international practices in this field.
- Developing, updating and approving AML policy and procedures for combating money laundering and terrorist financing in line with the requirements of Law No. 106 of 2013, its Executive Regulations No. (37) of 2013 and the Central Bank of Kuwait Instructions No. 2/BS-IBS/432/2019 as well as any decisions issued by the Council of Ministers to implement United Nations Security Council's resolutions related to the financing of terrorism, the proliferation of mass destruction weapons under Chapter VII of the Charter of the Security Council- United Nations. The AML Policy applies to CBK Group including the subsidiary.
- Providing advanced technical programs and systems that give automatic alerts about suspicious transactions on customer accounts so that AML staff can sort out alerts and ensure that transactions are commensurate with the available information about the customers.

- Reporting to Kuwaiti Financial Intelligence Unit any suspicious transaction or attempt to conduct a suspicious transaction, as soon as sufficient evidence is established for suspicion, in accordance with the instructions of the Central Bank of Kuwait in this regard. The Bank strives to implement an integrated system for combating money laundering and terrorism financing.
- Providing specialized and advanced training programs and registering AML staff in such programs to obtain the necessary training to enable them to identify and detect patterns of complex suspicious transactions related to money laundering and terrorism financing.

Legal Division

The Bank's in-house Legal Division assumes an effective role in providing the departments & divisions across the Bank with the professional legal services. These services are performed in such a way that meets requirements, safeguards the interests of the Bank & its shareholders and customers, maintains its corporate image and helps the Bank to compete & outperform its local peers for having a leading edge and enhancing its important role & position in the banking industry. Thus, the 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 practice, training and development. The Legal Division also undertakes a vital role for spreading legal awareness of the banking business by training concerned stakeholders.

It is worth noting that the Bank, through the Legal Division and the consolidated efforts & successful cooperation among the diverse departments, has conducted several deliberations & negotiations with defaulting customers, thereby entailing significant financial settlements in favor of the Bank. These settlements have contributed to consolidating the Bank's legal status and financial position.

The Bank has been awarded several court rulings in its favor. This clearly signals the excellent legal and technical capabilities that in total make up the Legal Division.

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

Corporate Communication Division

2021 has been another year of success and challenges for the Corporate Communication Division "CDD". Representing the Bank, CDD continued playing its deeply proven role in the field of social responsibility despite the tough circumstances and restrictions imposed by the (COVID-19) Pandemic. These challenges have not prevented CDD from undertaking its activities but rather contributed towards enhancing the Bank's endeavors to accentuate its profound footprint and public image as a banking institution that realizes the significance of its corporate social responsibility by providing care and participation in the various social events and activities covering wide range of humanitarian and charitable areas.

The Bank, backed by the coordinated efforts of all divisions and departments, has initiated a professional process of dealing with the exceptional circumstances posed by the (COVID-19) Pandemic lasting for the second consecutive year. CDD has played an active role starting with urging all staff to comply with all precautionary health instructions and social distancing and giving information about the latest updates regarding health requirements that should be applied at the Bank's Head Office and branches. The Bank strongly believes in the importance of contributing in the Ministry of Health's endeavors aimed at encouraging all people to get vaccines for protecting people's health and speeding up the process of getting back to normal life and overcoming the Pandemic. Therefore, CCD organized an extensive vaccination campaign for all Bank staff against the Corona Virus. (COVID-19) Vaccination Team of the Ministry of Health has been hosted at the Bank's Head Office to vaccinate the Bank's staff who have registered through the MoH Portal. The Bank took this initiative to encourage its employees to get the vaccine for their own wellbeing and to contribute to the State efforts for leveraging country wise community immunity against (COVID-19). Further, CCD team visited the Vaccination Center - Ministry of Health in the Fairgrounds to encourage citizens and expatriates alike to get the vaccines.

For the key role of social media platforms, the Bank through CCD, has activated all means of communication with the Bank's customers and the public via various social media networks (Instagram, Facebook, Twitter, Snapchat, LinkedIn and YouTube) during (COVID -19) Pandemic. The Bank initiated health awareness tips for fighting against (COVID -19) in addition to media campaigns specifically designed for this goal.

CCD goes on expeditiously responding to the events that Kuwait has been undergoing. It supervised the launch of the "Double Your Reward" Campaign renewed under approval by the Ministry of Social Affairs & Work. The Campaign was launched with view to boost social solidarity through the Bank's donation of an amount equal to the one donated by any customer in favor of charitable societies & organizations participating in the Campaign through their accounts at the Bank.

The Bank, represented by CCD, continued to sponsor sport activities. It supports the Public Authority for Industry's Football Team in translation of the Bank's recognition of the importance of backing sport events organized by civil society institutions in Kuwait and accentuating the Bank's belief in supporting industrial institutions. The Bank's endeavors in this regard reaffirms its pivotal role in the field of corporate social responsibility and its support to the State institutions for achieving social sustainable development.

In the same context, the Bank through CCD, continued its care and support for disabilities-challenging people. It sponsored the Paralympic Swimming Competition for disabilities-challenging people with the participation of their physically normal peers, organized by the Cancer Awareness National Campaign "CAN" under the slogan "Sport is Protection". This sponsorship complements the Bank's key role in supporting the various activities of the disabilities-challenging people.

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

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

As for the various aspects of support and sponsorship offered by the Bank on several occasions including the holy Month of Ramadan, Eid Al-Fitter and Eid-Al Adha, CCD went on its social program during Ramadan. Despite the exceptional circumstances posed by (COVID-19), CCD continued providing all support to needy segments of society and several events while adhering to all health precautions and requirements to preserve the health and wellbeing of the public as well as the Bank's staff.

On the occasion of Eid Al Fitr celebration, CCD team visited Musharraf Fire Station, for congratulating firefighters on the Happy Eid Al Fitr and in appreciation for their efforts in protecting lives and property. In another context, the Bank distributed Eid clothing to cleaning and construction workers under the "Hawwen Alihom" Campaign.

CCD supported the "Let's Be Aware" Campaign launched by the Central Bank of Kuwait in cooperation with Kuwait Banking Association by posting awareness messages to the Bank's staff, customers, citizens and expatriates through the Bank's website, CBK Mobile App., branches all over the country and the Bank's social media accounts as well as the FAQ page on the Bank's Portal.

At the beginning of every year, CCD issues Al-Tijari annual calendar that usually contains paintings embodying Kuwaiti heritage. Al-Tijari has long taken the lead for the revival of Kuwaiti heritage being rich in values that should remain vivid in the minds of our younger generations. Al-Tijari 2021 Calendar depicted a historical era of traditional Kuwaiti art that basically relied on a number of musical instruments, genuine folklore art and popular festivals in Kuwaiti society.

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 CDD during 2021.

General Services Division

The core aim of the General Services Division "GSD" is to provide the necessary support services to the Bank's business activities and the functions in a professional, unbiased and ethical manner and in line with the Bank's approved policies and procedures. GSD caters to the wide range of Bank-wide requirements related to service contracts such as Janitorial and messenger services, guarding, sanitization, courier, purchasing requirements, procurement and management of Bank's fixed assets, electro mechanical works including fire fighting & security equipment, renovation and construction works. GSD Departments and their functions are summarized below:

A. PURCHASING AND STATIONERY DEPARTMENT

Purchasing and Stationery Department under General Services Division works on providing end users with quality goods and benchmark services for maximizing business value while maintaining cost minimizing schemes in the best interest of the Bank.

Purchasing Department uses the ticketing system through CBK Smart Link and soon to implement a "digital signature processing" of e-requests. Thus, Purchasing and Stationery Department is always operative even, under emergency conditions, to provide the best services to branches and dvisions/departments assuring smooth work flow.

B. CONSTRUCTION AND PROPERTY MANAGEMENT

Construction and Property Management Department "CPM" is a teamwork of skilled and experienced personnel. The Department aims at providing quality-engineering services in construction, construction management, planning and design of new branches, refurbishing and upgrading existing branches and operation process involving project planning, cost and quality management and property risk evaluation. CPM also ensures providing timely and efficient maintenance services required at the Bank's various premises and branches to facilitate smooth business functioning.

CPM has successfully completed the renovation and upgrading of all Branches with new Self Service Design and Premier Offices. A new Servicing Environment Monitoring System had been installed. This system enables the Bank to monitor critical services for Data Center, the DR site and UPS / Fire Alarm System / Diesel Generators.

C. Security Department

In cooperation with ITD and other areas across the Bank, Security Department operates the following systems:

1. Key Management System: The key Management System achieves more accountability, better productivity, cost savings, enhanced security and easy tracking. This intelligent system secures, manages and audits the use of every key and system, and ensures that only authorized are allowed access. The system provides a full audit trail thus all users are held accountable at all times.

2. Visitor Management System: This system enables the Bank to digitalize visits by using a scanner instead of paper for keeping visitors IDs. So it's paperless as data is stored on a hard drive.

3. Attendance Management: The Bank transformed to Biometric attendance system. The GSD-Security Department was a partner with ITD & HRD in this transformation project.

4. Software upgrade: The Bank upgraded the integrated security system software. This helps us to ensure business continuity is maintained and that there are no unnecessary failures.

Corporate Governance Rules and Systems

Introduction

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

During 2021, 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 to ensure they comply with the Central Bank of Kuwait requirements.

The Bank has also proceeded on adapting and streamlining its position to cope with the updated instructions of the Corporate Governance Rules and Principles issued by the Central Bank of Kuwait "CB" in September 2019 as per the time- frame specified in the instructions. The Bank also continues its endeavors to complete the implementation of these rules and maintaining the principles of sound corporate governance.

The Bank is keen on adopting the highest levels of transparency and disclosing all the Bank's material information according to the Capital Markets Authority's instructions and Boursa Kuwait rules. Furthermore, the Bank posts such disclosed information and the approved Corporate Governance Manual on the Bank's website.

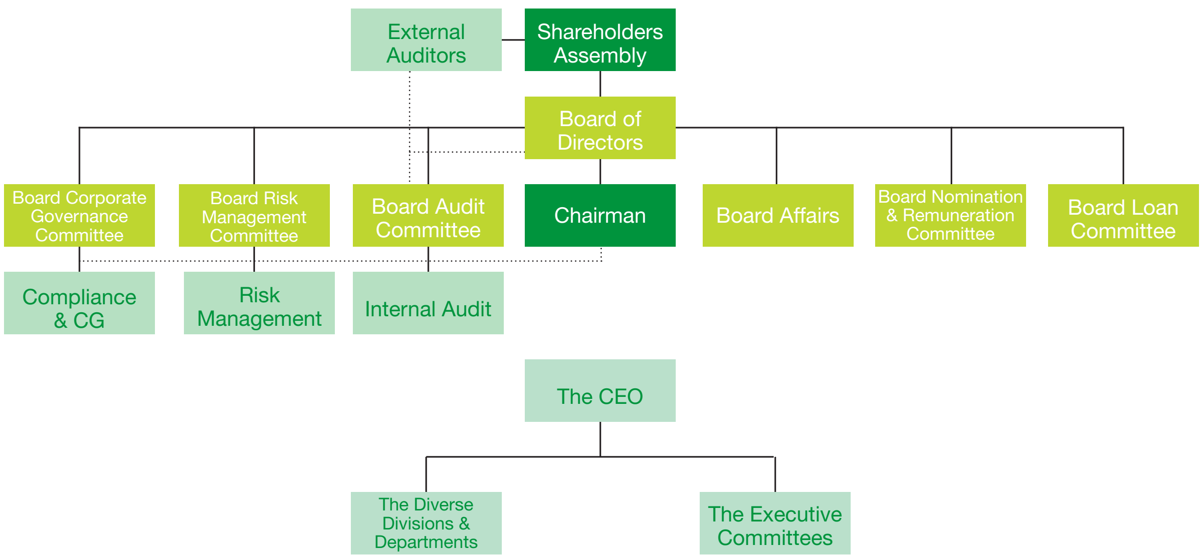
Major Shareholders

Shareholders with a percentage exceeding 5% of the Bank's share capital as at the end of 2021 are as follows:

- Al Sharq Holding 23.918%

Corporate Governance Structure

The Bank has set a well-defined Corporate Governance structure with a view to have in place adequate & effective Corporate Governance standards & practices for the Bank Group considering that it includes proper ways of effective controls on the Group's business to advocate excellence in Corporate Governance. This structure is regularly reviewed 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 Assembly Meeting elect 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 2021, the current Board of Directors has been elected for the period from 2021 to 2023. The Board of Directors "BoD" consists of eleven members, including two independent members. The Bank shall satisfy the mandated number of independent board members during the first half of 2022 in compliance with CB instructions and the Bank's Articles of Association.

Board of Directors Key Responsibilities and Duties

The Board of Directors assumes the overall responsibility of the Bank in general. This covers overseeing the Bank's strategic objectives, approving action plans, identifying the Bank's risk appetite & strategy, updating Corporate Governance principles, approving the policies, building up the public trust in the Bank's management and active contribution in planning the Bank's business. Further, the Board of Directors bears the responsibility for the Bank's financial soundness, safeguards the interests of shareholders and stakeholders with due emphasis on risk management and governance including Cyber security risks and compliance governance and enhances internal control systems, internal & external audits 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.
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 long and wide experience as he held the following positions:
- Chairman of the Board of Directors of Al-Tijari Financial Brokerage Company from 2014 until March 2020.
- Vice-Chairman of the Board of Directors of Kuwait Banking Association from 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 Al-Tijari Investment Company during the period from 2010 to 2012.
- Investment Manager in Securities Group from 2012 to date.
- Credit analyst in Commercial Bank of Kuwait at Shareholders' Services Unit during the period from 2005 to 2010.
- Planner in Kuwait Petroleum Corporation during the period from 2001 to 2003.

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

Mr. Abdulrahman Abdullah Abdulrahman Al Ali – Vice Chairman
Mr. Abdulrahman held a Bachelor of Mechanical Engineering - 1975 and Master of Business Administration / Finance & Investment - 1979 from University of Wisconsin–Madison, USA.
Mr. Abdulrahman is an experienced board member with about 30 years of experience in investment and projects financing. He mostly acquired his experience from positions and memberships in the following institutions:
- A Senior Deputy Chairman for Gulf Investment Corporation from 1985 to 2002
- A Board Member in Industrial Bank of Kuwait during the period from 2010 to 2011;
- A Board Member in United Steel Industrial Company during the period from 1998 to 2015;
- A Board Member in the United Holding Company from 1998 to 2006;
- A Member in the Ethical Review Committee - Dasman Diabetes Institute from 2010 till date.

In addition to his position as a Member in the Bank's Board of Directors since 29/4/2012, Mr. Abdulrahman is the Vice Chairman of the Board of Directors since October 2020 and a member of the Board Risk Management Committee and 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 from the American International College - 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.
- Auditor of Companies' Balance Sheets - 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 Establishment since 1989 till date.

Further, Mr. Bader is a member in the following institutions:
- Vice Chairman of Commercial Bank of Kuwait during the year 2010.
- Chairman of Commercial Bank of Kuwait during the period from 2010 to 2011.
- Board Member in Commercial Bank of Kuwait during the period from 2011 to 2012.
- Board Member in Securities Group Company from 2013 to 2019.

In addition to his responsibilities as a Member in the Bank's Board of Directors since 25/6/2013, Mr. Bader is the Chairperson of the Board Corporate Governance Committee and a member of the Board Audit 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:
- Legal Department Manager - National Guard (1994 - 1997).
- Advisor to His Highness the Commander of the Kuwait National Guard (2007 - 2008).
- A Board Member in Al-Tijari Investment Company - CBK Capital from 2010 to 2013;
- Vice Chairman then Chairman of Yiaco Medical Company till date.
- Seconded for lecturing in Kuwait University - College of Law during the period from 2012 till date.

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 Nomination & Remuneration Committee.

Mr. Mohammed 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.
- Eyas for Higher and Technical Education Company from 2016 to 2019.
- Vice Chairman of Kuwait Saudi Pharmaceutical Industries Company from 2012 to 2019.
- Vice Chairman of the Board of Directors of Gulf Energy Holding Company from 2011 to date.

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

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

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

Sheikh / Talal Mohammad 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. 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).
- Chairman of the Board & Chief Executive Officer in 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. Yousef 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 in 2010.
- Investment Manager - Direct Investment Department in Al-Ahlia Holding Company from 2007 to 2009.
- Accountant at Wafra International Investment Company from 2004 to 2007.

In addition to the above, Mr. Al-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 during 2017.
- Member of the Board of Directors of Sama Educational Company from 2015 to 2017.
- Member of the Board of Directors of Afaq Educational Company from 2016 to 2017.
- Member of the Board of Directors of Advanced Education Company in the Kingdom of Saudi Arabia from 2015 to 2016.
- Member of the Board of Directors of Alpha Atlantique Company - Moroccan Sahara in the Kingdom of Morocco from 2015 to date.
- Member of the Board of Directors of Al-Ahlia Real Estate Gate Company from 2008 to 2009.
- Independent Member of the Board of Directors of Gulf Franchising Holding Company from 2018 to date.
- Member of the Board of Directors of the Commercial Real Estate Company from April 2021 to date.
- Member of the Board of Directors of Tawazun Holding Company from January 2021 till date.

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

Mr. Dhari Ali Abdullah Al Mudhaf

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

- Ministry of Defense from 1997 to 2021:

- The Emiri Guard Authority - Office of the Assistant Head of the Emiri Guard Authority / Operations and Training Branch
- Intelligence and Security Authority - Security Directorate / Preventive Security Branch
- Supply and Catering Authority - Head of Budget Programming Branch
- Intelligence and Security Authority - Assistant Military Attache for Financial Affairs / Washington
- Budget Programming Directorate - Head of the Armament and Equipment Authority - Budget Programming Division

- Assistant CEO - YIACO Medical Company K.S.C. from 1/6/2021 to date.

He was elected to the Board of Directors of the Bank as a non-independent member on March 31, 2021. He is a member of the Board Loans Committee and the Board Corporate Governance Committee.

Dr. Mahmoud AbdulRasoul Abdul-Reda Behbehani - Independent Member

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

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

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

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

- Adviser to the CEO - Massaleh Investments Company from 2/2020 to date.
- Head of Managed Funds Division (Global) at Gulf Investment Corporation from 2015 to 2019.
- Regional Head- Middle East at Lionsgate Capital from 2009 until 2015.
- Head of Hedge Funds Department at the Kuwait Fund for Arab Economic Development from 2007 to 2008.

He was elected to the Bank's Board of Directors as an independent member on 31 March 2021. He is the chairperson of the Board Risk Management Committee and is a member of the Board Corporate Governance Committee.

Key Achievements of the Board of Directors for the year 2021

- Approving the Bank's Strategy (Shaping the Future 2022-2026).
- Conducting regular review of Risk Management Strategy Reports (2020-2024).
- Reviewing and approving the Bank's quarterly & year-end financial statements.
- Reviewing and approving necessary amendments to the Bank's organizational structure, as well as reviewing the structures of the Corporate Governance, the Board of Directors and Risk Management Division.
- Reviewing Capital Adequacy and Stress Testing Reports as well as Risk Management Division's regular reports.
- Reviewing Risk Management Division's reports regarding Capital Adequacy of the Bank's subsidiary.
- Reviewing the regular reports of the Anti-Money Laundering "AML & CFT" Department.
- Approving training courses for employees of the AML & CFT Department.
- Reviewing periodic reports regarding the activities of the Legal Division.
- Reviewing and approving the Stress Testing Methodology.
- Approving the Bank's budget for 2022.
- Approving the Bank's Capital Plan (2021-2025).
- Reviewing the Strategic Cyber Security Framework Report
- Approving the re-composition of the Board Committees in line with the Board's new composition and Corporate Governance instructions.
- Approving the updates introduced to the Bank's Risk Management policies.
- Approving the updates introduced to the diverse policies governing the Bank's business activities as provided by various Bank divisions.
- Approving the proposed amendments to the performance evaluation forms for the members of the Board of Directors, the Board of Directors as a whole, as well as the Chief Executive Officer "CEO".
- Approving the performance evaluation related to the Board of Directors, the Board Members and the CEO, and approving the proposed 2021 Training Plan for the members of the Board of Directors.
- Approving the national talent attraction and recruitment plan of qualified and distinguished graduates from government and private universities.
- Reviewing the regular reports on the Bank's diverse business activities.
- Reviewing the Annual Report on the Bank's compliance with the Customer Protection Manual.
- Reviewing the evaluation of customers' satisfaction with the services offered to them by the Bank.
- Reviewing the annual reports on Compliance, Corporate Governance & Disclosure framework in the Bank.
- Reviewing annually the Remuneration Policy and perusing the Internal Audit Report on Benefits and Remuneration Policy.
- 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.
- Reviewing and following up the latest updates regarding the Internal Audit Plan for 2021, approving the new Internal Audit Plan for 2022, and approving a new organizational structure for the Internal Audit Division.

- Reviewing and approving the Strategic Audit Plan (2022-2024).
- 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 2020 and the Follow-up reports prepared in this regard.
- Reviewing the Management Letter prepared by the External Auditors.
- Reviewing the External Auditors' Evaluation form.
- Approving the engagement of external audit firms for auditing the Bank's financial statements, the engagement of some firms to conduct certain tasks at the Bank, such as assessment of the adequacy of the internal control systems, auditing the process of the Bank's implementation of the Cyber Security framework, and auditing the Bank's implementation of FATCA and CRS requirements.
- Reviewing the Business Continuity Plan and the related Testing Report.
- Perusing the Central Bank of Kuwait's Circular regarding the amendments made to the regulatory instructions to face the implications of (COVID-19).
- Approving the announcement for calling candidatures for board members to fulfil the number of independent members to the current Board of Directors for the Session 2021-2023.

The Board Committees, their Main Roles & Responsibilities and Key Achievements for 2021:

Within the process of enhancing the principles of Corporate Governance at the Bank, the Bank formed Five Board Committees to enhance the Board's oversight on key operations at the Bank Group level. Each Committee has an ad-hoc bylaw outlining its roles & responsibilities and governing its functions and matters pertaining to the preparation of regular reports within the scope of each committee's roles & responsibilities and the reports submitted to the Board of Directors and the follow-up reports presented to the Board Chairman. Four out of the above five Committees assist in overseeing the implementation of the Corporate Governance's various aspects in addition to the Board Loan Committee concerned with all issues related to the credit facilities portfolio. Following the election of the new board of directors at 31 March 2021, the Board committees were recomposed in compliance with the rules and regulations of Corporate Governance stipulating that the Board Committees should have, in their formation, independent members. Further, the Board Audit Committee, the Board Risk Management Committee and the Board Nomination and Remuneration Committee should each be chaired by an independent member. Brief description about each Committee is given below:

Board Corporate Governance Committee	
Composition	Mr. Bader Sulaiman Al Ahmad – Chairperson Mr. Fahad Zuhair Bader Al-Bader - Independent Member Mr. Yousef Yaqoub Al Awadhi Mr. Dhari Ali Abdullah Al Mudhaf
Main Roles & Responsibilities	• Prepare and update Corporate Governance 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 CG Manual is published on the Bank's website. • Review the annual reports submitted by Compliance Department in the Bank on the Bank's compliance with relevant legislations and regulations, and the latest developments in this regard. This includes: The efficiency of the Bank's management of non-compliance risks facing the Bank in light of Compliance Department's identification. Assessment of the issues associated with non-compliance risks, and the Bank's plans for the efficient management of such risks at least once a year. The positions of the Bank's subsidiary is also taken into account and the reports are presented to the BOD. • Review the annual reports submitted by the Corporate Governance & 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 the subsidiaries to meet the applicable governance requirements. Then these reports are presented to the BOD. • Review the CG Report (within the Bank's Annual Report) on the extent to which the Bank is in compliance with the implementation of CG instructions and Manual, and stating the reasons for non-compliance with the same if any. • Evaluate CG structure on an annual basis to ensure that it 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 Corporate Governance Report within the Annual Report for 2020 • Reviewed Compliance Department & Corporate Governance & Disclosure Department's annual reports for 2020. • Reviewed the updates to the Code of Conduct Charter. • Reviewed the proposed amendments to the Bank's Articles of Association before submission to the Board of Directors for Approval. • Reviewed the updates introduced to the Board of Directors' bylaws.

Board Audit Committee	
Composition	Dr. Mahmoud Abdel-Rasoul Behbehani - Independent Member and Chairperson Dr. Arshid Abdulhadi Al Houri Mr. Bader Sulaiman Al Ahmad Mr. Mohamed Abdul Razzaq Al Kandari
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 and to ensure the adequacy of resources allocated to control functions. • Oversee and support the independency of Internal Audit function. • Review the financial statements of the Bank prior to its submission to the BOD, and ensure the adequacy of provisions. • Ensure Banks' compliance with all laws, resolutions and regulatory instructions which are relevant to Bank's activities and business, and are issued by competent authorities in Kuwait. • Evaluate the performance of the CIA annualy and determine his remunerations as well as 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. BAC should meet at least once a year, without the presence of the Executive Management, with the External Auditors, Chief Internal Auditor and head of compliance and corporate governance. • 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 and the external auditors' report on auditing the financial statements. • Reviewed the External Auditor's ICR Report for 2020 and the follow-up reports prepared in this regard. • Reviewed the Management Letter prepared by the External Auditors. • Raised recommendations for reappointing the External Auditors and reviewed the related contractual terms & conditions. • Raised recommendations for engaging external auditors to examine internal control systems and verify the Bank's compliance with the application of Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) Agreement for 2020. • Engaged external audit firm to audit the Information Technology Division. • Reviewed the report of the External Auditor engaged to conduct a comprehensive assessment of Bank's condition, status, and operations. • Reviewed the external auditor's report on assessment of the Bank's Strategic Cybersecurity Framework. • Reviewed and followed up the findings of the inspections conducted by the Central Bank of Kuwait after receiving the related reports. • Reviewed and followed up the reports prepared by the Internal Audit Division and the Board Audit Committee's reports about the activities of the Internal Audit. • Followed up the implementation of the approved Audit Plan for two years 2020/2021and the latest updates on the same. • Reviewed the organizational structure of the Internal Audit Division. • Appraised the performance of Chief Internal Auditor. • Reviewed the 2022 Internal Audit Plan. • Objectively reviewed the Annual Report on the evaluation of the external auditors for the year 2021 prepared by the Board Audit Committee. • Reviewed the Strategic Audit Plan for the years 2022-2024. • Convene meeting with the External Auditors and the General Manager of the Compliance and Governance Division in absence of the Executive Management.

Board Risk Management Committee	
Composition	Mr. Fahad Zuhair Bader Al-Bader - Independent Member and Chairperson Mr. Abdulrahman Abdullah Al Ali Mr. Yousef Yaqoub Al Awadhi Mr. Mohamed Abdul Razzaq Al Kandari
Main Roles & Responsibilities	• Review the Bank's risk strategy and appetite before the BOD approval. • Review risk management policies before the BOD approval, and ensure they are circulated to the concerned divisions/departments within the Bank through RMD. • Ensure the implementation of CB instructions concerning capital adequacy (Basel), ICAAP and stress testing. • Review the credit rating system and the like before presenting to the BOD for approval. • Ensure that the risk management function is implementing the risk strategy and appetite, and developing methodologies for identifying, measuring, monitoring, controlling and mitigating the risks in addition to developing comprehensive and strong systems for managing all types of risks and spreading risk governance culture within the Bank. • Ensure the Executive Management is implementing the risk strategy, appetite and policies. • Reviewing the reports related to risk 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 , objectives and risk appetite, present the same to the BOD and review the follow up reports prepared by the Executive Management in this regard.
Key Achievements	• Regular review of the reports on the Risk Management Strategy approved for the period from 2020-2024 (Risk Appetite). • Reviewed the Business Continuity Plan. • Reviewed the Stress Testing Methodology. • Reviewed the ICAAP and Stress Testing reports as well as Risk Management Division's regular reports. • Reviewed the regular reports on Key Risk Indicators (KRIs), reputation risks and operation risks. • Reviewed the analysis of the Corporate, International, and Retail Credit and Investments portfolios. • Reviewed the updates to the research process for the quantitative approach for the future additional precautionary provisions. • Reviewed risk reports on subsidiaries. • Reviewed the updates introduced to Risk Management Policies before submission to the Board of Directors for approval. • Reviewed data dashboard and information security database • Reviewed the extent of the Bank's compliance with the Cyber Security Framework (CSF). • Reviewed Operational Risk Management Policy. • Reviewed the Physical and Environmental Security Policy. • Reviewed the following: Market Risk Management Policy, Interest Rate Risk Management Policy, Credit Risk Management Policy and Strategic Risk Management Policy. • Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing Policy and related Process. • Reviewed the Information Classification Policy. • Reviewed the Corporate Communication Division Policy. • Reviewed the organizational structure of the Risk Management Division. • Reviewed the adequacy of staffing in the Risk Management Division and the training courses offered to them.

Board Nomination & Remuneration Committee	
Composition	Dr. Mahmoud Abdel-Rasoul Abdel-Reza Behbehani - Independent Member and Chairperson Sheikh / Talal Mohammed Al Sabah Dr. Arshid Abdulhadi Al Houri Mr. Manaf Mohammed Ali Al Muhanna
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 independency of the independent members. • Conduct an annual review on the proper and necessary training needs for the BOD members in order to develop their expertise, skills and knowledge required for the BOD membership, and propose the recommendations to the BOD in this regard. • Conduct an annual review for the BOD structure, and propose the recommendations to the BOD regarding any changes thereto. • Annually ensure that independency conditions are constantly satisfied for independent members during their BOD membership. • Conduct an annual assessment of the BOD overall performance and the performance of each BOD member. Such assessment shall include the members' expertise and knowledge, assessment of their authorities and powers, and leading characteristics. • Provide the new BOD members at the time of their election/appointment with the guide book / manual which clarifies member's rights, duties and responsibilities. BNRC Secretary shall follow-up this matter. • Ensure that the BOD members have access to the information and reports about the critical topics related to the Bank. BNRC Secretary shall follow-up this matter. • Ensure that the BOD members are 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. • Oversees the implementation of the remunerations policy and scheme through the information and reports provided by the management to the BNRC quarterly, and present the same to the BOD. • Review the remunerations policy at least on an annual basis or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto; such amendments/updates shall be effective only after the BOD approval. This review include evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information ensuring the 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 who are at the same level of these executive jobs in the Bank, such recommendations shall be effective only after BOD approval. • Ensure that the executive management has adopted effective systems, procedures and mechanisms to ensure compliance with the approved remunerations policy, and present the same to the BOD. • Ensure that the remunerations policies and practices of the Bank's financial subsidiaries and foreign branches (if any) are in line with the Bank's remunerations policy as well as CB corporate governance instructions. • Ensure that an independent annual review of the remunerations policy has been conducted. Such review can be done through the Bank's Internal Audit Division or an external consultancy firm. The objective of this review is to evaluate the Bank's compliance with the remunerations policy and practices. The BNRC shall present such evaluation findings to the BOD.
Key Achievements	• Appraised the performance of the Board of Directors as a whole and the performance of each Board Member. • Reviewed the performance appraisal forms for the Board of Directors, members of the Board of Directors and the Chief Executive Officer. • Reviewed the proposed 2021 Training Plan for the Board Members. • Reviewed the proposal for amending the Bank's Organizational Structure. • 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 the national talent attraction, acquisition and recruitment plan of qualified and distinguished graduates from government and private universities. • Reviewed the Internal Audit Report on the Remuneration Policy. • Reviewed the regular reports & statements submitted by Human Resources Division • Regularly reviewed the Remuneration Policy of the Subsidiary.

Board Loan Committee	
Composition	Sheikh / Ahmad Duaij Al Sabah – Chairperson Mr. Manaf Mohammed Ali Al Muhanna Mr. Abdulrahman Abdullah Al Ali Sheikh / Talal Mohammed Al Sabah Mr. Dhari Ali Abdullah Al Mudhaf
Main Roles & Responsibilities	• Review the Credit Policy and the proposed amendments thereto before BOD approval, in accordance with the relevant CB regulations. • Review, revise and approve the credit limits assigned for countries and the prescribed counter parties' limits for banks. • Review, revise and approve the foreign exchange limits (FX Limits) within the limits prescribed by the CB. • Review, revise and approve on extending new facilities based on the Credit & Investment Committee's recommendation and within the limits prescribed by the CB. • Give the approvals on the procedures of recoveries, reversing the interests & fees, off the balance sheet carried items, 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 2021 along with an outline of the frequency of participation by the Board Members in the meetings.

Total Number of Meetings Held During 2021	BOD Meetings	BCGC	BRMC	BAC	BNRC	BLC	Total Number of Meetings Attended by Members
	17	2	9	11	7	44	90
Board Members	Number of Meetings Attended by the Board Members						
Sheikh/Ahmad Al Sabah	16	1	-	-	-	40	**57**
Abdulrahmn Al Ali	16	-	7	-	-	40	**63**
Bader Al Ahmad	14	2	-	10	-	-	**26**
Dr. Arshid Al Houri	14	1	-	10	5	-	**30**
Sheikh/Talal Al Sabah	6	-	-	-	2	21	**29**
Mohamed Al-Kandari	16	-	9	10	1	-	**36**
Yousef Al Awadhi	16	1	6	-	2	2	**27**
Dhari Al Mudhaf*	10	-	-	1	-	24	**35**
Manaf Al Muhanna	16	-	-	-	7	42	**65**
Fahad Al-Bader*	12	1	6	-	-	-	**19**
Dr.Mahmoud Behbehani*	12	-	-	8	5	-	**25**
Musaed Al Saleh**	1	-	1	-	1	-	**3**

Remarks:
*A new member to the new Board of Directors elected on 31 March 2021 for the 2021-2023 Term.
** A member whose tenure expired at 30 March 2021 with the expiry of the previous Board of Directors 2018-2021 Term.

During 2021:

- The total number of the Board decisions taken by circulation was (10).
- The total number of BLC's recommendations / approvals made by circulation was (11).
- BCGC, BRMC and BNRC did not make any recommendations / approvals by circulation during the year.

The composition of the Board committees was approved at 31 March 2021 with the election of the new board of directors, taking into account that the committees comply with Central Bank instructions related to Corporate Governance rules and regulations. In this context, the Bank underlines that the meetings of Board of the Directors & other Board committees held in 2021 were in line with the mentioned instructions, and are in agreement with the bylaws governing the roles & responsibilities of the Board of Directors and its related committees. This is in terms of the number & frequency of meetings, the quorum and the issues reviewed and discussed by the Board Members.

It is worth noting that the Bank is keen on fully implementing the updates made to CB's instructions regarding Corporate Governance Rules and regulations with regard to the number of independent members within the composition of the Board of Directors and Board committees. Thus, the number of independent members shall not be less than four starting from 30 June 2022. Accordingly, CBK has announced, during the period from 9 January 2022 to 3 February 2022, for calling candidatures for board members to fulfil the number of 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. Furthermore, BNRC also reviews the structure of the Board of Directors and makes recommendations to the Board of Directors regarding the changes that can be introduced in favor of the Bank.

Board of Directors' Confirmation on Adequacy of Internal Control Systems

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

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

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

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

The Board of Directors, through creating a governance structure at Group level and periodic evaluation of that structure and through the regular reports raised by the Board committees, reviews and approves the policies, rules and manual pertinent to Corporate Governance and internal control systems that commensurate with the Bank's business, branches and subsidiary. 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 policies, rules and manual, enhances and updates them according to any changes 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 2021 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 2020. The Auditor's Report prepared on 28/9/2021 stated that the accounting and other records and internal control systems of Commercial Bank of Kuwait and its subsidiary "the Group", for the areas subject to review, have properly been established and maintained in compliance with the requirements of Central Bank of Kuwait's circular dated 07/01/2021, the Central Bank of Kuwait's General Guidelines Manual dated 14/11/1996 and Pillar IV of the Corporate Governance Instructions in respect of the Risk Management and Internal Controls issued by the Central Bank of Kuwait on 20 June 2012 and its amendments on 10 September 2019, instructions dated 14 May 2019 concerning Anti -money Laundering and the combating the financing of terrorism, instructions dated 9 February 2012 concerning the Confidentiality of Customer's Information and financial securities activities and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases.
Accordingly, the findings raised in the Internal Control Review Report did not have material impact on the Group's fair presentation of the financial statements for the year ended 31 December 2020. The Report, further, stated that the actions taken by the Group to address the said findings including those raised in previous years were satisfactory. The said Report is shown below.

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Khaled Ben Al Waleed Street, Sharq
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Kuwait

Opinion letter

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

28 September 2021

Dear Sirs,

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 8 April 2021, 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 2020:

We covered the following areas of the Bank:

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

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

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

Because of inherent limitations in internal control system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

Having regard to the nature and volumes of the Group's operations, during the year ended 31 December 2020, 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 7 January 2021,

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 2020, and

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

Yours faithfully,

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

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

Code of Conduct

The Code of Conduct approved by the Bank's Board of Directors is one of the main aspects of the Corporate Governance at the bank. 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 the 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 and avoiding them. The approved policy sets the procedures that should be applied in cases of non-compliance for both the Executive Management and the members of the Board of Directors.

Transactions with Related Parties

The Bank endeavors to conduct all its transactions with related parties on an arm's length basis and under the same terms and conditions applied to other non-related parties without any preferential terms by implementing the Board-approved Related Parties Transactions Policy. Furthermore, under the supervision of the Board 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 to the availability of related party list in the bank, the bank applies a set of procedures and uses forms & records regulating disclosure of related parties' transactions. The approved policy sets the procedures that should be applied in cases of non-compliance for both the Executive Management and the members of the Board of Directors.

Disclosure and Transparency

The Bank stresses the importance of the disclosure & 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 specifies the material information to be disclosed, the mechanism of the information classification and the disclosure timing of the information available with the Board of Directors and the Executive Management including the Bank's divisions / departments. Such information should be disclosed to local regulators & 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. The approved policy sets the procedures that should be applied in cases of non-compliance for both the Executive Management and the members of the Board of Directors.

Insider Trading

Within its endeavors to preserve the confidentiality of the inside information of the Bank & 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 and 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 for 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. Those professionals have clear duties for implementing and monitoring such policies and controls, submitting the related reports to the Board Risk Management Committee and the Board of Directors and raising awareness on this field.

Whistle Blowing

The Board-approved Whistle Blowing Policy is meant to enhance effective open communication culture to the Bank's employees & others. It serves as a tool by which stakeholders can be involved in the protection of the Bank and its interests. The Policy aims also at establishing a mechanism that enables stakeholders to report to the Bank any information that may come to their knowledge regarding any transaction or behavior in the Bank that is suspected of violating or has already violated laws, regulatory instructions, internal policies, information or other operations processed in the Bank in a manner that raises certain suspicions or concerns. This policy allows whistleblowers to directly communicate their concerns to the Chairman of the Board of Directors and in the meantime provides whistleblowers with the necessary protection.

Remuneration Framework and Policy

The Bank has in place an approved Remuneration Policy covering all aspects and components of remunerations at the Bank. Board Nomination and Remuneration Committee annually reviews this policy before submission to the Board of Directors for approval. It should be noted that this policy was recently reviewed on 17/08/2021.

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 appropriately in the right positions.
2. Upon determining the salary scale and remuneration in the Bank, the policy takes into account the legal and regulatory requirements in addition to the rules and laws enforceable in Kuwait as well as the level & 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 staff performance appraisal. The variable remunerations are divided into: Due remunerations (Annual Incentive) which may be paid to staff members after the end of each financial year based on the Bank's financial performance and the staff performance appraisal during this year, and Deferred Remunerations which may be paid to the staff members over a maximum period of 3 years as per the mechanisms, percentages and categories specified by the Board of Directors. According to the regulatory requirements, "Claw back" is applied to the latter type of remunerations that can be adjusted or clawed back in exceptional cases such as weak/adverse financial performance of the Bank.
4. As per the Bank's Organizational Structure and Corporate Governance rules, Compliance & 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, assess the performance appraisal of the heads of both Compliance & Corporate Governance Division and Risk Management Division while the Board Audit Committee assess the performance appraisal of the Chief Internal Auditor. As such, the Executive Management does not have any role in the performance appraisal, promotions or remunerations of the heads of the above-mentioned Divisions.

Disclosure of Remunerations for the Year 2021

Board of Directors:

The Bank's Chairman and the Board Members' remunerations totaled KD 465,000 during the year 2021. The Board of Directors' remunerations are disclosed in the annual financial statements of the Bank which are subject to the approval of shareholders at the General Assembly Meeting.

Top Executives:

Remunerations totaling KD 1,078,962 have been paid to five Top Executives plus the Chief Executive Officer, Chief Financial Officer, the Chief Internal Auditor and the Chief Risk Officer.

Employees' categories:

Category	Number	Total Remunerations	Remarks
Top Executive & Supervisory Management	11	KD 1,292,325	These are the positions whose occupation is subject to the approval of the Central Bank of Kuwait
The officials with authorities for taking decisions on the issues related to risk exposures (Risk Takers).	5	KD 718,617	Including the CEO, Deputy GM -Corporate Banking Division, GM-International Banking Division, GM-Treasury & Investment Division and Deputy GM- Retail Banking Division.
The officials in charge of Financial Control and Risk Management.	5	KD 518,263	Including Chiefs of Financial Planning & Control Division, Internal Audit Division, Risk Management Division, GM - Compliance & Corporate Governance Division and GM - Legal Division.

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

Succession Planning

Within its endeavors to ensure sound workflow within the Bank, the Board of Directors approved Succession Planning to develop a second management level in the Bank's diverse divisions and prepare skilled & technical cadres to expeditiously occupy key positions that become vacant in the Bank with a view to avert any risks that may arise in this regard. The Plan is updated when necessary. Based on the Plan, the Bank appraises the performance of the qualified incumbents selected to occupy such key positions from amongst 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 & regulations and the approved Corporate Governance Manual. The Bank has prepared, completed and approved all bylaws & policies and requirements pertaining to Corporate Governance rules. The Bank, further, updates these bylaws & policies on a regular basis.
- The Bank has taken the required actions to ensure the proper implementation of Corporate Governance rules and has composed the Board Committees that enhance the effectiveness of the Board's oversight on the Bank's key business & activities and to follow up & monitor the implementation of the various requirements of the Corporate Governance including governance diverse pillars.
- The Code of Conduct is circulated to the Board Members and all employees of the Bank, their signatures

are obtained thereon acknowledging compliance with the content of the Code of Conduct.

- The Bank's approved organizational structure includes proper means for overseeing the Group's business activities, 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 is should be noted that the External Auditor's 2020 Report has not included any findings on the Corporate Governance rules.
- Further, the Bank has worked on adjusting & streamlining 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 Bank will maintain full compliance with such updates to Corporate Governance instructions starting from 30 June 2022, by satisfying the requirements of four independent members within its board of directors. The Bank has announced the calling of candidates to submit their nomination applications. The Board and Board committees' bylaws and other policies & requirements related to Corporate Governance have also been amended. The Bank continues its rigorous implementation of these rules for ensuring compliance with the Central Bank of Kuwait's instructions and for maintaining the principles of sound corporate governance.

Risk Governance Framework

Risk Management

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

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

Compliance Governance

The Bank views Compliance function as a key component of risk management framework within banks due to the exceptional nature of noncompliance risks including legal or regulatory penalties risks, financial risks or reputation risks etc..... which the Bank may encounter in the event of noncompliance with the rules, regulations, instructions, professional ethics and sound banking practices. Therefore, the Bank has an independent and effective Compliance function. It works in accordance with the Board-approved

Compliance Policy underlying its functions and responsibilities. Compliance function ensures that the Bank complies with all laws and regulations applicable to the banking activities and raises regular reports to Board Corporate Governance Committee and the Board of Directors in this regard.

Internal and External Audit

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

Internal Audit

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

External Audit

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

Customer Complaints

Within the Bank's endeavors to find proper solutions for complaints received from customers and to satisfy regulatory requirements, the Bank has established a specialized department, with direct reporting line to the CEO, to deal with customers' complaints. This Department has in place an 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.

Protecting the Rights of Shareholders & Stakeholders

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

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

Executive & Supervisory Management and key Responsibilities

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

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

Synopsis on Members of the Executive Management

Elham Yousry Mahfouz
Chief Executive Officer

Ms. Elham holds a Bachelor degree with honors in Business Administration from the American University in Cairo, Egypt. She has been attending many training courses and seminars in the field of banking executive management inside and outside Kuwait. She actively participates in seminars and activities in the banking and financial field.

Ms. Elham is an executive banker with long extensive experience in diverse areas of the banking business. She joined Commercial Bank of Kuwait in 2000 as Manager – International Banking and progressively occupied top executive positions such as GM – New York Branch, Acting GM – International Banking, GM – International Banking in December 2010 and Acting CEO from June 2010 until February 2012. In April 2012, she was promoted as Deputy CEO and then appointed in the position of the Bank's CEO 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 37 years in the banking sector.

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 30 years in various positions.

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

Hussain Ali Al Aryan
General Manager – Treasury and Investment Division

Mr. Hussain obtained a Bachelor degree with double majors in Computer Science & Business Administration (Marketing) from California State University - Sacramento, USA – 1992. He has an extensive banking experience exceeding 27 years in treasury diverse activities and in areas of funding and liquidity management obtained from his work with Kuwaiti banks. He progressively held a number of leading positions throughout his career path.

He joined Commercial Bank of Kuwait on 18 February 2018 as General Manager -Treasury Department and on 23 September 2018 he assumed the position of General Manager -Treasury and Investment Division.

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

Ms. Ebtissam obtained a master's degree in Business Administration in 2003 with about 20-year experience in financial and strategic planning for public and private sectors. She possesses distinguished management and organizational skills to bring and implement the necessary changes at the level of the work environment and the challenges it is faces. She delivers change and development by means of experience and knowledge transfer and communication and team spirit leverage.

She joined Commercial Bank of Kuwait in 2019 as advisor to CEO Project Management Office, with a mandate to supervise high-priority projects related to improving and developing operational and financial performance. She has evolved in several key positions till 1 September 2021 when she was promoted to the position of General Manager - Strategic Planning & Follow-up. She works on achieving corporate transformation towards improving overall quality, business efficiency by enhancing the necessary leadership tools and driving motivation, communication, effectiveness and coordination.

Ahmad Hammed Bu Abbas
Acting General Manager - Corporate Banking Division

Mr. Ahmad holds a Bachelor's degree in Accounting - 2006 from Kuwait University. He also holds an advanced level certificate as a certified credit manager in addition to many professional certificates in various fields. He has banking experience extending over 18 years. He started his career as a part-time employee at the Contact Center, Commercial Bank of Kuwait. Mr. Ahmad evolved into various positions till he joined Corporate Banking Division, where he worked with his team in managing the Bank's corporate credit portfolio. In February 2021, he assumed the position of Acting General Manager –Corporate Banking Division given his leading and strategic skills and abilities in building team spirit within a competitive environment.

Kunal Sing
General Manager- International Banking Division

Mr. Kunal holds MBA (Finance) from ICFAI Business School- India in 2003. He also holds Chartered Financial Analyst certification from CFA Institute. He has several Certifications in derivatives, financial

valuations and investment funds. He has recently obtained Advanced Programme in FinTech and Financial Blockchain. He has total work span of over 18 years across various gamete of international banking and financial industry, Debt Capital Market (DCM) – Debt raising and debt restructuring, banking investment services, merger and acquisition and equity research at various sectors.
He joined Commercial Bank of Kuwait in 2015 in the International Banking Division and evolved till he was promoted to the position of General Manager- International Banking Division on 15 November 2021.

Abdulaziz Saleh Abdulrazzaq Alzaabi
Acting General Manager -Retail Banking Division

Mr. Abdulaziz holds Bachelor of Finance from the University of South Florida - USA (2005). He has banking experience over 15 years in the field of retail banking and the relevant operational and digital areas. He has distinguished skills, capabilities and high professional competencies in achieving high growth rates. He attended several executive management programs at Harvard University in the United States of America, and others in the United Kingdom.

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

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

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

Amr Mohamed Samy El Kasaby
Chief Internal Auditor

Amr holds a Bachelor degree in Commerce– with Accounting & Auditing major from Kuwait University, and he holds several certificates such as a Certified Professional Forensic Accountant (CPFA) and a Certified Professional Internal Auditor (CPIA), a Certified Corporate Governance Officer (CCGO), a Certified Internal Control Auditor (CICA) and Certified Public Accountants (CPA) in 1993 from Oregon State, USA.

He has more than 32 years of experience in the fields of external and internal audit etc. He joined Commercial Bank on 22 August 2021 as Acting Chief Internal Auditor till he became the Bank's Chief Internal Auditor "CIA" on 24 Oct 2021.

Tan Tat Thong
Chief Risk Officer- Risk Management Division

Mr. Tat Thong holds a bachelor degree in Mathematics & Economics with honors 1991 from The University of Kent at Canterbury, England. He also obtained the Financial Risk Manager (FRM) and Enterprise Risk Professional (ERP) designations. He has over 30 years of experience in providing consultancy to executive management in areas of corporate and investment banking services, asset management and insurance in Kuwait, GCC, Malaysia and Singapore. He enjoys deep and diverse knowledge in areas of management, strategic planning and product innovation.

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

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 21 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.

Ahmad Akbar Hussein Ashkanani
Assistant General Manager - Anti-Money Laundering and Combating the Financing of Terrorism Department (AML/CFT)

Mr. Ahmad holds a Bachelor degree in Accounting - Kuwait University - 1995. He worked in several local banks and evolved to several positions. He joined Commercial Bank of Kuwait in 2019 as an Assistant General Manager- AML/CFT Department.

He has the capabilities for managing business in line with the requirements of the Anti-Money Laundering and combating the Financing of Terrorist Law and the instructions issued by regulatory authorities in this regard. He possesses skills in communication, providing information and developing relationships. He is capable of assimilating continuing professional developments, and believes in and encourages professional training for improving the performance of the work team.

Sheikha / Nouf Salem Al Sabah
General Manager – Corporate Communications Division

Sheikha / Nouf has more than 24-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 Communications Division.

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

Bader Mohamed Qamhieh
General Manager – Information Technology Division

Mr. Bader Qamhieh obtained Bachelor Degree in Computer Science in 2000 form Al Albayt University– the Hashemite Kingdom of Jordan. His professional experience exceeds 20 years. He joined the Bank in 2007 as IT Assistant Manager, Information Technology Department. He progressively held a number of positions and was appointed as Acting General Manager - Information Technology Division in February 2017 then General Manager - Information Technology Division in February 2021.
During his tenure with the Bank, Mr. Bader, with his team, managed to develop and create many systems & 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 communication 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 17- year experience in the Kuwaiti banking sector where he progressively held a number of positions in customer service, financial & strategic analysis then human resources management. He joined Commercial Bank of Kuwait in 2016 as Executive Manager at Human Resources Division. Starting from 2/12/2018, he assumed the position of General Manager – Human Resources Division.

Talal Reyadh Al-Nassar
Assistant General Manager - General Services Division

Mr. Talal holds a Bachelor degree in Management and Organizational Behavior in 2014 from Gulf University for Science and Technology- Kuwait. He has banking experience spanning over 15 years.

He joined Commercial Bank of Kuwait in 2015 in the General Services Division and was promoted to the position of AGM- GSD in 2021. During his tenure in the Division, he made remarkable changes to improve work process. He has previous experience with Commercial Bank of Kuwait from 2005 to 2011 in the Retail Banking Division - Quality Management. During that period, he worked to achieve customer satisfaction through his analytical capabilities, which led to a remarkable growth in the business quality standards.

Executive Committees

The Bank has in place eight executive/management 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 necessary 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 purchases and deciding on tenders valued at KWD 9000 and above before presenting them to the Bank's Senior Management for approval as per the delegated authorities in this regard.

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 & shared amongst 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.

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 2021. All amounts are stated in Kuwaiti Dinars and have been derived from consolidated financial statements prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS).

Financial Objectives

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

- Customer Centricity;

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

Bank's medium-term financial objectives 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 be a modern, innovative relationship-oriented bank.

Fundamental Strengths

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

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

- Well-established, flagship banking business in Kuwait
- Diversified operations well positioned to capture growth opportunities
- Transformative technology architecture, data and digital capabilities delivering customer and business value
- Solid capitalisation and high provisions to absorb credit losses
- Stable deposit base and significant liquidity buffers
- 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. Ease in travel restrictions, energy crisis-led increase in oil price, and rigorous inoculation by the Kuwaiti government, has revived growth in business however it has long road before reach to pre-pandemic level. Per recent developments around the globe, pandemic is still lurking around the corner with new variants which cast shadow on easing governmental-led-initiatives and life going back to normal. The negative impacts of current crises in one or another form will continue to effect the business continuity and profitability in near future.

The year 2022 earnings should be supported by lower provisions, improving customer activity and continued operating efficiency. 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

High asset quality, adequate liquidity and capital buffers is key to our long-term success. Our goal is to maintain strong capital and liquidity positions. We constantly monitor to balance our objectives of holding a prudent amount of excess capital for unexpected 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 2021, our Basel III CET1 ratio was 17.8%, well above the current regulatory target set by the Central Bank of Kuwait of 9.5% and total capital ratio was 19.0% 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, 2021, our annual daily average LCR was 168% compared to regulatory requirement of 100%.

- **Net Stable Funding Ratio**
  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.

NSFR range was between 102.1% - 108.3% during the twelve month period ended December 31, 2021 compared to regulatory requirement of 100%.

Total assets at KD 4.3 billion are lower by 2.3% compared to last year. Loans and advances represent 53.1% of total assets, investment securities 12.8% and Treasury & Central Bank bonds are 4.1%. It is worth mentioning that it is the fourth consecutive year the Bank's non-performing loans are zero.
The total liabilities of KD 3.5 billion include customer deposits of KD 2.1 billion. Total shareholders' equity reached KD 820.6 million.

Income Statement

The operating income for the year 2021 was KD 124.9 million (a decline of 5.1%) is mainly comprised of net interest income KD 74.3 million, fees and commission KD 38.9 million, foreign exchange income KD 6.4 million and dividend income of KD 3.6 million. Loans amounting to KD 11.9 million were written off during the year while recovery against previously written off loans amounted to KD 26.1million. In line with Bank's prudent policy of proactive recognition of problems, KD 45.5 million was allocated to additional precautionary provisions against loans where the management has some concerns. The resultant net profit attributable to the shareholders of the bank was KD 54.6 million for the year 2021 compared to zero for 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 34.9% is one of the lowest in the industry.

Review of the Operating Environment

As per the International Monetary Fund (IMF), following an estimated contraction of 3.3% in 2020, the IMF projects a stronger recovery in the global economy during 2021 and 2022, with growth projected to be 6% in 2021 and 4.4% in 2022.

Year 2021, started off on a positive note with hopes of almost full economic recovery resulting from vaccine roll outs and continuing regulatory support. However, repeated waves of the outbreak dampened the recovery and the latter half of the year was marred with further uncertainties arising from spread of new and potentially more dangerous mutations of the virus surfacing. Overall, 2021 witnessed a highly divergent economic recovery across the globe.

Among advanced economies, the United States is expected to surpass its pre-COVID GDP level in 2021, while many others will return to pre-COVID GDP levels only in 2022. Among emerging market and developing economies, China had returned to pre-COVID GDP in 2020, whereas many others are not expected to until 2023.

Kuwait's GDP is estimated to have grown at little over 1% in 2021 after a slump of almost 9% in 2020 (based on fiscal year ending 31 March). Higher Oil prices and the sharp rebound seen in consumer spending were the key drivers of growth. Consumer spending rebounded sharply during 2021 with over 35% growth seen in consumer spending over the same parameter in 2020. Consumer spending held its strength throughout the year despite large scale relaxations in travel restrictions were allowed in the last quarter of 2021.
Stronger consumer spending has resulted in significant growth in household credit. Instalment (housing) and consumer loans has posted a double digit growth (y/y). However overall credit growth has been around 5-6% indicating that the corporate credit growth has been considerably slower compared to retail credit growth.

Travel restrictions that were in place for around 18 months starting from March 2020 as well as loan forbearance measures extended by the Government resulted in an overall deposit growth of around 22% for 2020. KWD sight deposits remained stable by growing at 2% in 2021 i.e. maintaining the high levels recorded at the end of 2020.

Central Bank of Kuwait Discount Rate (CBDR) continues to be 1.5% after the cut in the discount rate from 2.5% in 2020 to negate high volatility in foreign currency exchange rates for the Kuwaiti Dinar as well as to cope with the negative impact of the pandemic. The decision in 2020 came after a steep decline in global commodity prices and the Federal Reserve decision to cut interest rates.
Inflation was at around 1.1 % at the end of 2019, rising to 2.1 % in 2020 and an expected 3.2 % in 2021. It is forecast to ease back to 3 % in the following years. The unemployment rate was 1.2-1.3 % across those years. The increase in inflation is mainly driven by rising prices in food and household maintenance items resulting from the global supply disruptions brought about by the restricted activity to curb the spread of the pandemic as well as from the prevailing high liquidity situation.

Kuwait's public finances deteriorated sharply in fiscal year 2020. Government revenue fell by 39% to KD10.5 billion, driven by the significant decline in oil prices and lower oil production, as around 80-90% of revenue is derived from the hydrocarbon sector. However fiscal deficit is expected to narrow to around 15% of GDP in fiscal year 2021/22, mainly because of the swift rebound in oil prices during the second half of 2021.

In June 2021, the government and parliament approved the budget for 2021/22, which included the allocations of substantial future funding for strategic projects. The Budget also anticipated a deficit of $36bn. Post-Covid-19, Kuwait's highest priority is to accelerate its Vision 2035 diversification and structural economic reform program aimed at bringing private investment and new job-creating industries into the country.
The recovery in oil prices in the second half of 2021 significantly eases the pressure on Kuwait's finances and provides reason for renewed optimism about the outlook for project spending in the country with about $200bn of projects planned or underway, there is no shortage of potential opportunities in Kuwait.

In 2020, oil production stood at 2.69 million b/d, which was a decrease of 9.7 % from 2.98 million b/d in 2019. However Net exports will continue to drag on growth, largely due to lower average oil production in 2021 coupled with stronger import demand and higher Oil Prices. Oil Exports are the largest component of GDP in Kuwait and will continue to rise in the medium term as OPEC-led production cuts are loosened, paving way for a gradual ramp-up in crude production. Crude exports are expected to rise steadily to 2.33mn b/d in 2030 as several new oil and gas projects come online. Outlook for refined fuels exports is bright; however, a substantial boost to exports awaits the commissioning of the Al Zour facility, which is expected in 2022.

Kuwait's project market continues to be impacted with decisions getting inordinately delayed due to bureaucratic and political reasons. However, in June 2021, Kuwait's parliament approved the 2021-2022

state budget – allowing for progress on some key infrastructure projects. The Budget allocates KWD19.6 billion to 19 strategic infrastructure projects across various sectors.
These include the Kuwait International airport expansion and third runway, a new road to serve the airport, the Sabah al-Salem Kuwait University City, the Al-Mutlaa residential city project and the country's railway network plans.

In 2021 there have been no project cancellations or hold-ups and around $3bn-worth of contracts were awarded across sectors, with more than 60 % of these being in the construction sector. The remaining major contracts were awarded in the power, transport, oil, and gas. The largest contract awarded in 2021 was for the construction of Sabah Al Ahmed Township: Residential Complex (587 Houses).

The project pipeline looks promising with around $131bn-worth of projects in planning stage in Kuwait. Around 17 % of that value or $22.5bn-worth of projects are in the bidding stage. Projects that are in the study stage have a share of 64.1 % or $84.4bn; those in the design stage have a share of 15.3 % or $20.1bn; and those in the FEED stage have a share of 3.5 % or $4.6bn.

Economic outlook – risks and challenges

Systemic risks

Global and regional uncertainties

The impact of the COVID and the surge of Omicron "COVID variant" is clearly visible in Global economy and still there is no clarity on the deeper adverse impact across businesses and industrial sectors. While in 2021, businesses around the world started to rebound, albeit unevenly, after Coronavirus-driven lockdowns, the full recovery remain associated with high degree of uncertainties.

With the rollout of the vaccine, it is expected that corporate earnings and global output will generally improve. 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. With commodity cycle turning and getting out of bear market, we 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 assets book and initiate appropriate measures for continuous monitoring and adoption of risk mitigants.

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

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

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

Local disruptive factors

The global crude oil price rally gathered momentum in third quarter of 2021 as oil regained above USD 80/b mark. The rally was supported by higher demand as economic recovery picks pace. Substitutes like diesel and fuel oil are seeing increasing demand, especially in the Asian market, which led to a shortage in Europe. On the other hand, supply remained under check as OPEC reported only marginal increase in production while US producers also showed restraint with only a modest growth in output. On the other hand, renewed focus of large economies (US, Europe and China) on renewable sources of energy to fight climate change pose downside risks to Oil.
Tendering and new projects picked up during second half of 2021; however, the pace is expected to be slow and the overall operating environment is expected to be challenging due to: COVID-19 complications and sizable Government budget deficit without crystalized funding strategy.
Asset and liability concentrations

The Bank continued to reduce the share of venerable and highly sensitive sectors in its lending portfolio while exposure for Construction & Contracting sectors increased marginally on account of financing of new governmental sponsored projects, though limited tenders released during the year.
On the liabilities side, the Bank has a high proportion of deposits from government and quasi government entities which is a logical evolution of high liquidity in these entities. However the deposit concentration is well within the Bank's risk appetite in terms of significant counterparties and significant products. The Bank also has a risk strategy in place for the period 2020-2024 which spells out various risk appetite metrics.

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) frame work 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.

The Bank has enhanced its Business Continuity Plan to include a pandemic scenario which addresses how to operate the critical services and serve the customers through various channels while allowing the Bank staff to work remotely and securely.

Information Security

With digitalization of banking services, the Bank recognizes the importance of cyber security and is committed to implement advanced cyber security mechanisms and controls to minimize the risks resulting from cyber security threats. The Bank has successfully maintained the required certifications of ISO 27001:2013, PCI-DSS and SWIFT CSP. The Bank is upgrading the 24x7 Security Operation Center (SOC) to monitor any cyber-attacks.

Adequacy of Internal Control Systems

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

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

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

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

Corporate Social Responsibility

The Bank continues playing its deeply proven role in the field of social responsibility by professionally handling the circumstances overwhelming the work environment post COVID-19 Pandemic for maintaining the safety and wellbeing of Bank's staff and customers alike. In this context, the Bank organized an extensive vaccination campaign for all Bank staff against (COVID-19). The Corona Virus Vaccination Team of the Ministry of Health has been hosted at the Bank's Head Office to vaccinate the Bank's staff. The Bank has made this initiative to encourage the employees to get the vaccine for their own wellbeing and to contribute to the efforts for leveraging country wise community immunity against (COVID-19). The "Campaign" witnessed high turnout of the Bank's employees. The Bank also arranged a visit to the Vaccination Center - Ministry of Health in the Fairgrounds to encourage citizens and expatriates to get the vaccines against the Coronavirus.

For the key role of social media platforms, the Corporate Communication Division "CCD" has activated all means of communication with the Bank's customers and the public via various social media networks (Instagram, Facebook, Twitter, Snapchat, LinkedIn and YouTube) during (COVID-19) Pandemic. The Bank initiated health awareness tips for fighting against (COVID-19) in addition to media campaigns specifically designed for this goal.

The Bank continued its campaigns, targeting all society segments, including the "Double Your Reward with Al-Tijari" Campaign approved for renewal by the Ministry of Social Affairs and Labor. This Campaign is meant to boost social solidarity through the Bank's donation of an amount equal to the one donated by any customer in favor of charitable societies & organizations participating in the Campaign through their accounts at the Bank.

The Bank continued to have a leading role in environment preservation endeavors through the “Go Green” initiatives launched by the Bank. Several activities targeting this concept were organized by the Bank to protect the marine environment from land-based activities along with protecting end conserving the environment of land.

The Bank also continued to provide support and offer sponsorship to the activities organized by Kuwait governorates with the aim of extending all means of support and assistance to the social activities all of which are serving the whole society and citizens.
Within the framework of the Bank’s care to provide support and sponsorship for social, sport and educational activities serving the society, the Bank, represented by CDD, acted as a platinum sponsor to the sport activities of the Public Authority for Industry’s Football Team. The Bank also sponsored the Paralympic Swimming Competition for disabilities-challenging people with the participation of their physically normal peers, organized by the Cancer Awareness National Campaign “CAN” under the slogan “Sport is Protection”. This sponsorship embodies the Bank’s social responsibility towards various society segments and complements the Bank’s leading role in supporting the various activities of the disabilities-challenging people.

Despite the exceptional circumstances imposed by (COVID-19) Pandemic, the Bank, on the occasion of celebrating the National Day and the Liberation Day, decorated and illuminated its headquarters with some paintings of the Kuwaiti heritage in line with the celebrations of these happy days most loved by all citizens and expatriates, living in Kuwait.

The Bank, represented by CCD, proceeded in its humanitarian activities “Hawwen Alihom” Campaign targeting road cleaning and construction workers. The Bank arranged visits on several occasions to the work sites of road cleaning and construction workers for distributing presents in recognition of their efforts towards Keeping Kuwait environment safe and clean.

As usual, the Bank has had strong presence during occasions. It launched its Ramadan Corporate Social Responsibility Program. The Program aimed to highlight the spirit of social solidarity and communication amongst all society segments. Despite the exceptional circumstances that the world has been undergoing due to the outbreak of the Corona Virus pandemic, the Bank, represented by CCD, continued rendering assistance to needy segments and extending support to several events and activities. These included, but not limited to, visiting inpatients in the Department of Neurosurgery at Ibn Sina Hospital , distributing Iftar meals to construction and road cleaning workers in continuation of the “Hawwen Alihom” Campaign, visiting children at the Integrated Care Association for Special Needs affiliated to the Public Authority of the Disabled as well as children at the Physical Medicine and Rehabilitation Hospital to share with them the joy of Al-Gergeaan. The Social media platforms have been widely used in all corporate social activities of the Bank and have recorded remarkable presence: In cooperation with Al-Mouwasat Hospital and Spartan Kuwait Club, the Bank has launched a series of health, sport and awareness tips in addition to the several competitions during Ramadan with cash prizes for followers and fans of the social media platforms.

The Bank has been keen on supporting the “Let’s Be Aware” Campaign launched by the Central Bank of Kuwait in cooperation with Kuwait Banking Association by posting awareness messages to the Bank’s staff, customers, citizens and expatriates through the Bank’s website, CBK Mobile App., branches all over the country and the Bank’s social media accounts.

At the beginning of every year, the Bank issues Al-Tijari annual calendar that usually contains paintings embodying Kuwaiti heritage. Al-Tijari has long taken the lead for the revival of Kuwaiti heritage being rich in values that should remain vivid in the minds of our younger generations. Al-Tijari 2021 Calendar depicted a historical era of traditional Kuwaiti art that relied on a number of musical instruments, genuine folklore art and popular festivals in Kuwaiti society.

Financial Review

The year 2021 was another year full of challenges due to continuation of (COVID-19) pandemic, though ease in travel restrictions, energy crisis-led increase in oil price and rigorous inoculation by the Kuwaiti government have revived growth in business; however it has long road before it reaches pre-pandemic level.

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 74.3 million is lower by KD 4.7 million compared to KD 79.0 million of last year, a decline of 6.0%. The average yield on interest earning assets decreased to 2.45% from 2.89% of last year. The average cost on interest bearing liabilities also decreased from 1.24% to 0.71% during 2021. Bank's overall net interest margin of 1.85% increased marginally by 3 basis points due to efficient management of cost of borrowing.

- **Non-interest income**
  Non-interest income at KD 50.6 million which comprises all revenues other than net interest income declined by KD 2.0 million (3.8%) Fee income increased by KD 1.9 million while other income is lower by KD 4.2 million.

- **Non-interest expenses**
  Staff expenses of KD 27.1 million are higher by KD 4.4 million (19.2%) compared to 2020 mainly due to higher incentive to staff. General and administration expenses of KD 14.4 million for 2021 are lower by KD 0.7 million (4.6%), mainly due to lower marketing and corporate expenses. Depreciation and amortisation expenses decreased by KD 0.3 million (11.6%) mainly due to lower capital expenditures.

- **Impairment and other provisions**
  The charge for Impairment and other provisions of KD 24.1 million is lower by KD 67.2 million compared to 2020. The impairment and provision charge is net of KD 26.1 million recoveries against previously written off loans. The provision reserve at year-end 2021 is KD 216.2 million of which precautionary provisions are KD 151.4 million. Non-performing loans are zero for the fourth consecutive year.

- **Net Profit**
  The net profit attributable to the shareholders of the bank is KD 54.6 million compared to zero for the last year. In line with Bank's prudent policy of proactive recognition of problems KD 45.8 million was added to the pool of precautionary provisions during 2021.

- **Balance Sheet**
  Total assets of KD 4,289.6 million decreased by KD 99.2 million over last year. The major decline was in bank placements resulting from Treasury liquidity management activities. The Investment securities decreased by KD 17.6 million and Loans and advances net of provisions by KD 1 million.

  The customer deposits decreased by KD 249.3 million and the deposit from banks and financial institutions decreased by KD 62.2million, while other borrowed funds increased by KD 75.8 million.

  Equity attributable to shareholders of the Bank at KD 781.0 million increased by KD 89.1 million during 2021.

- **Dividends and Proposed Appropriations**
  Subject to approval by the Shareholders at the Annual General Meeting, the Board of Directors has recommended that the Net profit (KD 54.6 million) for the year attributable to shareholders of the Bank will be distributed as follow:

1. Cash dividend of 20 fils per share (2020: Nil) KD 39.6 million
2. Bonus share Nil (2020: 3% from the treasury shares held by the bank)
3. KD 15.0 million transfer to retained earnings.

Consolidated Financial Statements

31 December 2021 And Independent Auditors' Report to the Shareholders

Table of Contents

Independent Auditors' Report to the Shareholders	78
Consolidated Statement of Financial Position	83
Consolidated Statement of Income	84
Consolidated Statement of Comprehensive Income	85
Consolidated Statement of Changes in Equity	86
Consolidated Statement of Cash Flows	87
Notes to the Consolidated Financial Statement	88
Consolidated Public Disclosures on Capital Adequacy Standard	132

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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 2021, 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 2021, 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 2.28 billion as at 31 December 2021 representing 53.11% of total assets.

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

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

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

As disclosed in Note 25, 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 evaluated 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 assessed 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 evaluated 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 reperformed the resultant provision calculations.

Other information included in the Annual Report of the Group for the year ended 31 December 2021

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditors' report thereon.

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RSM

RSM Albazie & Co.

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

Report on the Audit of Consolidated Financial Statements (continued)

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Report on the Audit of Consolidated Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

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

Report on the Audit of Consolidated Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and 2/BS/342/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended, its executive regulations; and by the Bank's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA /336/2014 dated 24 June 2014 and 2/BS/342/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations; or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Bank or on its financial position.

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Kuwait
15 March 2022

The Commercial Bank of Kuwait Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2021

ASSETS	Note	2021 KD 000's	2020 KD 000's
Cash and short term funds	3	**727,513**	721,408
Treasury and central Bank bonds	4	**177,452**	186,522
Due from banks and other financial institutions	5	**482,586**	581,622
Loans and advances	6	**2,278,078**	2,279,057
Investment securities	7	**551,303**	568,919
Premises and equipment		**28,922**	29,177
Intangible assets	9	**3,506**	3,506
Other assets	10	**40,206**	18,546
TOTAL ASSETS		**4,289,566**	4,388,757
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**360,526**	215,925
Due to other financial institutions		**245,676**	452,499
Customer deposits		**2,119,614**	2,368,873
Other borrowed funds	11	**519,459**	443,652
Other liabilities	12	**223,427**	214,984
TOTAL LIABILITIES		**3,468,702**	3,695,933
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		**199,206**	199,206
Proposed bonus shares		**-**	27,107
Treasury shares		**(5,233)**	(32,340)
Reserves		**427,372**	353,710
Retained earnings		**159,614**	144,208
		780,959	691,891
Proposed dividend		**39,618**	-
		820,577	691,891
Non-controlling interests		**287**	933
TOTAL EQUITY	13	**820,577**	692,824
TOTAL LIABILITIES AND EQUITY		**4,289,566**	4,388,757

Elham Y. Mahfouz

Sheikh Ahmad Duaij Jaber Al Sabah

Chairman

Elham Yousry Mahfouz

Chief Executive Officer

The attached notes 1 to 25 form part of these consolidated financial statements.

The Commercial Bank of Kuwait Group

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2021

	Note	2021 KD 000's	2020 KD 000's
Interest income		98,180	124,957
Interest expense		(23,925)	(45,973)
NET INTEREST INCOME		74,255	78,984
Fees and commissions		38,895	37,044
Net gain from dealing in foreign currencies		6,368	6,375
Net gain from investment securities		791	532
Dividend income		3,646	3,605
Loss on disposal of assets pending sale		-	(55)
Other operating income		907	5,109
OPERATING INCOME		124,862	131,594
Staff expenses		(27,148)	(22,773)
General and administration expenses		(14,417)	(15,109)
Depreciation and amortisation		(1,994)	(2,256)
OPERATING EXPENSES		(43,559)	(40,138)
OPERATING PROFIT BEFORE PROVISIONS		81,303	91,456
Impairment and other provisions	14	(24,147)	(91,391)
PROFIT BEFORE TAXATION		57,156	65
Taxation	15	(2,421)	(16)
NET PROFIT FOR THE YEAR		54,735	49
Attributable to:			
Shareholders of the Bank		54,638	-
Non-controlling interests		97	49
		54,735	49
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	16	27.8	-

The attached notes 1 to 25 form part of these consolidated financial statements.

The Commercial Bank of Kuwait Group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 KD 000's	2020 KD 000's
Net profit for the year	**54,735**	49
OTHER COMPREHENSIVE INCOME (LOSS)		
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	**73,280**	(17,470)
Property revaluation (loss)	**(42)**	(788)
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	**811**	1,954
Net loss on disposal transferred to income statement	**(378)**	(210)
	73,671	(16,514)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**128,406**	(16,465)
Attributable to:		
Shareholders of the Bank	**128,300**	(16,509)
Non-controlling interests	**106**	44
	128,406	(16,465)

The attached notes 1 to 25 form part of these consolidated financial statements.

The Commercial Bank of Kuwait Group
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2021

	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 2020	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) 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 13(g))	-	27,107	-	-	-	-	-	-	-	-	(27,107)	-	-	-	-
Modification loss on deferral of loans and installments	-	-	-	-	-	-	-	-	-	-	(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**
Total comprehensive income for the year	-	-	-	-	-	-	-	(52)	73,714	73,662	54,638	-	128,300	106	128,406
Dividend paid	-	(27,107)	27,107	-	-	-	-	-	-	-	-	-	-	(33)	(33)
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	(39,618)	39,618	-	-	-
Ownership changes in subsidiary	-	-	-	-	-	-	-	-	-	-	386	-	386	(719)	(333)
Balance as at 31 December2021	**199,206**	**-**	**(5,233)**	**66,791**	**115,977**	**17,927**	**-**	**24,043**	**202,634**	**427,372**	**159,614**	**39,618**	**820,577**	**287**	**820,864**

Investment valuation reserve includes a loss of KD 5,434 thousand (2020: loss of KD 5,450 thousand) arising from foreign currency translation of the Bank's investment in its associate.

The attached notes 1 to 25 form part of these consolidated financial statements.

The Commercial Bank of Kuwait Group
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2021

	Note	2021 KD 000's	2020 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		**57,156**	65
Adjustments for:			
Impairment and other provisions	14	**24,147**	91,391
Income from investment securities		**(4,437)**	(4,137)
Foreign exchange loss on investment securities		**159**	(2,237)
Depreciation and amortisation		**1,994**	2,256
Profit before changes in operating assets and liabilities		**79,019**	87,338
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		**9,070**	62,284
Due from banks and other financial institutions		**99,016**	298,806
Loans and advances		**(30,428)**	(100,179)
Other assets		**(21,660)**	9,919
Due to banks		**144,601**	(369,457)
Due to other financial institutions		**(206,823)**	(256,608)
Customer deposits		**(249,259)**	(84,057)
Other liabilities		**16,144**	(10,165)
Net cash used in operating activities		**(160,320)**	(362,119)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		**125,084**	114,040
Acquisition of investment securities		**(37,812)**	(133,513)
Dividend income from investment securities		**3,646**	3,605
Proceeds from disposal of premises and equipment		**468**	3
Acquisition of premises and equipment		**(415)**	(547)
Increase in holding in subsidiaries		**(333)**	-
Net cash from (used in) investing activities		**90,638**	(16,412)
FINANCING ACTIVITIES			
Other borrowed funds		**75,807**	253,708
Purchase of treasury shares		**-**	(10,650)
Dividend paid		**(33)**	-
Net cash from (used in) financing activities		**75,774**	243,058
Net increase (decrease) in cash and short term funds		**6,092**	(135,473)
Cash and short term funds as at 1 January		**721,440**	856,913
Cash and short term funds as at 31 December	3	**727,532**	721,440

The attached notes 1 to 25 form part of these consolidated financial statements.

1. INCORPORATION AND REGISTRATION

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

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

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 22 February 2022 and are issued subject to the approval of the Annual General Assembly of the Shareholders of the Bank. The Annual General Assembly of the Shareholders has the prerogative to amend this consolidated financial statements after issuance.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

ii) Modification losses on financial assets, arising from payment holidays to customers extended during the financial year ended 31 December 2020 as a result of (Covid-19), to be recognized in retained earnings as required by the CBK circular no. 2/BS/IBS/461/2020 instead of consolidated statement of income in accordance with IFRS 9. However, modification losses on financial assets, arising from any other payment holidays to customers including payment holidays extended during the period ended 30 September 2021 shall be recognized in the consolidated statement of income. The application of the policy will result in application of different accounting presentation for modification losses in 2020 compared to 2021.

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 2021 as described below;

New and amended standards issued and effective

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

"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.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

ii) Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Other standards and amendments which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Group.

New and amended standards issued but not yet effective

A number of new standards and amendments which are effective for annual periods beginning on or after 1 January 2022 have not been early adopted in the preparation of the Group's consolidated financial statements and are not expected to have a significant impact on the consolidated financial statements of the Group.

(b) Basis of consolidation

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

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

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

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

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

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

(c) Associates

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

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained portion of the investment and proceeds from disposal is recognised in the consolidated statement of income.
After the application of the equity method, the Group determines whether it is necessary to recognise impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

(d) Financial instruments

Financial instruments comprises of financial assets and financial liabilities.

i) Classification and measurement

Financial Assets

Classification and measurement category of all financial assets, except 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; and
b) Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

b) Financial assets carried at FVOCI

i) Debt securities at FVOCI

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

a)it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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 20(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.

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.

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

(o) Segment information

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

(p) Fiduciary assets

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

(q) Securities financing arrangements

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

(r) Significant accounting judgements and estimates

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

Judgments

Classification of financial assets

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

Estimation uncertainty and assumptions

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

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

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

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

Provision for credit losses

The Group reviews its loans and advances on a quarterly basis to assess whether a provision for credit losses should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Valuation of unquoted equity securities

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

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

Impairment of intangible assets

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

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

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

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

3. CASH AND SHORT TERM FUNDS

	2021	2020
	KD 000's	KD 000's
Cash and cash items	**124,779**	166,614
Balances with the CBK	**147,199**	133,199
Deposits with banks maturing within seven days	**455,554**	421,627
	727,532	721,440
Less: Provision for impairment (ECL)	**(19)**	(32)
	727,513	721,408

4. TREASURY AND CENTRAL BANK BONDS

	2021	2020
	KD 000's	KD 000's
Treasury bonds	**46,825**	59,867
Central Bank bonds	**130,627**	126,655
	177,452	186,522

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

	2021	2020
	KD 000's	KD 000's
Placements with banks	**448,493**	469,278
Less: Provision for impairment (ECL)	**(65)**	(34)
	448,428	469,244
Loans and advances to banks	**34,197**	113,200
Less: Provision for impairment	**(39)**	(822)
	34,158	112,378
	482,586	581,622

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 2021

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

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

Movement in provisions for loans and advances

	2021 KD 000's			2020 KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**-**	**135,712**	**135,712**	-	127,337	127,337
Written-off	**(11,927)**	**-**	**(11,927)**	(83,536)	-	(83,536)
Exchange differences	**-**	**(38)**	**(38)**	-	79	79
Charged / (released) to consolidated statement of income	**11,927**	**46,321**	**58,248**	83,536	8,296	91,832
Provisions 31 December	**-**	**181,995**	**181,995**	-	135,712	135,712

The specific and general provision for cash credit facilities amounting to KD 181,995 thousand (2020: KD 135,712 thousand) includes additional provision amounting to KD 151,350 thousand (2020: KD 105,539 thousand) which is over and above the CBK's minimum general provision requirements. The available provision for non-cash credit facilities of KD 34,130 thousand (2020: KD 42,561 thousand) is included in other liabilities.

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

Total available provsion on credit facilities (cash and non cash) determined in accordance with the CBK rules on classification of credit facilities as at 31 December 2021 is KD 216,125 thousand (31 December 2020: KD 178,273 thousand).

The ECL on credit facilities determined under IFRS 9 amounted to KD 94,137 thousand as at 31 December 2021 (31 December 2020: KD 104,706 thousand).

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

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

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

	2020 KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	386,300	-	-	386,300
Good	871,918	50,158	-	922,076
Standard	511,993	306,339		818,332
Past due but not impaired	262,687	25,374	-	288,061
Impaired	-	-	-	-
Cash credit facilities	2,032,898	381,871	-	2,414,769
Non cash credit facilities	2,351,076	209,517	38,033	2,598,626
ECL provision for credit facilities	21,425	47,406	35,875	104,706

Movement in ECL for credit facilities:

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

	2020			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2020	18,114	12,735	19,208	50,057
Transfer to Stage 1	224	(224)	-	-
Transfer to Stage 2	(1,416)	1,416	-	-
Transfer to Stage 3	(268)	(89)	357	-
Net charged / (released)	4,746	33,568	99,843	138,157
Written-off	-	-	(83,536)	(83,536)
Exchange difference	25	-	3	28
ECL 31 December 2020	21,425	47,406	35,875	104,706

Sensitivity

The weighting of the multiple scenarios increased Group›s reported allowance for credit losses for credit facilities in Stage 1 and Stage 2, relative to our base case scenario, to KD 67,705 thousand from KD 66,598 thousand (2020: KD 68,831 thousand from 59,372 thousand). If the Bank were to use only downside case scenario for the measurement of allowance for credit losses for credit facilities, allowance for credit losses on performing loans would be KD 13,464 thousand (2020 : KD 30,707 thousand) higher than the reported allowance for credit losses as at 31 December 2021. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

7. INVESTMENT SECURITIES

	2021 KD 000's	2020 KD 000's
Financial assets at FVOCI:		
Debt securities -quoted	233,898	318,203
Debt securities -unquoted	10,309	14,449
Equity securities -quoted	282,799	208,477
Equity securities -unquoted	24,297	27,787
Financial assets at FVPL:		
Others	-	3
	551,303	568,919

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

	2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	324,223	8,626	1,745	334,594
Net movement during the year	(86,852)	(1,692)	-	(88,544)
	237,371	6,934	1,745	246,050

Movement in ECL				2021
				KD 000's
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January	67	130	1,745	1,942
(Released) during the year	(37)	(62)	-	(99)
	30	68	1,745	1,843

	2020			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
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			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
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

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 134,602,785 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.

On 7 February 2021, the Bank raised an objection on the report submitted by the expert department. During the session held on 4 April 2021 the court issued a ruling to refer the case back to the expert department to review the objection raised by the Bank. During the session held on 31 January 2022, the court issued a verdict based on expert's report the financial right and obligation of each party; however, this will be challenged in the appellant court.

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

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

The carrying value of debt securities designated as hedged item as at 31 December 2021 was KD 180,468 thousand (2020: KD 251,140 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the year was KD 4,954 thousand (2020: KD 3,334 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% (2020: 32.26%) interest in Al Cham Islamic Bank S.A, a private bank incorporated in Syrian Arab Republic, engaged in Islamic banking activities. This has been fully impaired in the prior years.

9. INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license KD 3,506 thousand (2020: KD 3,506 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2021, 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 3.5% (2020: 3.2%). These cash flows were then discounted using a pre-tax discount rate of 8% (2020: 9%) 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 (2020: KD nil thousand).

10. OTHER ASSETS

	2021	2020
	KD 000's	KD 000's
Accrued interest receivable	**962**	965
Other receivables	**39,244**	17,581
	40,206	18,546

11. OTHER BORROWED FUNDS

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 98,451 thousand (2020: nil). The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. At 31 December 2021, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 102,278 thousand (2020: nil). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

12. OTHER LIABILITIES

	2021	2020
	KD 000's	KD 000's
Accrued interest payable	**6,731**	9,287
Deferred income	**5,654**	6,361
Provision for non-cash facilities and others	**100,735**	108,403
Staff related accruals	**10,031**	10,057
Others	**100,276**	80,876
	223,427	214,984

13. EQUITY

(a) Share capital

The authorised share capital of the Bank comprises of 2,500,000,000 (2020: 2,500,000,000) shares of 100 fils each.

The share capital comprises of 1,992,056,445 (2020: 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

	2021	2020
Number of treasury shares	**11,138,485**	68,834,561
Percentage of total shares issued	**0.56%**	3.46%
Cost of shares (KD 000's)	**5,233**	32,340
Fair value of shares (KD 000's)	**5,569**	34,417
Weighted average fair value per treasury share (fils)	**420**	450

Movement in treasury shares are as follows:

	No. of shares	
	2021	2020
Balance as at 1 January	**68,834,561**	47,563,008
Purchases	**580**	21,271,553
Bonus distribution (Note g)	**(57,696,656)**	-
Balance as at 31 December	**11,138,485**	68,834,561

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 2021 and 2020 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 31 March 2021 approved to distribute 3% bonus shares from the treasury shares held by the Bank for the year 2020 (2019: nil).

The Board of Directors has proposed a cash dividend of 20 fils per share (2020: nil) and nil bonus shares (2020: 3% bonus shares from the treasury shares). This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

14. IMPAIRMENT AND OTHER PROVISIONS

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

	2021	2020
	KD 000's	KD 000's
Loans and advances - specific	**(11,927)**	(83,536)
Loans and advances - recoveries	**26,058**	15,870
Loans and advances - general	**(45,538)**	(7,340)
Investment securities	**(68)**	(111)
Non cash facilities	**8,116**	(16,784)
Other provisions	**(788)**	510
	(24,147)	(91,391)

Impairment and other provisions includes release of ECL on financial assets other than loans and advances for the year ended 31 December 2021 amounting to KD 99 thousand (2020: charged of KD 97 thousand).

15. TAXATION

	2021 KD 000's	2020 KD 000's
National Labour Support Tax (NLST)	**(1,317)**	-
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	**(570)**	(8)
Zakat	**(534)**	(8)
	(2,421)	(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.

16. EARNINGS PER SHARE

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

	2021	2020
Net profit for the year attributable to shareholders of the Bank (KD 000's)	**54,638**	-
Weighted average of subscribed and fully paid ordinary shares (numbers in 000's)	**1,992,056**	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	**(27,262)**	(65,135)
	1,964,794	1,926,921
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	**27.8**	-

17. SUBSIDIARY

Name of Entity	Country of Incorporation	Principal Business	% of Ownership 2021	% of Ownership 2020
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage services	**98.16%**	93.55%

18. RELATED PARTY TRANSACTIONS

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

	2021			2020		
	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	2	2	1,775	1	1	1,730
Credit cards	4	1	11	4	1	4
Deposits	10	10	683	9	14	644
Executive Management						
Loans	30	3	1,045	22	2	749
Credit cards	24	1	23	22	1	38
Deposits	37	39	695	29	35	819
Associates						
Deposits	1	-	13,457	1	-	13,173
Major Shareholders						
Deposits	1	-	16	1	-	41

Interest income and interest expense include KD 65 thousand (31 December 2020: KD 15 thousand) and KD 168 thousand (31 December 2020: KD 270 thousand) respectively on transactions with related parties.

Details of compensation for key management including remuneration of the Chief Executive Officer amounting to KD 236 thousand (31 December 2020 KD: 207 thousand) are as follows:

	2021	2020
	KD 000's	KD 000's
Salaries and other short-term benefits	1,538	1,277
Post employment benefits	27	27
End of service benefits	210	90

The remuneration to the Chairman and members of the Board of Directors is KD 465 thousand (2020: KD 438 thousand) for assignments performed by them related to the Board Committees.

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

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

During the year ended 31 December 2021, there were no transfers between level 1, level 2 and level 3.

	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

20. FINANCIAL INSTRUMENTS

(a) Strategy in using financial instruments

As a commercial bank, the Group›s activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates and for various periods and seeks to invest these funds in high quality assets at a fair interest margin while maintaining sufficient liquidity to meet the Group›s needs.

The Group also seeks to raise interest margins through lending to commercial and retail borrowers with a range of credit ratings. Such exposures involve not only loans and advances but also guarantees and other commitments such as letters of credit issued by the Bank.

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

(b) Overall risk management

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

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

(i) CREDIT RISK

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

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

(a) Credit risk concentration

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

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

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

	2021	2020
	KD 000's	
Credit exposure relating to on-balance sheet items		
Cash and short term funds	**727,513**	721,408
Treasury and Central Bank bonds	**177,452**	186,522
Due from banks and OFIs	**482,586**	581,622
Loans and advances - Corporate	**1,789,224**	1,829,729
Loans and advances - Retail	**488,854**	449,328
Debt securities	**244,207**	332,652
Other assets	**40,206**	18,546
	3,950,042	4,119,807
Credit exposure relating to off-balance sheet items		
Acceptances	**12,282**	29,028
Letters of credit	**98,917**	153,927
Letters of guarantee	**1,530,409**	1,446,985
Undrawn lines of credit	**922,035**	933,112
	2,563,643	2,563,052
	6,513,685	6,682,859

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 2021							
Banks	**22,798**	**286**	**11,113**	**-**	**-**	**-**	**-**
Corporate	**384,588**	**1,017,280**	**513,176**	**51,060**	**292**	**-**	**-**
Retail	**-**	**-**	**478,301**	**15,376**	**-**	**-**	**-**
	407,386	**1,017,566**	**1,002,590**	**66,436**	**292**	**-**	**-**
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	-	-

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

	2021		2020	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
Geographic sector				
Kuwait	**3,436,512**	**2,043,302**	3,227,515	1,980,767
Asia	**686,861**	**286,645**	880,258	312,218
Europe	**91,595**	**175,559**	198,199	197,602
USA	**10,180**	**58,026**	17,322	58,155
Others	**31,990**	**111**	32,780	14,310
	4,257,138	**2,563,643**	4,356,074	2,563,052

	2021		2020	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
Industry sector				
Government	**231,391**	**-**	280,122	-
Trade and commerce	**596,048**	**619,420**	607,122	693,861
Construction and real estate	**721,570**	**1,148,411**	695,788	1,077,086
Banks and financial institutions	**1,827,584**	**404,093**	1,993,431	471,022
Others	**880,545**	**391,719**	779,611	321,083
	4,257,138	**2,563,643**	4,356,074	2,563,052

(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.

	KD 000's						
			Notional amount by term maturity				
As at 31 December 2021	**Positive fair value**	**Negative fair value**	**Up to 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**Over 1 Year**	**Total**
Forward Foreign Exchange Contracts	**2,328**	**1,786**	**436,140**	**104,531**	**13,883**	**-**	**554,554**
Interest Rate Swaps (held as fair value hedges)	**677**	**2,003**	**-**	**47,693**	**18,108**	**113,579**	**179,380**
Interest Rate Swaps (others)	**10,031**	**7,852**	**-**	**-**	**-**	**235,553**	**235,553**
	13,036	**11,641**	**436,140**	**152,224**	**31,991**	**349,132**	**969,487**

	KD 000's						
			Notional amount by term maturity				
As at 31 December 2020	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

(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	2021 KD 000's	2020 KD 000's
Kuwaiti dinar	+25	1,873	1,720
US dollar	+25	(42)	560
Other currencies	+25	402	54
		2,233	2,334

(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.

		2021		2020	
		KD 000's		KD 000's	
	% change in currency rates	Statement of income	Equity	Statement of income	Equity
US Dollar	+5	(356)	-	7	-
Sterling Pound	+5	3	141	(40)	144
Australian Dollar	+5	155	-	2	-
Saudi Riyal	+5	111	-	10	-
UAE Dirham	+5	130	-	27	-
Qatari Riyal	+5	67	-	39	-
Others	+5	(109)	-	(49)	-
		1	141	(4)	144

(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:

		2021		2020	
		KD 000's		KD 000's	
	% Change in equity price	**Statement of income**	**Equity**	Statement of income	Equity
Boursa Kuwait	+5	**-**	**14,140**	-	10,424

(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 2021	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
ASSETS						
Cash and short term funds	727,513	-	-	-	-	727,513
Treasury and Central Bank bonds	177,219	212	21	-	-	177,452
Due from banks and OFIs	12,520	137,540	147,453	185,073	-	482,586
Loans and advances	513,992	248,752	247,636	241,785	1,025,913	2,278,078
Investment securities	94,246	12,132	423	1,744	442,758	551,303
Premises and equipment	-	-	-	-	28,922	28,922
Intangible assets	-	-	-	-	3,506	3,506
Other assets	23,697	83	204	445	15,777	40,206
	1,549,187	398,719	395,737	429,047	1,516,876	4,289,566
LIABILITIES						
Due to banks	183,348	129,274	26,095	15,138	6,671	360,526
Due to OFI's	103,678	43,017	25,191	73,790	-	245,676
Customer deposits	1,547,383	454,824	41,673	70,979	4,755	2,119,614
Other borrowed funds	-	26,642	-	101,971	390,846	519,459
Other liabilities	75,978	16,534	4,262	351	126,302	223,427
	1,910,387	670,291	97,221	262,229	528,574	3,468,702
Net liquidity gap	(361,200)	(271,572)	298,516	166,818	988,302	820,864

	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

	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	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

(B) Contractual expiry by maturity.

	KD 000's					
As at 31 December 2021	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
Contingent Liabilities	**527,767**	**422,935**	**326,565**	**406,478**	**879,898**	**2,563,643**
As at 31 December 2020						
Contingent Liabilities	720,283	429,139	303,708	367,692	742,230	2,563,052

(C) Contractual undiscounted repayment obligations by maturity.

	KD 000's					
As at 31 December 2021	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
UNDISCOUNTED LIABILITIES						
Due to banks	**183,378**	**129,423**	**26,153**	**15,209**	**6,780**	**360,943**
Due to OFI's	**103,684**	**43,044**	**25,219**	**74,020**	**-**	**245,967**
Customer deposits	**1,547,429**	**455,268**	**41,696**	**71,092**	**4,755**	**2,120,240**
Other borrowed funds	**167**	**27,333**	**651**	**102,034**	**402,692**	**532,877**
Other liabilities	**75,982**	**16,533**	**4,262**	**351**	**126,299**	**223,427**
	1,910,640	**671,601**	**97,981**	**262,706**	**540,526**	**3,483,454**

	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	135,079	214,984
	2,053,768	582,331	342,414	180,616	555,746	3,714,875

21. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The business and support units have primary responsibility for identifying, assessing and managing their operational risks. They employ internal control techniques to reduce their likelihood or impact to tolerable levels within the Group's risk appetite. Where appropriate, risk is mitigated by way of insurance.

For detailed qualitative disclosure on operational risk control please refer to note V(e),"Risk management - Operational risk", of the Public Disclosures on Capital Adequacy Standard.

22. SEGMENTAL ANALYSIS

The Group operates in banking, brokerage services and investment banking activities, which is segmented between:

a) Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.

b) Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds and brokerage services.

Management monitors the operating results of these segments separately for the purpose of making decisions based on key performance indicators.

	KD 000's					
	Corporate and Retail Banking		**Treasury and Investment Banking**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
Net interest income	**62,964**	67,641	**11,291**	11,343	**74,255**	78,984
Non interest income	**37,794**	37,366	**12,813**	15,244	**50,607**	52,610
Operating income	**100,758**	105,007	**24,104**	26,587	**124,862**	131,594
Impairment and other provisions	**(23,047)**	(91,268)	**(1,100)**	(123)	**(24,147)**	(91,391)
Net profit for the year	**56,779**	(7,811)	**(2,044)**	7,860	**54,735**	49
Total Assets	**2,302,312**	2,399,055	**1,987,254**	1,989,702	**4,289,566**	4,388,757
Total Liabilities	**1,681,540**	1,709,123	**1,787,162**	1,986,810	**3,468,702**	3,695,933

23. OFF BALANCE SHEET ITEMS

(a) Financial instruments with contractual amounts

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

(b) Legal claims

At the date of consolidated statement of financial position certain legal claims existed against the Group and for which KD 2,605 thousand (2020: KD 1,842 thousand) has been provided.

24. CAPITAL ADEQUACY

The disclosures relating to Capital Adequacy Regulations issued by CBK as stipulated in circular number 2BS/IBS/336/2014 dated 24 June 2014 are included under the "Public Disclosures on Capital Adequacy Standard" section of the annual report.

25. 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 2021.

Expected Credit Loss (ECL) estimates

The inputs and assumptions used for the determination of ECL as at 31 December 2021 incorporates the revised economic forecasts with respect to oil prices and world GDP post (COVID-19). 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 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.

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

Kuwait banks announced postponement of payment of consumer and installment loans to eligible citizen customers, upon their request, in accordance with the CBK circular No. 2/BS/IBS/ISIIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. 2 of Law no. (3) of 2021 ("the law") regarding the deferral of financial liabilities for a six-month period with cancellation of interest resulting from this deferral ("the 2021 scheme"). The installment deferrals are considered as short-term liquidity support to address borrower's potential cash flow issues, the cost of which is fully borne by the Government of Kuwait in accordance with the law.

The Group implemented the 2021 scheme by postponing the instalments for a six month period from the eligible customer request date with the corresponding extension of the liability tenure. The instalment deferral resulted in a loss to the Bank arising from the modification of contractual cash-flows amounted to KD 10,879 thousand in accordance with IFRS 9. This loss was offset by an equivalent amount receivable from Government of Kuwait as Government Grant in accordance with the Law. The Group has recorded the Government Grant income by setting it off against the modification loss from the 2021 scheme. The Government grant receivable is included in other assets in the consolidated statement of financial position.

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.

The following detailed qualitative and quantitative public disclosures are being provided in accordance with Central Bank of Kuwait (CBK) rules and regulations on Capital Adequacy Standard Basel III issued through Circular No. 2/BS/IBS/336/2014 on June 24, 2014. The purpose of these disclosures is to complement the capital adequacy requirements (Pillar 1) and the supervisory review process (Pillar 2). Moreover, these disclosure requirements shall enable and allow market participants to assess key pieces of information about a licensed bank's exposure to risks and provides a consistent and understandable disclosure framework that enhances comparability.

I Subsidiaries and significant investments

The Commercial Bank of Kuwait K.P.S.C (the "Bank") has a subsidiary, Al-Tijari Financial Brokerage Company K.S.C (Closed) - (98.16% owned) engaged in brokerage services and owns a 32.26% interest in Al Cham Islamic Bank S.A (an associate), a private bank incorporated in Arabic Republic of Syria engaged in Islamic banking activities.

The Bank and its subsidiary are collectively referred to as "the Group".

II Capital structure

The authorised share capital of the Bank comprises of 2,500,000,000 (2020: 2,500,000,000) shares of 100 fils each.

Share Capital – Share capital comprises of 1,992,056,445 (31 December 2020: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2021, the Bank held 11,138,485 treasury shares (31 December 2020: 68,834,561 treasury shares).

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

	2021	2020
	KD 000's	KD 000's
a.Tier 1 capital consist of:		
i Common equity tier 1 (CET1)		
1.Paid-up share capital	199,206	199,206
2.Proposed bonus shares	-	27,107
3.Share premium	66,791	66,791
4.Retained earnings	169,198	156,986
5.Investment valuation reserve	202,634	128,920
6.Property revaluation reserve	24,043	24,095
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	(5,233)	(32,340)
12.Non significant investments in banking, financial and insurance entities	(172,764)	(96,326)
13.Significant investments in banking, financial and insurance entities	-	-
Total	**614,273**	604,837

ii Additional tier 1		
1.Non-controlling interests in consolidated subsidiaries	**287**	933
Total	**287**	933
Total tier 1 capital	**614,560**	605,770

b.Tier 2 capital.		
1.General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)		
	41,855	41,969
Total tier 2 capital	**41,855**	41,969
Total eligible capital	**656,415**	647,739

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

	2021			2020		
	KD 000's			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	386,611	-	-	370,646	4,877	512
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	181,378	2,582	271	143,079	1,133	119
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	1,518,249	440,139	46,215	1,746,263	534,719	56,145
6.Claims on corporates	4,031,890	2,118,934	222,488	4,028,911	2,121,183	222,724
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	34,337	-	-	40,396	-	-
9.Regulatory retail	498,320	494,932	51,968	455,416	451,953	47,455
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	114	47	5	-	-	-
12.Other assets	144,073	144,610	15,184	139,798	142,078	14,919
13.Claims on securitised assets	-	-	-	-	-	-
Total	**6,794,972**	**3,201,244**	**336,131**	6,924,509	3,255,943	341,874

	2021			2020		
	KD 000's			KD 000's		
	Gross exposures	**Net risk weighted assets**	**Capital requirement**	Gross exposures	Net risk weighted assets	Capital requirement
b. Market risk						
1.Interest rate position risk	-	-	-	-	-	-
2.Equities position risk	1	-	-	4	6	1
3.Foreign exchange risk	9,844	9,845	1,034	4,189	4,189	440
4.Commodities risk	-	-	-	-	-	-
5.Options	-	-	-	-	-	-
Total	9,845	9,845	1,034	4,193	4,195	441
c.Operational risk	136,369	242,294	25,507	145,365	259,159	27,212
Total	6,941,186	3,454,013	362,672	7,074,067	3,519,297	369,527

B.Capital ratios

1.Total capital ratio	**19.00%**	18.41%
2.Tier 1 capital ratio	**17.79%**	17.21%
3.CET 1 capital ratio	**17.78%**	17.19%

C. Additional capital disclosure

1.Common disclosure template

	2021	
	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	169,198	r
3. Accumulated other comprehensive income (and other reserves)	360,581	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	795,776	
Common Equity Tier 1 Capital: Regulatory Adjustments		
7. Prudential valuation adjustments	-	
8. Goodwill (net of related tax liability)	-	
9. Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,506	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)	**5,233**	**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)	**172,764**	**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	**181,503**	
29. Common Equity Tier 1 capital (CET1) after regulatory adjustments	**614,273**	
Additional Tier 1 Capital: Instruments		
30. Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31. of which: classified as equity under applicable accounting standards	-	
32. of which: classified as liabilities under applicable accounting standards	-	
33. Directly issued capital instruments subject to phase out from Additional Tier 1	-	

34. Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**287**	**s**
35. of which: instruments issued by subsidiaries subject to phase-out	**-**	
36. Additional Tier 1 capital before regulatory adjustments	**287**	
Additional Tier 1 Capital: Regulatory Adjustments		
37. Investments in own Additional Tier 1 instruments	**-**	
38. Reciprocal cross-holdings in Additional Tier 1 instruments	**-**	
39. Investments in the capital of banking, financial and insurance entities that are outside 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)	**287**	
45. Tier 1 capital (T1 = CET1 + AT1)	**614,560**	
Tier 2 Capital: Instruments and Provisions		
46. Directly issued qualifying Tier 2 instruments plus related stock surplus	**-**	
47. Directly issued capital instruments subject to phase-out from Tier 2	**-**	
48. Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**-**	
49. of which: instruments issued by subsidiaries subject to phase-out	**-**	
50. General Provisions included in Tier 2 capital	**41,855**	**c**
51. Tier 2 capital before regulatory adjustments	**41,855**	
Tier 2 Capital: Regulatory Adjustments		
52. Investments in own Tier 2 instruments	**-**	
53. Reciprocal cross-holdings in Tier 2 instruments	**-**	

54. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55. Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56. National specific regulatory adjustments	-	
57. Total regulatory adjustments to Tier 2 capital	-	
58. Tier 2 capital (T2)	**41,855**	
59. Total capital (TC = T1 + T2)	**656,415**	
60. Total risk weighted assets	**3,454,013**	
Capital Ratios and Buffers		
61. Common Equity Tier 1 (as a percentage of risk weighted assets)	**17.78%**	
62. Tier 1 (as a percentage of risk weighted assets)	**17.79%**	
63. Total capital (as a percentage of risk weighted assets)	**19.00%**	
64. Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	**7.50%**	
65. of which: capital conservation buffer requirement	-	
66. of which: bank specific countercyclical buffer requirement	-	
67. of which: D-SIB buffer requirement	**0.50%**	
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	**10.78%**	
National Minima		
69. National Common Equity Tier 1 minimum ratio	**7.00%**	
70. National Tier 1 minimum ratio	**8.50%**	
71. National total capital minimum ratio excluding CCY and DSIB buffers	**10.50%**	
Amounts below the Thresholds for Deduction (before Risk Weighting)		
72. Non-significant investments in the capital of financials institutions	**172,764**	**f**
73. Significant investments in the common stock of financials institutions	**78,704**	**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)	**189,040**	**a+b+h**
77. Cap on inclusion of provisions in Tier 2 under standardized approach	**41,855**	**c**
78. Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**-**	
79. Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**-**	

	KD 000's	
	2020	
	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 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	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	-	
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)	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	

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	-	

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;

	2021 KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Assets			
Cash and short term funds	727,513		
Treasury and Central Bank bonds	177,452		
Due from banks and other financial institutions	482,586	39	a
Loans and advances	2,278,078		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		181,995	b
Of which: Cap on inclusion of general provisions in Tier 2		41,855	c
Investment securities	551,303		
Of which: 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)		78,704	e
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		172,764	f
Premises and equipment	28,922		
Intangible assets	3,506	3,506	g
Other assets	40,206		
Total assets	4,289,566		

	2021 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	360,526		
Due to other financial institutions	245,676		
Customer deposits	2,119,614		
Other borrowed funds	519,459		
Other liabilities	223,427		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		7,006	h
Total liabilities	3,468,702		
Equity			
Equity attributable to shareholders of the Bank			
Share capital	199,206	199,206	i
Proposed bonus shares	-	-	j
Treasury shares	(5,233)	5,233	k
Reserves	427,372		
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		24,043	p
of which: property investment valuation reserve		202,634	q
Retained earnings	159,614	169,198	r
	780,959		
Proposed dividend	39,618		
	820,577		
Non-controlling interests	287	287	s
Total equity	820,864		
Total liabilities and equity	4,289,566		

	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		
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		

	2020 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	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		

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:

		2021	2020
		KD 000's	KD 000's
1	Total consolidated assets as per published financial statements	4,289,566	4,388,757
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	22,319	25,144
5	Securities Financing Transaction Exposures	-	-
6	Exposures for off-balance sheet items (i.e. credit equivalent amounts)	889,765	876,617
7	Other exposures	(176,270)	(99,832)
8	**Total exposures in calculation of leverage ratio**	**5,025,380**	5,190,686

(b) Leverage ratio common disclosure:

		2021	2020
		KD 000's	KD 000's
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,289,566	4,388,757
2	(Asset amounts deducted in determining Tier 1 capital)	(176,270)	(99,832)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4,113,296**	4,288,925
4	Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	13,036	16,119
5	Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	9,283	9,025
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the bank's operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	-	-
8	(Exempted exposures to Central Counterparties (CCP)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-
11	**Total derivative exposures**	**22,319**	25,144
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)	2,563,643	2,563,052
18	(Adjustments for conversion to credit equivalent amounts)	(1,673,878)	(1,686,435)
19	**Total Off-balance sheet exposure**	**889,765**	876,617
20	**Total exposures**	**5,025,380**	5,190,686
21	**Tier 1 capital**	**614,560**	605,770
22	**Leverage ratio (Tier 1 capital / total exposures)**	**12.23%**	11.67%

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 Risk Management Group (CRM) comprises Credit and Investment Review Department (CIRD) and Loan Review and Portfolio Control Department (LRPCD) restructured during the year as Obligor Credit Risk Management and Portfolio Credit Risk Management Departments respectively. The Operational, Fraud and Information Securities Risk Management Group (OFISRM) comprises Operational Risk Management Department, Fraud Risk Management Department and Information Security Risk Management department. The Enterprise Risk Management (ERM) Group comprises of Risk Policies and Secretariat Department (RPSD), Risk Reporting and Middle Office Department (RRMOD) and Analytics & Simulation Department (ASD).

Operational Risk Department is responsible for monitoring, measuring and reporting the operational risks of the Bank. The department 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 Department is also responsible for the bank wide insurance management and for coordinating the bank wide Business Continuity Plan and ensuring regular testing.

Information Security Risk Management Department is responsible for monitoring, measuring and reporting all the Bank's information security risks - internal and external threats whether deliberate or accidental - on all information assets of the Bank. This department ensures that information security risks are assessed, gaps identified and the recommended security controls are in line with regulatory requirements and best practice standards. These are communicated to the risk owners to protect the Bank's information assets against unauthorized access and inappropriate disclosures. Information Security Risk Management Department establishes and maintains the related policies and procedures; as well as tests the effectiveness of the controls in order to keep the Bank's information assets secure. The risks identified and the treatment plans are reported to the Board Risk Management Committee and the BOD. Notwithstanding this, Information Security Risk Management Department collaborates with all other units within the Bank and acts as an advisor to provide inputs to follow mandated compliance requirements across the Bank to safeguard its information assets. To improve the maturity of the Bank's information security framework in the past year, the department has undertaken taken many initiatives. The department partnered with the Human Resource Division to provide a customized Information Security Awareness Course to all staff in order to embed a Security Awareness culture within the Bank; and while working along with Information Technology Division to implement adequate controls, the Bank also received its PCI-DSS re-certification and achieved ISO 27001 certification. The department also established a managed 24x7 Security Operations Control Center to monitor all anomalous security events and to take necessary corrective actions; and advanced Malware protection to protect the computers from highly sophisticated cyber-attacks targeting the end-users of the Bank was also implemented.

The ERM group through its ASD department is responsible for monitoring market, liquidity, interest rate, strategic, reputational and legal risks. It is also responsible for calculating the economic capital for various risks, conducting stress tests, reporting these to the Asset Liability Committee (ALCO), Board Risk Management Committee (BRMC), Board of Directors and the Central Bank. The ASD department also works out the PD and LGD annually associated with the different obligor grades to use in IFRS9 calculations. The department is also responsible for providing adhoc risk analysis of new Banking Products. The RPSD department of the ERM group focuses on keeping the risk management policies up to date and for conducting ALCO and Credit & Investment Committee (CIC) for investments items. The RRMOD department of ERM group focusses on periodic reporting of risk metrics which includes daily, weekly and monthly risk reports to the Management. The department also prepares a monthly risk management report comprising of MIS on Credit portfolio, position vis a vis internal limits related to Interest rate risk, Liquidity risk, Market Risk and Operational risk which is circulated to the ALCO members. The department also functions as a Treasury middle office where it monitors risk limits related to Treasury on a daily basis.

The risk management framework includes a hierarchy of committees involving the Board of Directors and the executive management for approval and reporting purposes. The Board of Directors through its committees has the overall authority for approval of strategies and policies. The Board Loan Committee (BLC) is the apex credit approving authority of the Group which is mainly responsible for approving all credit proposals beyond the authority level of the management and also for reviewing and approving the credit policy and amendments thereof. The Board of Directors is the apex authority of the Group for approving investments and other executive matters beyond the authority of the management. These include approval of groupwide strategies as well as specific policies pertaining to risk management. The Board Risk Management Committee (BRMC) assists the Board in its oversight of the Bank's risk governance structure, risk management & risk assessment guidelines and policies, risk strategy and appetite and executive management's implementation of the risk strategies and policies.

The Credit & Investment Committee is the executive management decision making body 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.

a. Gross credit exposures

	2021			2020		
	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	386,611	386,611	-	370,646	370,646	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	181,378	181,378	-	143,079	143,079	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	1,518,249	1,212,390	305,859	1,746,263	1,403,447	342,816
6.Claims on corporates	4,031,890	1,774,649	2,257,241	4,028,911	1,809,296	2,219,615
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	34,337	34,337	-	40,396	40,396	-
9.Regulatory retail	498,320	497,891	429	455,416	454,795	621
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	114	-	114	-	-	-
12.Other assets	144,073	144,073	-	139,798	139,798	-
13.Claims on securitised assets	-	-	-	-	-	-
	6,794,972	4,231,329	2,563,643	6,924,509	4,361,457	2,563,052

b. Average gross credit exposures

	2021			2020		
	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	378,629	378,629	-	386,872	386,872	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	162,229	162,229	-	132,901	132,901	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	1,632,256	1,307,919	324,338	1,939,292	1,599,229	340,063
6.Claims on corporates	4,030,401	1,791,973	2,238,428	4,047,140	1,830,011	2,217,129
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	37,367	37,367	-	35,205	35,205	-
9.Regulatory retail	476,868	476,343	525	466,503	458,467	8,036
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	57	-	57	29	-	29
12.Other assets	141,936	141,936	-	151,177	151,177	-
13.Claims on securitised assets	-	-	-	-	-	-
	6,859,741	4,296,393	2,563,348	7,159,119	4,593,862	2,565,257

c. Total credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2021						
1.Claims on sovereigns	**378,364**	**8,247**	**-**	**-**	**-**	**386,611**
2.Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
3.Claims on PSEs	**181,378**	**-**	**-**	**-**	**-**	**181,378**
4.Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
5.Claims on banks	**512,161**	**777,157**	**195,631**	**10,317**	**22,983**	**1,518,249**
6.Claims on corporates	**3,708,375**	**187,855**	**68,675**	**57,889**	**9,096**	**4,031,890**
7.Claims on central counter parties	**-**	**-**	**-**	**-**	**-**	**-**
8.Cash items	**34,337**	**-**	**-**	**-**	**-**	**34,337**
9.Regulatory retail	**498,261**	**41**	**-**	**-**	**18**	**498,320**
10.RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11.Past due exposure	**114**	**-**	**-**	**-**	**-**	**114**
12.Other assets	**141,016**	**206**	**2,848**	**-**	**3**	**144,073**
13.Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
	5,454,006	**973,506**	**267,154**	**68,206**	**32,100**	**6,794,972**
Percentage of credit exposure by geographical sector	**80.3%**	**14.3%**	**3.9%**	**1.0%**	**0.5%**	**100.0%**

	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%

d. Funded credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2021						
1.Claims on sovereigns	**378,364**	**8,247**	-	-	-	**386,611**
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	**181,378**	-	-	-	-	**181,378**
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**506,495**	**586,162**	**86,694**	**10,166**	**22,873**	**1,212,390**
6.Claims on corporates	**1,671,282**	**92,205**	**2,053**	**14**	**9,095**	**1,774,649**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	**34,337**	-	-	-	-	**34,337**
9.Regulatory retail	**497,832**	**41**	-	-	**18**	**497,891**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	**141,016**	**206**	**2,848**	-	**3**	**144,073**
13.Claims on securitised assets	-	-	-	-	-	-
	3,410,704	**686,861**	**91,595**	**10,180**	**31,989**	**4,231,329**
Percentage of funded credit exposure by geographical sector	**80.6%**	**16.2%**	**2.2%**	**0.2%**	**0.8%**	**100.0%**

	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%

e. Unfunded credit exposures by geographic sector

	KD 000's					
	Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2021						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**5,666**	**190,995**	**108,937**	**151**	**110**	**305,859**
6.Claims on corporates	**2,037,093**	**95,650**	**66,622**	**57,875**	**1**	**2,257,241**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	**429**	-	-	-	-	**429**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	**114**	-	-	-	-	**114**
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	2,043,302	**286,645**	**175,559**	**58,026**	**111**	**2,563,643**
Percentage of unfunded credit exposure by geographical sector	**79.7%**	**11.2%**	**6.8%**	**2.3%**	**0.0%**	**100.0%**

	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%

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 2021						
1.Claims on sovereigns	**191,097**	**81,864**	**55,235**	**10,083**	**48,332**	**386,611**
2.Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
3.Claims on PSEs	**2**	**-**	**-**	**-**	**181,376**	**181,378**
4.Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
5.Claims on banks	**641,154**	**306,937**	**196,794**	**210,933**	**162,431**	**1,518,249**
6.Claims on corporates	**792,595**	**428,836**	**437,809**	**536,845**	**1,835,805**	**4,031,890**
7.Claims on central counter parties	**-**	**-**	**-**	**-**	**-**	**-**
8.Cash items	**34,337**	**-**	**-**	**-**	**-**	**34,337**
9.Regulatory retail	**18,532**	**505**	**1,502**	**2,785**	**474,996**	**498,320**
10.RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11.Past due exposure	**-**	**49**	**17**	**8**	**40**	**114**
12.Other assets	**127,712**	**228**	**1**	**2**	**16,130**	**144,073**
13.Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
	1,805,429	**818,419**	**691,358**	**760,656**	**2,719,110**	**6,794,972**
Percentage of total credit exposures by residual maturity	**26.6%**	**12.0%**	**10.2%**	**11.2%**	**40.0%**	**100.0%**

	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%

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 2021						
1.Claims on sovereigns	**191,097**	**81,864**	**55,235**	**10,083**	**48,332**	**386,611**
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	**2**	-	-	-	**181,376**	**181,378**
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**558,549**	**176,522**	**166,884**	**185,799**	**124,636**	**1,212,390**
6.Claims on corporates	**347,443**	**136,434**	**141,262**	**155,578**	**993,932**	**1,774,649**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	**34,337**	-	-	-	-	**34,337**
9.Regulatory retail	**18,505**	**436**	**1,412**	**2,717**	**474,821**	**497,891**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	-	-	-	-	-
12.Other assets	**127,712**	**228**	**1**	**2**	**16,130**	**144,073**
13.Claims on securitised assets	-	-	-	-	-	-
	1,277,645	**395,484**	**364,794**	**354,179**	**1,839,227**	**4,231,329**
Percentage of funded credit exposures by residual maturity	**30.2%**	**9.3%**	**8.6%**	**8.4%**	**43.5%**	**100.0%**

	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%

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 2021						
1.Claims on sovereigns	-	-	-	-	-	-
2.Claims on international organisations	-	-	-	-	-	-
3.Claims on PSEs	-	-	-	-	-	-
4.Claims on MDBs	-	-	-	-	-	-
5.Claims on banks	**82,605**	**130,415**	**29,910**	**25,134**	**37,795**	**305,859**
6.Claims on corporates	**445,152**	**292,402**	**296,547**	**381,267**	**841,873**	**2,257,241**
7.Claims on central counter parties	-	-	-	-	-	-
8.Cash items	-	-	-	-	-	-
9.Regulatory retail	**27**	**69**	**90**	**68**	**175**	**429**
10.RHLs eligible for 35% RW	-	-	-	-	-	-
11.Past due exposure	-	**49**	**17**	**8**	**40**	**114**
12.Other assets	-	-	-	-	-	-
13.Claims on securitised assets	-	-	-	-	-	-
	527,784	**422,935**	**326,564**	**406,477**	**879,883**	**2,563,643**
Percentage of unfunded credit exposures by residual maturity	**20.6%**	**16.5%**	**12.7%**	**15.9%**	**34.3%**	**100.0%**

	KD 000's					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
As at 31 December 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%

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

	2021		2020	
	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	51,060	292	273,580	1,047
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	-	-	-
9.Regulatory retail	15,376	-	13,434	-
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	-
12.Other assets	-	-	-	-
13.Claims on securitised assets	-	-	-	-
	66,436	292	287,014	1,047

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

	2021		2020	
	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	39	(783)	822	(656)
6.Claims on corporates	173,844	3,416	128,045	87,949
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	-	-	-
9.Regulatory retail	6,322	824	5,864	4,508
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	-	-	-
12.Other assets	1,829	690	1,803	(410)
13.Claims on securitised assets	-	-	-	-
	182,034	4,147	136,534	91,391

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 2021				
Kuwait	-	-	66,436	292
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	-	-	66,436	292

	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

l. Movement in provisions

	2021			2020		
	KD 000's			KD 000's		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	-	136,534	136,534	-	129,115	129,115
Write-offs	(11,927)	-	(11,927)	(83,566)	-	(83,566)
Exchange differences	-	(38)	(38)	-	79	79
Ceded to Central Bank	-	-	-	-	-	-
Statement of income	11,927	45,538	57,465	83,566	7,340	90,906
	-	182,034	182,034	-	136,534	136,534

m. Credit exposures after CRM and CCF

	2021		2020	
	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	386,751	-	370,844	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	-	194,289	-	148,744
4.Claims on MDBs	-	-	-	-
5.Claims on banks	907,851	515,134	1,130,886	494,040
6.Claims on corporates	1,074	2,264,531	32,777	2,190,760
7.Claims on central counter parties	-	-	-	-
8.Cash items	-	34,337	-	40,396
9.Regulatory retail	-	495,874	-	452,566
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	-	57	-	-
12.Other assets	-	138,943	-	135,629
13.Claims on securitised assets	-	-	-	-
	1,295,676	3,643,165	1,534,507	3,462,135

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 2021				
1.Claims on sovereigns	386,611	-	-	-
2.Claims on international organisations	-	-	-	-
3.Claims on PSEs	181,378	-	-	-
4.Claims on MDBs	-	-	-	-
5.Claims on banks	1,518,249	-	-	-
6.Claims on corporates	4,031,890	698,206	154,438	-
7.Claims on central counter parties	-	-	-	-
8.Cash items	34,337	-	-	-
9.Regulatory retail	498,320	16,240	2,272	-
10.RHLs eligible for 35% RW	-	-	-	-
11.Past due exposure	114	-	-	-
12.Other assets	144,073	16,246	5,130	-
13.Claims on securitised assets	-	-	-	-
	6,794,972	730,692	161,840	-

	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	-

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:

	2021	2020
	KD 000's	KD 000's
1.Interest rate position risk	**-**	-
2.Equity position risk	**-**	1
3.Foreign exchange risk	**1,034**	440
4.Commodities risk	**-**	-
5.Options	**-**	-
	1,034	441

IX - Operational risk

The Group uses the standardised approach for computation of operational risk capital charge that amounted to KD 25,507 thousand 2020: KD 27,212 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:

	2021	2020
	KD 000's	KD 000's
1.Value of investment disclosed in the balance sheet	**307,096**	236,264
2.Type and nature of investment securities		
Financial assets at FVOCI		
Equity securities -quoted	**282,799**	208,477
Equity securities -unquoted	**24,297**	27,787
	307,096	236,264
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	**73,217**	(18,098)
5.Capital requirements		
Financial assets at FVOCI	**59,455**	39,979

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:

	2021		2020	
	Impact on earnings		Impact on earnings	
	±@ 1%	**±@ 2%**	±@ 1%	±@ 2%
	KD 000's	**KD 000's**	KD 000's	KD 000's
Kuwaiti dinars	**7,492**	**14,984**	6,880	13,760
US dollars	**(168)**	**(336)**	2,240	4,480
Other currencies	**1,608**	**3,216**	216	432
	±8,932	**±17,864**	± 9,336	± 18,672

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.

Dr. Mahmoud Behbehani
Sh. Talal Al-Sabah
Dr. Arshid Al houri
Mr. Manaf Al Muhana

The following are the main roles and responsibilities of BNRC:

1. Prepare this policy and review it on an annual basis at least or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto; such amendments/ updates shall be effective only after the BOD approval. This review include evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information to work flow of the remunerations scheme presented by the management to the BNRC, and present the same to the BOD.

2. Oversees the implementation of the remunerations policy and scheme through the information and reports provided by the management to the BNRC quarterly, and present the same to the BOD.

3. Propose the recommendations to the BOD regarding the level and components of the proposed remunerations to the CEO, his deputies and assistants as well as who are at the same level of these executive jobs in the Bank, such recommendations shall be effective only after the BOD approval.

4. Coordinate with the Board Risk Management Committee (BRMC) and/or the CRO to evaluate the proposed incentives in the remunerations policy and scheme.

5. Ensure that the executive management has adopted effective systems, procedures and mechanisms to ensure compliance with this policy, and present the same to BOD.

6. Ensure that the remunerations policies and practices of the Bank's financial subsidiaries' and foreign branches (if any) are in line with this policy as well as CB instructions in this regard.

7. Determine the remunerations scheme in line with the sound practices related to granting remunerations.

8. Ensure that an independent annual review of this policy has been conducted. Such review can be done through the Bank's IAD or an external consultant firm. The objective of this review is to evaluate the Bank's compliance with the remunerations policy and practices. The BNRC shall present such evaluation results to the BOD.

BNRC may seek assistance for Internal Audit department or an external consultant in order to effectively accomplish its responsibilities. During the year 2021 BNRC was assisted by Internal Audit Division to review Remuneration Policy.

BNRC met 7 times during 2021. Remuneration paid to BNRC members for 2021 cover their memberships in other Board Committees and any other tasks assigned to them by the Board. Total remuneration KD 465 thousand (2020: KD 438 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 2021 remuneration policy was reviewed by BNRC, which submitted the updated remuneration policy to Board on 17 August 2021. The Board approved remuneration policy as submitted. No material changes were made in the last update presented to the Board.

The remuneration policy is reviewed and updated every year. Further, the remuneration policy is updated to incorporate changes stipulated by the CBK or the Board, as and when such changes are introduced.

The following are the key features and objectives of remuneration policy

a. Key features

The structure of remuneration of all Group's employee consists of combination of fixed and variable remuneration

- Fixed Remuneration - It is made up of basic salary ,allowance and related benefits.

- Variable Remuneration - It represents payment linked to the job requirements and performance.

b. objective

1. Promote effective governance and sound practices of the financial remunerations system consistent with risk strategy.

2. Create a combination of fixed and variable remunerations on various organisation levels and nature of jobs.

3. Attract and retain highly qualified, skilled and knowledgeable employees required to perform banking business.

4. Aligning the remunerations with Bank's risk strategies connected to risk levels and financial soundness, along with providing benefits for progressive career and work life balance.

5. Ensure that financial remunerations are linked to the bank's performance and Risk Timeline, taking into account amending the financial remunerations granted to employees in case of the Bank's weak/ negative financial performance and to match risks on the long term.

In order to ensure independence of Risk Management, Compliance and Corporate Governance and Internal Audit functions within Group, head of these functions reports directly to various committees of the Board without having reporting line to CEO. The following table shows the functional and administrative reporting lines of these functions.

Function / Division	Function Reporting Line	Administrative Reporting Line
Risk Management	Board Risk Management Committee	Chairman of the Board
Compliance and Corporate Governance	Board Corporate Governance Committee	Chairman of the Board
Internal Audit	Board Audit Committee	Board Audit Committee

Performance appraisal

As per Group policy all employees are appraised atleast once a year for their individual performance. The appraisal process is used to evaluate employees' contribution in achieving Group objectives and to give them feedback on their performance related strengths and weakness.

Performance evaluation and measurement processes are taken out at least once a year, in compliance with the approved procedures, and considering relevant instructions issued by the management in this regard.

The rating guidelines are applied uniformly across all business lines and individuals.

The annual incentive paid to employees is as follows:

	2021	2020
	KD 000's	KD 000's
Amount paid	**1,440**	-
No. of employees	**1,081**	-

There is no sign on awards made during the year.
During the year, Bank has paid in respect of end of service benefit are as follows:

	2021		2020	
	No. of Employees	**KD 000's**	No. of Employees	KD 000's
Amount paid to:				
Kuwaiti employees	**119**	**1,047**	74	481
Non Kuwaiti employees	**148**	**471**	88	361

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

	KD 000's			
	2021		2020	
	Unrestricted	**Deferred**	Unrestricted	Deferred
Fixed				
Cash-based	**1,775**	**-**	1,394	-
Shares and share-linked instruments	**-**	**-**	-	-
Other	**-**	**-**	-	-
Total fixed	**1,775**	**-**	1,394	-

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:

	2021		2020	
	No. of Employees	**KD 000's**	No. of Employees	KD 000's
Senior Management	**15**	**1,775**	14	1,394
Material Risk Takers	**5**	**719**	4	578
Financial & Control Functions	**5**	**518**	5	415

Al-Tijari التجاري

Branches Network	Tel	شبـكـة الـفــروع
Mubarak Al-Kabir (H.O.)	22990001	مبارك الكبير (الرئيسي)
Airport (Arrival)	22990004	المطار (الوصول)
Al-Rai	22990045	الري
Ali Sabah Al-Salem	22990042	علي صباح السالم
Al-Messila	22990065	المسيلة
Al-Naeem	22990056	النعيم
Al-Rabia	22990057	الرابية
Al-Salam	22990055	السلام
Andalus	22990036	الأندلس
Ardhiya	22990019	العارضية
Dahiyat Abdulla Mubarak	22990059	ضاحية عبداللّه 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	22990049	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
South Fahaheel	22990068	جنوب الفحيحيل
Sulaibikhat	22990013	الصليبيخات
The Avenues	22990069	الأڤنيوز
West Shuwaikh	22990028	غرب الشويخ
Fahad Al Salem	22990009	فهد السالم

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