

التجاري  
Al-Tijari



# ANNUAL REPORT

**2023**

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





His Highness

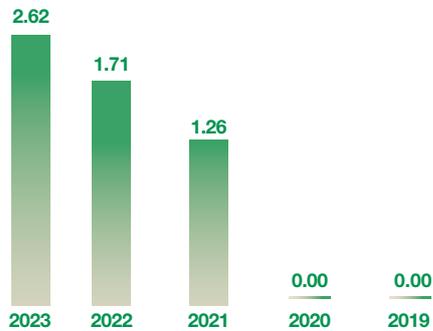
**Sheikh Meshal Al-Ahmad  
Al-Jaber Al-Sabah**

The Amir of the State of Kuwait

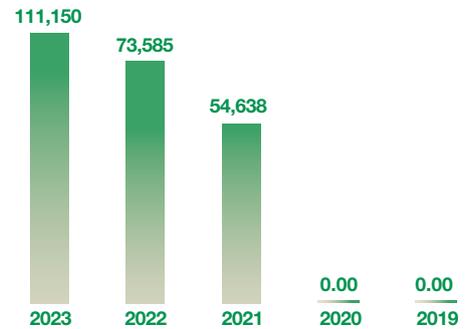
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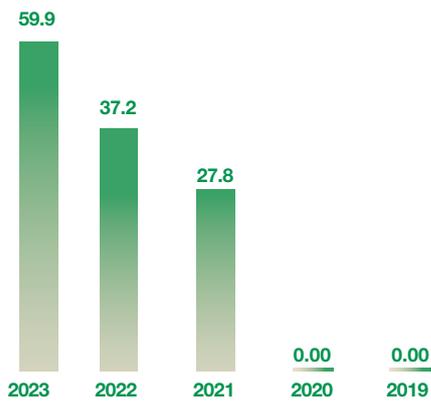
# Financial Trends



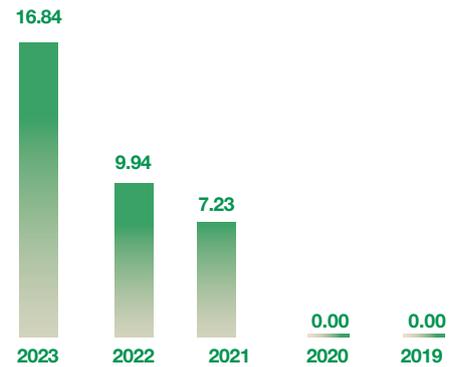
Return on Average Assets %



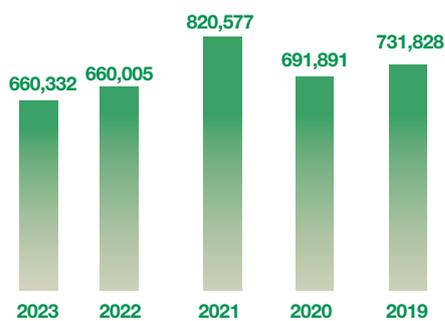
Net Profit Attributable to Shareholders of the Parent Bank  
KD 000's



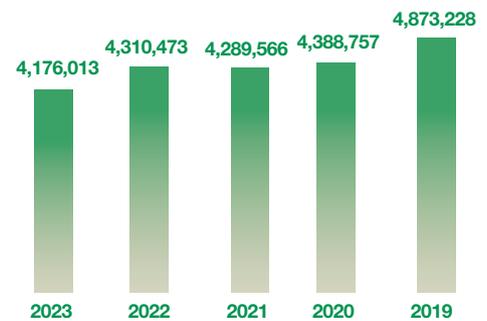
Earning Per Share Attributable to Shareholders of the Parent Bank  
Fils Per Share



Return on Shareholders' Equity  
(Average) %



Equity Attributable to Shareholders of the Parent Bank  
KD 000's



Total Assets  
KD 000's



Board of

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Directors



**Sheikh/ Ahmad Duajj Al-Sabah**  
Chairman



**Abdulrahman Abdullah AlAli**  
Vice Chairman



**Manaf Mohamed AlMuhanna**  
Board Member



**Dhari Ali AlMudhaf**  
Board Member



**Sheikh/Talal Mohammad AlSabah**  
Board Member



**Mohammed Abdulrazzaq AlKandari**  
Board Member



**Yousef Yaqoub AlAwadhi**  
Board Member



**Fahad Zuhair AlBader**  
Independent Board Member



**Dr. Mahmoud Abdulasoul Behbehani**  
Independent Board Member



**Ahmad Bader Wahedi**  
Independent Board Member



**Husam Abdulrahman AlBassam**  
Independent Board Member



**Mona Hussain AlAbdulrazzaq**  
Secretary to the Board



# Introduction

# Introduction

## **Commercial Bank of Kuwait: Inspired by Our Rich Track Record..... We are prepared to confront challenges**

Commercial Bank of Kuwait continues to strengthen its position as a renowned financial institution within the Kuwaiti banking industry, leveraging its status as the second oldest established Bank in the country. Our commitment to delivering cutting-edge digital banking services remains unwavering, ensuring that all customer segments benefit from our services and product offerings.

As we have embarked on the seventh decade of our journey, we are dedicated to fostering our solid business relationships with customers. Looking ahead, we are determined to replicate the success of 2023, which saw the highest net profits achieved by the Bank in the past 15 years.

Our strategic vision involves significant investment in technological infrastructure to further enhance our digital banking products and services. Additionally, we remain steadfast in our support of Kuwait's economic growth by providing essential financing for national projects. Through our continued presence in the Kuwaiti banking sector, we uphold principles of citizenship, leadership, sustainability, and social responsibility that have long defined our institution.



Chairman's

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Message

# Chairman's Message



Sheikh/

Ahmad Duaij Al-Sabah  
Chairman

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

Dear Shareholders,

Peace and Blessing of Allah  
be upon you,

It gives me great pleasure to meet you once again in this Annual General Meeting. I am pleased to share with you the performance of the Bank during the year 2023.

In spite of all the global and local challenges facing the economic, banking and financial environment throughout 2023, we, at Al-Tijari, continued to focus on executing our ambition of building a modern relationship-oriented bank that delivers superior customer experience and top-tier shareholder returns while maintaining our financial strength and risk discipline, and advancing our purpose-driven culture. We listen and learn from customers' feedback and take action to make it easier to bank with us by improving and deepening our relationships. Going forward, we will drive long-term growth and build on this momentum through our customer-focused strategy that includes expanding our digital banking offerings, delivering connectivity and differentiation to our customers by enabling, simplifying and protecting our customers and the Bank.

## 2023 Business Performance

In a challenging operating environment, we delivered a solid financial performance for our stakeholders in 2023. Our Bank reported a net profit of KD 111.2 Million, the highest during the last 15 years. Through proactive management, we improved net interest margin and strengthened our balance sheet. We continued to pace our strategic investments to ensure that the Bank is well positioned for the future.

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

As at the end of 2023, total loan loss reserve held with the Bank amounted to KD 245.9 million.

### Financial Highlights:

- Operating income of KD 170.2 million is higher by 21.7% compared to KD 139.9 million for the year 2022.
- Operating profit before provision at KD 116.7 million is higher by 13.5%, compared to last year.
- Net profit of KD 111.2 million is higher by 51.0% over previous year.
- Fee Income at KD 44.5 million higher by 4.1 % than last year.
- Cost to income ratio is 31.4% depicting highest efficiency.
- Customer loans and advances at KD 2,430.0 million grew by 0.4%. However, the total assets at KD 4,176.0 million decreased by 3.1% on year-to-year basis.
- Robust regulatory ratios comfortably exceeded the Central Bank's statutory requirement, Capital Adequacy Ratio 18.1%, Liquidity Coverage Ratio 198.2%, Net Stable Funding Ratio of 113.4% and Leverage Ratio of 11.8%.

### Business Update

Treasury and Investment Division successfully raised long-term financing from a diversified segment to strengthen both the liquidity position, as well as capital base. We issued Tier-II compliance KD 50 million subordinated bonds with 5 years of non-callability and 10 years' maturity. The bond issuance was under the multi-tranche KWD 100 million bond issuance program. If any further capital requirements, the Bank can again tap the bond market by issuing the second tranche of KD 50 million under the program.

On the Retail Banking front, Al-Tijari opened a new branch, equipped with the latest technology and digital services, in Khairan to meet customers' needs. The Bank also relocated its Salmiya branch to a bigger place in Al Salam Mall. As for digital enhancements, innovation and customer solution, the Bank is equipped with the latest technology and digital services, enabling it to continue its successful digital transformation journey by improving its digital platforms and introducing the "Business Islands", which are now available in most of Al-Tijari branches. These channels and new devices have been further enhanced with additional features to facilitate customer journey through providing seamless services at one station.

Corporate Banking Division (CBD) has continued to play a vital role, placing special attention to sectors such as education, healthcare, manufacturing, fintech, green energy and oil and gas, as they offer a substantial contribution to the overall economic wellbeing. During the year, the CBD team has successfully secured significant new projects further diversifying the Bank's credit portfolio, and reaffirming CBK's position as a growing bank in financing government and private sector projects.

International Banking Division continued financing mega projects and engaging in syndicated loans. The Division, also, leveraged on the rising interest rates environment and engaged in lending activities with borrowers in the MENA region as well as in Europe. The Division focused on lending to Banks and non-banking financial institutions such as multilateral development institutions, leasing companies, sovereigns, etc. The Division focused on borrowers in the MENA region, Far East Asia and Europe during 2023.

### Sustainability and Social Responsibility

The actions taken during the year reflected Al-Tijari's commitment towards social responsibility. As such, the Bank has issued its first comprehensive suitability report for the year 2022. The report covered all ESG areas and shed light on the Bank's endeavors towards sustainable finance, go green advocacy and social responsibility as a socially responsible bank.

The Bank continues to expand on the “Go Green Organization” initiatives that were launched previously by offering loans and facilities to diverse companies engaged in eco-friendly endeavors like wastewater management, medical waste disposal, and recycling of rubber tires. Al-Tijari is progressively extending the adoption of energy-saving measures and avoidance of resources wasting. Al-Tijari ECHO initiative was initiated whereby a Sustainable Art Workshop for employees was conducted and designed to up-cycle reusable items such as plastics and other materials.

The Bank has been highly recognized by professional institutions at GCC level for its contribution to sustainability and social responsibility. Al-Tijari has harvested the following prestigious awards:

1. “Pioneering Project for Corporate Social Responsibility” Award for 2023 at the GCC level for its “Double Your Reward with Al-Tijari” Campaign. Under the Campaign, the Bank matches the amount donated by any customer in favor of charitable societies and organizations participating in the Campaign.
2. “Pioneering Project for Labor Succession and Localization” Award for 2023 at the GCC level in recognition of the Bank’s commitment to develop and encourage Kuwaiti citizens, especially the youth. Al-Tijari is committed to encourage youth to join the Bank, provide them with the required training to upgrade their skills, and help them to acquire necessary professional expertise out of its belief in the importance of investing in the human capital and supporting Kuwaiti young talents.

On customer awareness front, Al-Tijari continues its support for the third year to the “Let’s Be Aware” Campaign launched by the Central Bank of Kuwait in cooperation with Kuwait Banking Association to spread banking and financial culture amongst various segments of the society. The Bank uses its electronic channels and accounts on social media networks to educate customers on the importance of protecting their banking information against fraud attempts.

### Future Outlook

We have built our Bank for the long term, investing strategically in the areas that make us better, resilient, customer friendly, and where we know we can lead. As a result, we ended 2023 in a position of strength, and we look ahead with optimism to 2024. The economic backdrop will likely remain fluid and present new challenges in some areas of the economy. Our strength and stability will position us in a steady situation. Moving forward, we will remain focused on enhancing total shareholders return, while building on the momentum we had established in our core businesses. We endeavor to enhance the quality of the services to our customers in a way that supports the Bank’s goals centric culture, keeping pace with modern developments in the banking sector and adopting innovation metrics in customer relations in the banking industry.

### Thanks and Appreciation

Finally, I would like to express my sincere thanks and gratitude to His Highness the Amir of the State of Kuwait Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah and to His Highness the Prime Minister, Sheikh Dr. Muhammad Sabah Al-Salem Al-Sabah. I also thank the Central Bank of Kuwait, and other regulatory authorities, for their guidance and support to the banking sector, and to shareholders, executive management, employees and customers, wishing them all success and prosperity.



**Sheikh/ Ahmad Duaij Al-Sabah**



Executive

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& Supervisory Management

# Executive & Supervisory Management

**Elham Yousry Mahfouz**

Chief Executive Officer

**Hussain Ali AlAryan**

General Manager - Treasury & Investment Division

**Masud UI Hassan Khalid**

Chief Financial Officer

Financial Planning & Control Division

**Paul Abdounour Dawoud**

General Manager - Operations Division

**Tan Tat Thong**

Chief Risk Officer-Risk Management Division

**Sadeq Jaafar AlAbdullah**

General Manager - Human Resources Division

**Tamim Khaled AlMeaan**

General Manager - Compliance & Corporate Governance Division

**Sarah Mohamed Mansour**

Legal Advisor to the Chairman

Acting General Manager - Legal Division

**Abdulaziz Mustafa Ali**

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

**Sheikha/ Nouf Salem AlAli AlSabah**

General Manager - Corporate Communications Division

**Bader Mohammed Musleh Qamhieh**

General Manager - Information Technology Division

**Amr Mohamed ElKasaby**

Chief Internal Auditor - Internal Audit Division

**Ebtissam Baqer AlHaddad**

General Manager - Strategic Planning & Follow up Division

**Kunal Singh**

General Manager - International Banking Division

**Ahmad Hamed BoAbbas**

Acting General Manager - Corporate Banking Division

**Abdulaziz Saleh AlZaabi**

General Manager - Retail Banking Division

**Talal Reyadh AlNassar**

Head - General Services Division

**Mohammad Bader AlHaid**

Head of Digital Transformation & Innovation Division



Economic

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Review

## Global Economy

As per the latest IMF report, the global economic activity is expected to slow down significantly on account of the tighter monetary policy, geopolitical tension, and higher energy prices. The rapidly rising cost of borrowing across the globe jeopardized economic stability. The growth momentum in developed economies such as the EU, UK, and Canada have slumped and showing increasing signs of recession in 2024. The baseline forecast is for global growth to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, well below the historical (2000–19) average of 3.8 percent. Advanced economies are expected to slow from 2.6 percent in 2022 to 1.5 percent in 2023 and 1.4 percent in 2024 as monetary policy tightening starts to bite. Emerging markets and developing economies are projected to have a modest decline in growth from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024. Global inflation is forecast to decline steadily, from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024, due to tighter monetary policy aided by lower international commodity prices. Core inflation is generally projected to decline more gradually, and inflation is not expected to return to the target until 2025 in most cases.

## Kuwait Economy

The World Bank stated in their forecast report that after a strong economic performance of 7.9 percent in 2022, driven by robust oil sector performance (13.3 percent), Kuwait's 2023 economic growth declined sharply. During H1-2023, economic growth slowed mainly due to OPEC+'s agreement of cutting production quotas, higher interest rates, and global uncertainties. In June 2023, oil sector output declined to its lowest level in the past 18 months. Non-oil sector sustained its growth during H1-2023 supported by domestic and external demand, elevated oil prices, high government spending, and restoration of pandemic-disrupted projects. Although private sector credit experienced the fastest growth in 7 years at 7.7 percent during 2022, credit growth for households and businesses slowed in H1-2023 to reflect rising borrowing costs. To resolve the chronic housing problem, the government introduced measures that include a four-year action plan for lot distribution and building permits. Monetary policy tightening, along with generous government subsidies on food and energy, eased inflationary pressures during 2023, reaching 3.8 percent during Q2-2023.

With huge oil in reserves, the oil 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.

Key risks include oil production and oil price volatility, global economic slowdown, monetary tightening, geopolitical uncertainty, and climate change. Delays in fiscal and structural reforms, along with slow progress towards diversifying the economy, could slow up growth in both the oil and non-oil sectors and significantly affect fiscal and external balances. The direct adverse economic spillovers from the ongoing geopolitical tensions in the Middle East can't be ruled out.

The KWD customer and interbank deposit rates were very volatile and the deposit premium spiked aggressively during H1 2023, which was mainly driven by the rising interest rates and liquidity requirements.

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

USDKWD traded in a range of 0.30450 to 0.310 in 2023, which is in line with the market volatility.

## Kuwait Stock Market

Kuwait Premier Market index posted a YTD loss of 8% approx. to close at 7477.04 from 8115.68, whereas, Main Market 50 Index declined by 4% approx. to close at 5487.40 from 5719.01. The Kuwait stock market underperformed the GCC market due to a very volatile international market, higher interest rates, and rising geopolitical tension.

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



Review of

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Operations

## Retail Banking Division

Retail Banking Division “RBD” offers a wide array of products and services, such as opening accounts, accepting deposits in various types, providing consumer and housing loans, issuing credit cards, and other retail banking and branches related services. RBD is composed of a set of specialized departments such as Marketing, Direct Sales, Branches, Premier Banking Services, Cards Center and Merchants Unit that offer a full range of innovative and customized banking services to customer segments.

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

In 2023, action plans and programs related to the development and digitization of the Bank’s services and solutions outreached a wide range of existing customers, and attracted new ones. For realizing this objective, the Bank focused on developing and improving the technological aspects related to products, services and devices, whether through CBK Mobile App, Al-Tijari Online services, or the branches’ network covering diverse prominent locations across Kuwait. These channels enable customers to perform their banking transactions around the clock easily and securely. In this regard, RBD has been offering innovative digital services to customers as below:

- The Bank launched “AlTijari Send”, a new remittance service powered by Mastercard Cross-Border Services that provides a fast and efficient way to transfer money internationally. “AlTijari Send” allows customers to complete cross-border transactions in a simple, convenient, and transparent manner. Senders can expect the amount to be credited to the receiver’s account in near-real time for most transfers.
- The Bank opens new branches and revamps old ones, and equips them with the latest technology and digital services enabling it to continue its successful digital transformation journey by improving its digital platforms to facilitate the customer journey and providing seamless services. In 2023, The Bank opened a new branch in Khairan to meet customer needs and relocated its Salmiya branch to a much bigger place in Al Salam Mall.
- The Bank introduced the “Book an Appointment” service, where customers can book appointments through CBK Mobile App. to apply for a loan or any banking service that requires the presence of a customer service employee.
- The Bank enabled customers to submit their “contractual complaints” digitally through CBK Mobile App. without need to visit branches. This makes it convenient to customers, reduces traffic at branches and enables the customer to digitally track their complaints.
- The Bank enabled customers to digitally request for account closure and dormant account reactivation.
- The Bank enhanced the “Business Islands” which are currently available in most branches with additional features to facilitate the customer journey through providing seamless services at one station.
- E-Gov Account has been revamped to become “Control Account”. The account is designed to facilitate payments in government entities and manage expenses locally and internationally in addition to performing cash withdrawal transactions through various channels. A Debit Card is issued that enables the customer to control the different use channels easily through CBK mobile application or CBK Online.

### Card Centre

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

The Bank added three new currencies to the Multi-Currency Prepaid MasterCard that allows customers to benefit from secured locked in exchange rates in 13 different currencies.

Al-Tijari won the MasterCard Award as the Bank has realized the highest rate of activating card tokenization feature on the electronic portfolio in the Middle East. The Award is given to institutions with the highest card tokenization percentage on the electronic portfolio.

## Contact Centre

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

All Contact Center agents are well trained to ensure that they are fully aware of all the products and services offered by the Bank, and to teach them how to respond and give customers the appropriate information for their inquiries. Contact Center staff are also trained to be able to aware customers on the importance of maintaining the confidentiality of their banking information and how to avoid various types of fraud attempts.

## Summary of the Marketing Campaigns

Retail Banking Division is keen on offering optimal banking services and products to all customer segments. Within this framework, the Marketing Department launched many activities, campaigns and events to create new and exotic experiences for existing customers and to attract new customers with a focus on development to ensure customers' satisfaction, meet their needs and exceed their expectations. These campaigns and events include, but are not limited to, the following:

- Salary Transfer Campaign:

It is a key campaign, attracting customers to transfer their salary to Al-Tijari providing them with cash gifts up to KD 2000 and credit cards free of charge for 2 years.

- Live It Twice Campaign

The Bank launched its annual summer campaign in June under the name "Live It Twice" for rewarding its credit cardholders. Al-Tijari credit cardholders are given the chance to enter the monthly draws to win cashback prizes on their purchases up to maximum Kuwaiti Dinars Two Thousand (KWD 2,000) when they get and use Al-Tijari credit cards.

During summer 2023, three free courses were offered to customers in areas related to cooking and flower arrangement. In addition, the Marketing Team of Retail Banking Division paid a visit to Al-Khairan and Al-Zour beaches to distribute to the public gifts such as ice cream and sea-related supplies fit for summer.

- Activating Push Notification Service on CBK Mobile App.

For raising awareness and keeping customers informed of the transactions made on their accounts, the latest offers and banking awareness messages, the Bank launched an encouraging campaign to activate push notifications on the CBK Mobile App. These notifications are instant alerts of any transaction that takes place on the account, in addition to weekly awareness notifications. The Campaign lasted for 6 months, and customers were encouraged to join the notification service by conducting a monthly draw for subscribers to the service to win valuable cash prizes.

- Al-Najma Account Promotion Campaign

Al-Najma mega draw was organized at Morouj complex, posted on the Bank's social media channels, and live broadcasted on FM360. The draw was organized in presence of the Bank's senior executives and the representatives of international audit firms «Deloitte & Touche - Al-Wazzan & Partners» and «RSM - Al-Bazie & Partners», and the representatives from the Ministry of Commerce and Industry. This event witnessed remarkable turnout of customers and visitors. Al-Najma Account offers the largest cash prize linked to a bank account in the world.

A campaign was launched to promote Al-Najma account in April 2023 with view to encourage customers to save money in their accounts. Customers who opened the account during the campaign period were given the opportunity to enter the draw and win a cash prize of KD 500 under the title "Al-Najma Eidiya" as the event coincided with Eid Al-Fitter. The Bank announced 5 winners in the Campaign.

- Adding New Car Dealerships to the Bank's Partners List

As our customers focus on the auto market, we have been able to add new distinctive car dealerships to our list of partners. Thus, the Bank enabled its customers to get special prices from car dealers.

In the same context, the Bank participated in the largest Auto World Show in Kuwait through Al-Tijari booth to showcase its auto products and offers to customers.

- Revamping YOU Account for Youth

Caring for the youth who are a key pillar in shaping the future, YOU Account has been revamped with the introduction of new features and benefits to encourage youth to start their banking journey with Al-Tijari. Under the slogan "You Make the Choice", students can easily open YOU Account through CBK Mobile App. When transferring student allowance to the account, the customer receives rewards of his choice, as the Bank has given them the option to select from a group of gifts offered by the Bank's partners. The offered gifts suit the interests, needs and lifestyle of this segment at the beginning of their student life at the university stage.

- Your Final Grade Equals Cash Campaign

To cope with youth wishes, and in appreciation for their hard study all over the year, the Bank has launched a dedicated campaign for high school graduates. The first campaign was named "Your Final Grade Equals Cash," where the first 50 students who opened YOU account via CBK Mobile App. received cash gifts in Kuwaiti Dinars equal to their final grade at high school examinations as shown in their graduation certificates.

Within the same context, the Bank established new partnerships with leading electronics companies to offer special discounts to our credit cardholders on the occasion of the back-to-school and high school graduation.

- Back to School Campaign

On the "Back to School" occasion, the Bank launched a promotional campaign dedicated to children aged 7 to 14 years. The Campaign encourages families to open saving accounts for their children to start saving for their future. To cope with the lifestyle of the current generation of children and their use of smart devices, the Bank arranged a draw on smart devices for new customers when opening "My First Account".

"My First Account" is the ideal banking account for children as it helps them learn about the importance of saving money and availing the events and activities that the Bank organizes throughout the year. "My First Account" comes with a special card with a distinctive innovative design favored for kids. The guardian can monitor his children's accounts through his own account on Al-Tijari Mobile App.

- The Cashback Campaign

The Bank also launched the Cashback Campaign for marketing and groceries during the Holy Month of Ramadan when using Al-Tijari Cards. It had a great impact and positive feedback from customers, where the Campaign was consistent with our set targets during this season based on customers' behaviour trend.

Within the framework of enhancing customer loyalty, the Marketing Department has also championed the loyalty and partners program which provides customers with free services and/or discounts with merchants and partners. More than 30 new partners have either been added as long-term partner providers or tactical offer providers.

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

The Bank is keen to contribute to the "Let's Be Aware" Campaign launched by the Central Bank of Kuwait, in cooperation with the Kuwait Banking Association, for spreading banking and financial awareness amongst the public. Al-Tijari provided assistance and support for the Campaign through its website and social networking accounts by publishing informative materials associated with banking awareness and culture. The Bank's awareness efforts in this regard included many themes that include, but not limited to, the risks associated with virtual currencies such as "Bitcoin" and the like, encashing loans, suspicious investments and warning against fraud risks. The Bank also educates customers about protecting their banking credentials and not sharing OTP codes and the associated risks, awareness of AML/CFT transactions and the services provided to the people with special needs.

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

## Corporate Banking Division

Corporate Banking Division (CBD) has continued to play a vital role as one of the Bank's major revenue and profit contributors. Our foremost goal has consistently been to optimize risk and returns by financing high-quality assets across diverse industries, contributing overall to the vitality of the economy.

To continue achieving this, CBD employs a multi-faceted approach to enhance the efficiency of its team through its robust business units. The Division's six front-line specialized business units are dedicated to serve our diverse customer base by tailoring their credit needs to meet their short and long-term business requirements. Both funded and unfunded financing contribute significantly to the Bank's overall net profit. Furthermore, our specialized Credit Analysis team has continued on conducting thorough financial, industry, and risk analysis, culminating in detailed credit proposals that aid in the Management's decision-making. Meanwhile, the Corporate Service Desk Unit has continued to engage as a supporting arm for Corporate Banking, focusing mainly on handling operational and back-office tasks within the Division. With this being said, we place a strong emphasis on our growing and dedicated team, making substantial investments in enhancing their knowledge and skills continuously to achieve our set goals.

Despite facing certain market challenges, CBD managed to increase its customer pool by an appropriate percentage as we on-boarded strategic credit relationships with a commitment centering around prioritizing quality clients, enhancing strategic relationships, diversifying our credit portfolio and supporting small to medium enterprises within thriving industries. Special attention has been placed to sectors such as education, healthcare, manufacturing, fintech, green energy and oil and gas, as they offer a substantial contribution to the overall economic wellbeing. During the year, the CBD team has successfully secured significant new projects worth approximately KD 700 million further diversifying the Bank's credit portfolio, reaffirming CBK's position as a growing bank in financing government and private sector projects.

A heavy emphasis was given to ESG initiatives, highlighting a commitment to sustainable and responsible business practices as we continue to support financing ongoing projects and seeking new ones. In addition, as part of the Bank's ongoing digital transformation, CBD has devoted significant time and effort to avail a comprehensive corporate digital experience within the clients' reach. We strongly believe that digital transformation is customer-led by engaging them to enhance their own digital experience as we are transitioning from traditional to digital banking practices.

## 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 engaging in lending activities bilaterally as well as participating in syndicated lending activities outside the country. The Division also supports various banking needs of multinational companies (MNCs) by providing credit facilities specifically tailored to meet requirements for their businesses in Kuwait. Further, the Division also provides project financing for projects, within and outside Kuwait, which are strategic to the State of Kuwait.

Year 2023 started with the banking sector crisis in the United States followed by the fall of Credit Suisse which left the economic recovery which was widely expected in 2023, uncertain. Further, the high interest rates and inflation prevailing globally can have an adverse impact on demand and consumption, thereby, dampens the prospects of a recovery in 2024 as well.

The Division, nevertheless, leveraged on the rising interest rates environment and engaged in lending activities with borrowers in the MENA region as well as in Europe. The Division focused on lending to Banks and Non-Banking Financial Institutions such as Multilateral Development Institutions, leasing companies, sovereigns, etc. The Division focused on borrowers in the MENA region, Far East Asia and Europe during 2023, wherein the new lending by the Division amounted to more than KWD 150 million.

The Division continued to support Multi-National Corporates engaged in execution of various projects in Kuwait by providing these MNCs credit facilities for issuing the project bonds. The Division also continued to support counterparties engaged in strategic transactions like oil exports by Kuwait Petroleum Corporation and the execution of the strategic Umm Al Hayman PPP (Public Private Partnership) project in Kuwait. The Division will strive to seek participation in such PPP projects to generate stable income in future years.

The Division continued to develop new business relationships with MNCs from the Far Eastern region, Turkey, and Europe, which are executing projects in Kuwait and maintained diversified exposure towards several key sectors such as financial institutions, airline, oil and gas & EPCs. The total unfunded asset additions recorded by the Division during the year amounted to more than KWD 120 million.

Through a combination of funded and unfunded transactions, the Division maintained its assets portfolio at healthy levels and continued to contribute to the Bank's overall profitability.

The Division also effectively leveraged on its strong customer relationship base in procuring deposits for the Bank, thereby, contributing in enhancing the liquidity profile of the Bank.

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

## Treasury and Investment Division

Despite a very challenging year in terms of growth and liquidity, the Bank has managed to successfully raise long-term financing from a diversified segment to strengthen both the liquidity position as well as capital base. Our prime focus is to reduce the deposit concentration and enhance the average duration of borrowed funds. In line with our strategy to increase the duration of the total liabilities and strengthen the capital base, we have successfully issued Tier-II compliance subordinated bonds worth KWD 50 million with 5 years of non-callability and 10 years' maturity. The bond issuance was under the multi-tranche KWD 100 Million Bond Issuance Program. If any further requirements for the capital, the Bank can again tap the bond market by issuing subordinated bonds as a second tranche for the remaining KWD 50 million under the program.

The Bank managed to further diversify and strengthen the liquidity condition by adding more resident and non-resident customer deposits, and bilateral and syndication loan borrowings. The loan book of the Bank more or less remained the same, however, the balance sheet size was further reduced on account of the optimization of additional long-term borrowings.

The cost of funds of the Bank increased this year relatively at a higher pace than the previous year, which is mainly due to a widening in the customer deposit premium, and long-term borrowings cost using various currencies. The low-cost deposits such as CASA helped the Bank considerably to arrest the overall rising cost of the total borrowings. Despite such a significant jump in the cost of funds, higher repricing of floating rate loan books due to interest rate hikes, and a reduction in the interbank placement that yields normally lower interest than other asset classes, helped the Bank improve the overall NIM. Also, the Central Bank's proactive open market operations in the form of CB Bonds and intervention deposits at a revised higher yield helped the Bank absorb liquidity cost partially and strengthen the liquidity ratios.

The investment grade bond portfolio of the Bank dropped significantly due to the bond maturities, and lack of good investment opportunities that meet the minimum return criteria of the policy norms. The average duration of the bond portfolio after adjusting the hedging duration is around one year, which helped the bank in overcoming the duration risk linked to the ongoing bond market selloff. The total bond portfolio's credit rating is A+, and more than 90% of the bonds in the portfolio are eligible for short-term as well as long-term repo. We have used around 65% of the bond portfolio for long-term repo at a relatively much cheaper rate than another source of long-term borrowings. Thus, the bond portfolio is not only adding a higher return to the Bank's assets but also strengthening the liquidity position of the bank through repo transactions.

To optimize the Bank's capital, and the balance sheet of the Bank, we have purchased additional Treasury shares during the year.

In line with the ESG goals linked strategies, the Bank has increased the ESG-backed assets in the book by investing directly or via refinancing in such asset classes.

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

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

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

- **Foreign Exchange Desk:**  
Trading & covering in FX Spot/Forward & Swaps.
- **Money Market & Fixed Income Desk:**  
Nostro account cash flow management, Inter-bank lending/borrowing, fixed income securities, liquidity, and other related statutory ratio management, hedging of market risk using swaps, investment portfolio, and bilateral / syndicate loans (borrowings), and Repo of bonds.
- **Treasury sales & Investment Desk:**  
Taking care of corporate clients' requirements offering various types of Treasury products such as deposits, FX spot, FX forwards, FX swaps, interest rate swaps, etc. The management of investment book such as quoted and unquoted equities, and assets pending sale.

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

Greater productivity with strict adherence to all regulatory guidelines and ethical practices combined with innovative technology helped TID achieve its goal within the Bank's strategy.

## Risk Management

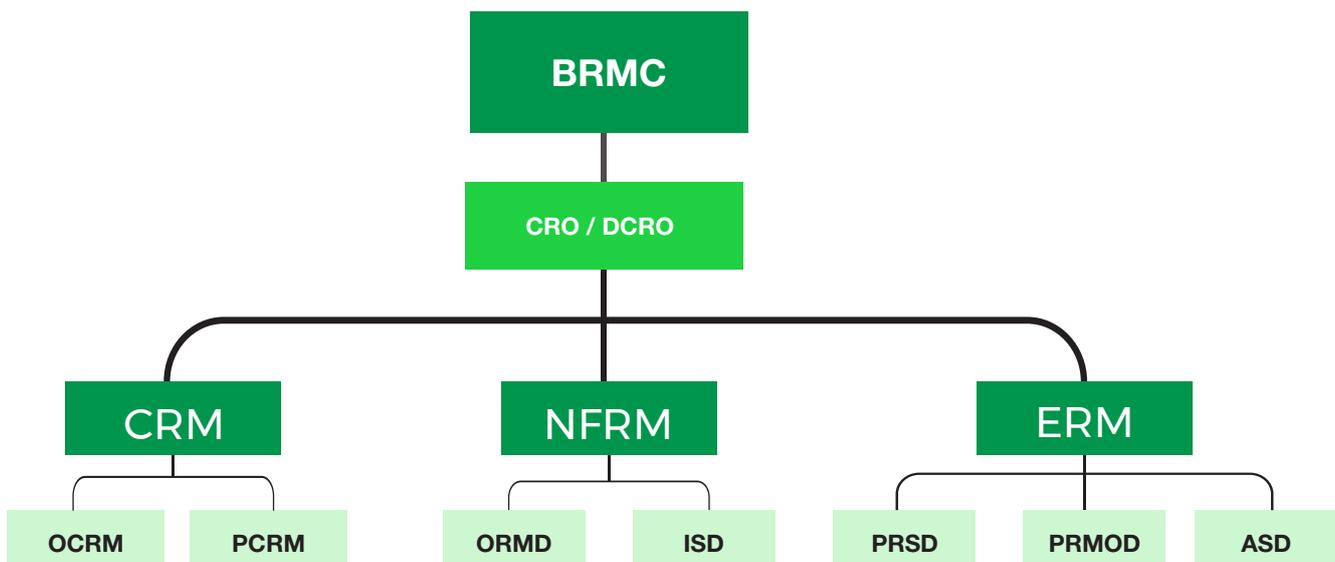
The Bank believes that risk management remains an integral part of ongoing business activity and decision-making process. Hence, the Bank's sustainable and sound performance relies on the ability to successfully identify and manage risk at all levels by adopting prudent risk management approaches, practices,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

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

### Risk Management Division: Structure and Independence

The Bank's Risk Management Division is an independent Division which reports functionally to Board Risk Management Committee and administratively to the Chairman. The Division is a centralised function, headed by the Chief Risk Officer (CRO) and assisted by the Deputy CRO, providing oversight and proactive advice / guidance on risk decisions assumed by risk-taking units and divisions in addition to reporting on the Bank's risk profile while ensuring appropriate and effective mitigations are adopted.

For better integration of the risk management process to aid decision making across the organisation, the roles and functions of the Division are grouped into three broad risk categories, namely Credit Risk Management (CRM) Department, Non Financial Risk Management (NFRM) Department and Enterprise Risk Management (ERM) Department as illustrated below:



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

During 2023, Risk Management Division continued to work with various departments and functions with its proactive and prudent risk management approach. With a forward looking perspectives, the Division revised several policies, risk appetite statement, internal limits and exposures to certain higher risk, vulnerable sectors and asset classes to ensure early identification of exposures and counterparties that may be showing signs of distress. One major effort revolves around working with various risk owners with the primary role of recognizing the emerging risks the Bank is exposed to and recommending proper mitigations.

## Credit Risk Management (CRM) Department

The CRM Department comprises the following sub-departments:

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

## Non-Financial Risk Management (NFRM) Department

The NFRM Department comprises the following sub- departments:

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

In partnership with Human Resource Division, customized Information Security Awareness programs are developed and mandated for all staff in order to embed an information security awareness culture within the Bank. The Bank maintains its compliance with PCI-DSS, ISO 27001 and SWIFT CSP certification requirements, in addition to compliance with Central Bank of Kuwait's Cyber Security Framework requirements.

## Enterprise Risk Management (ERM) Department

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

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

The ERM Department, through its inter-related departments, is responsible for periodic computation, monitoring, and reporting of risk metrics related to market, liquidity, interest rate risks, and the various risk appetite parameters.

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

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

## Treatment of Different Types of Risks

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

### A. Credit Risk

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

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

The Credit Policy is supplemented by the Credit Risk Management Policy which establishes the infrastructure for credit risk management including tools for risk rating, portfolio analysis and independent credit assessment. Internal limits are also established to mitigate credit concentration and improve 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, facilities relevance to the business needs, management expertise, identifiable sources of repayment, available collateral, additional credit comfort and support available etc. In addition, comprehensive post sanction reviews at the individual and portfolio levels are conducted to effectively monitor and control the existing credit portfolio.

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

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

### B. Market Risk

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

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

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

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

### C. Liquidity Risk

The Bank manages liquidity risks that are evident in maturity mismatches and liability-side concentrations. Limits are in place for the control of liquidity risks and these include the maximum allowable cumulative mismatches. Internal alert limits are also laid down to ensure continued adherence to the regulatory limits. Liquidity risk management is further enhanced through limits that attempt to restrict concentration of deposits from significantly sensitive depositors as well as products.

Limits are also stipulated for mismatches in different time buckets thereby ensuring that maturing liabilities and assets remain largely matched. A detailed liability side analysis is conducted periodically to discern rollover patterns, identify core deposits, behavioral trends in short-term funds and correlations with macro-economic variables.

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

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

#### **D. Interest Rate Risk**

Interest rate risk is managed as per the guidelines laid down in the Interest Rate Risk Management Policy. The majority of the assets and liabilities of the Bank matured and / or re-priced 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 III, are used for calculating the EaR. In addition, the sensitivity of the economic value of equity is also calculated. Economic capital under Pillar 2 for Interest Rate Risk is measured regularly.

#### **E. Operational Risk**

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

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

Insurance management, which is an integral part of operational risk, facilitates prudent transfer of risks. Insurance coverage provides partial transfer 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 and handling of claims.

#### **F. Information Security Risk**

The objective of information security is to ensure the overall security of the Bank's information assets taking into consideration the multiple internal and external threats and the evolving threat landscape, in particular with the rapid changes in technology and digital transformation.

Information security risk management provides a systematic approach and method to identify the risks and assess the controls to achieve this objective. The Bank has developed a comprehensive Information Security Policy, in addition to the Information Security Risk Management Policy which provides a detailed approach to identifying, analyzing, prioritizing, treating and monitoring information security risks.

#### **G. 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 the relative risks. In addition, quantification methodologies are in place for measuring the economic capital for these risks.

## Digital Transformation & Innovation Division

### Al-Tijari Innovative Products and Services

#### Deliver an Excellent Digital Customer Experience

In line with our vision to deliver an excellent digital customer experience, and to be the most innovative Bank for our individuals, corporate customers and communities, Al-Tijari continued to focus on and launch innovative solutions and offerings in 2023.

Other key focus areas for 2023 include driving omni-channel experiences by setting up best-in class Mobile App onboarding journey and state of the art digital self-service machines, and leveraging advanced analytics capabilities to personalise digital customer interactions and automated dynamic segmentation in real-time, along with simplifying process supported by technology-driven solutions to service clients through digital experience.

#### - **Al-Tijari Bot (Artificial Intelligence BOT)**

AI-Tbot is an interactive virtual assistant designed to assist customers with banking general inquiries instantly in both languages, Arabic and English. The solution is innovative, and provides affordable effortless digital customer service.

#### - **T-Locker / Tijari-Lockers**

Based on Commercial Bank of Kuwait's keenness to keep pace with digital innovation, and develop new ways to provide digital services to the Bank's customers, a new service has been developed that allows the Bank's customers to receive their orders directly from devices called T-Locker, which is a safe that includes boxes of various sizes. These boxes are opened exclusively by interacting with the device screen using the Bank's Mobile App, or the quick response code "QR" sent to the customer. The service is a one of a kind innovation in the region that provides pre-counted cash bundles with various denominations from which the customers can collect their requested Bank's documents around the clock 24/7.

#### - **Business Island/ BI Enhancement**

Digital self-service BI facilitates the customer experience journey, and provides seamless service through one machine with new access to internet banking to allow the users to amend/update their profile, retrieve card PIN, and digitally authenticate the user through face-ID.

#### - **Digital Self-Service KYC update**

This service allows CBK customers to update their KYC through CBK Mobile App pre-login or post login based on the user's choice through PACI authentication, or card and PIN.

#### - **Virtual Card Issuance for Control Account**

This service is provided to individuals and corporates to allow them to issue virtual cards, and conduct their various banking needs.

#### - **Digital Contractual complaint**

To ensure transparency and convenience, we have introduced digital contractual complaints "Lodge Digital Complaint" through CBK Mobile App.

#### - **Allowing Other Banks' Knet Card Holders to Withdraw Less Than KD 5**

This service is provided by Al-Tijari to all Knet card holders, CBK customers or non-CBK customers, to withdraw less than KD 5 in various denominations, and this service is unique and is only provided by CBK.

#### - **Issue Digital Certificates**

Al-Tijari introduced digital balance, clearance and liability certificates through CBK Mobile App, and these certificates are digitally stamped and QR verified.

#### - **Activate "Dormant" Account**

This service is available through CBK Mobile App, and it allows the user to manage and activate his account without visiting the Branch.

- **Control Card Tokenization**

Through reinforcing and focusing on digital services and virtual cards, customers are allowed to pay in store and e-commerce with their virtual control card through tokenization mechanism where all wallets /device operating systems are accepted.
- **Instant Card Printing Machine**

Providing safe and seamless process for virtual cards through QR generated from CBK Mobile App or BI-machine.
- **Closing Account Request**

This digital service is provided through CBK Mobile App that gives the customers the choice of closing any unutilized account at their convenience.
- **Enhancing Digital Banking Requests**

This service is offered through multi-media banking options (video / text / voice message) through CBK Mobile App, and allows customers to request term deposit opening, "You" account gift claim, and corporate services.
- **CBK Mobile App Onboarding Enhancement**

At CBK, we keep mapping digital mobile onboarding customer experience to provide our potential customers with unrivalled experience through safe, secure, and simple steps that allow customers to open new accounts, access online services immediately, and obtain benefits from various services.
- **Scanning CBK Documents QR code by Mobile Camera**

This innovative solution allows customers to verify and check the validity of the Bank's documents and combat certificate forgery.
- **Fund Transfer "History Status"**

This allows the user to review the fund transfer history through CBK Mobile App. The service is introduced to ease and enhance CBK Mobile experience.
- **IB-Online and BI Expired KYC and CID Restrictions**

We introduce this service for more compliance and control in order to promote safe and secure banking to our customers by leveraging digital innovative solutions.
- **Corporate Online Master User**

This service allows business owners to manage their business on-the-go and round the clock 24/7 by means of CBK Mobile App or internet banking through corporate banking features and functionality.

## Information Technology Division

For long, information technology (IT) has been playing a transformative role in the banking sector. IT has helped banks to improve their efficiency, reduce costs, provide new and innovative products and services to their customers and manage information security-related risks by monitoring transactions and detecting frauds.

With the tightening competition among banks to onboard new customers and retain the existing ones, the Bank is compelled to improve the customer experience and offer wide variety of distinguished products to meet customer needs. Information Technology Division "ITD" has stepped up its support to the business to help the Bank compete in the market.

In order to support the business, ITD has undertaken several technological infrastructure upgrades during the year. We have migrated the local storage in the server to a more advanced technology that stores the data to a centralized location making it available to the business application in any location within the network of CBK. This provides a faster recovery of the system during disaster. It also enhances the security of the data since encryption is provided by the system.

ITD recognizes the significance of managing system errors or problems properly in order not to affect customer's service. For this goal, we have implemented ElasticSearch; a database system to manage the logs of all business applications. Errors are quickly identified for the monitoring team so it can be acted upon immediately to avoid system issues and non-availability of the business application for our customers. In this way, good customer service is maintained at the same time errors are not exploited by malicious individuals to gain unauthorized access to the system.

Upgrade of the existing systems is also required in order to avail the latest technology being offered and maintain support service with the vendor. We have upgraded the database of the Core Banking program to the most recent version. A new Call Manager/Telephone system is implemented. This will enhance communication among CBK staff including external parties. It's a more efficient communication system that will improve our telemarketing process as well. With this upgrade and changes in the IT infrastructure, we were able to support the enhancement and implementation of new business applications in order to enhance customer experience.

The Bank's STMs are capable of dispensing major foreign currencies to meet the needs of the customer when travelling to other countries. This is convenient to the customer since they can just pass by CBK machines to withdraw the needed currency instead of lining up to an Exchange Company.

Information Technology Division recognizes the need to implement a more sustainable infrastructure in order to support the Bank's initiative for an ecofriendly environment with lesser cost of capital expenditure. Development of new business application will consider sustainability on how programs are written. Investment will be cost effective and will provide the needed innovation for business growth in the foreseeable future.

## Operations Division

The Operations Division in Commercial Bank of Kuwait is the pivotal team responsible for the execution and processing of daily transactions initiated by the customers and other departments within the Bank. It renders direct and indirect services to customers and ensures that transactions are processed accurately and appropriately within the defined regulatory framework. The year 2023 was a remarkable year for the Operations Division due to the various efficiency, optimization and digital transformation initiatives undertaken to improve processing turnaround times in an environmentally friendly manner.

### Cash Management Center (CMC)

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

CMC, in collaboration with Information Technology Division (ITD) and Construction and Property Management (CPM), finalized the Bulk Teller Machine (BTM) project, which are now distributed to all Kuwait governorates and selected branches. Additionally, CMC is handling T-Locker machines (TLM) which act as a smart delivery hub at CBK branches to provide CBK customers with an innovative digital delivery channel; facilitating mails received by the Bank's customers, cards, cheque book, bundled cash etc. in a fast and secure manner with round the clock availability. CMC is also responsible for Branch Mail through TLM. All services are integrated with backend and frontend business systems and leveraging on Quick Response (QR) code and CBK mobile application to process transactions.

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

### Treasury and Investment Operations Department

The Treasury and Investment portfolio consist of various products, namely money market, foreign exchange, Islamic transactions, equity, bonds and derivatives. Treasury Operations is responsible for processing all transactions entered by Treasury, Investment and IBD Division. Also, the Department manages the collateral management for all the Over the Counter (OTC) products dealt by Treasury and Investment Division (TID).

The Department participated in the new system implementation of Tata Consultancy Services (TCS) BaNCS and discontinued the dependency on majority of old VB-based program.

The Department proactively implemented the IBOR transition project and took several initiatives to adopt a paperless environment approach without compromising on risk-based controls.

### Fraud and Risk Monitoring Department (FRMD)

FRMD is responsible for ensuring 24/7 availability to support SWIFT Sanctions Screening, account opening, CBK Cheque screening presented by non-CBK customers, KYC screening, Trade Services Screening, and fraud monitoring that proactively identifies the anomalies to mitigate the fraud risk for CBK customers and merchants. Enhanced Detect TA fraud monitoring system with additional monitoring and alerting features including the Money Mule accounts has been updated.

FRMD is also responsible for responding to CBK, non-CBK, and merchants disputes in a timely manner by ensuring 24/7 availability.

The Department has adopted Visa and MasterCard Issuer and Acquirer Claims Resolution enhanced systems, which provides a foundation to implement enhanced dispute rules, streamline the process with reduced time frames and offer enhanced tools for proactive resolution.

### Procedure Documentation Department

The Department has supported the Bank in creating, updating and releasing the latest approved processes during the year required by the regulatory authorities and various business areas of the Bank. The Department coordinates with different stakeholders to ensure that responsibilities are clearly documented to provide clarity and avoid any overlap.

### **Operation Administration Department**

The Department consists of Record Management Unit (RMU), Legal Operations Unit (LOU), Data and Process Management Unit (DPMU), and Operation Processing Control Unit (OPCU). The Units under Operation Administration continue to drive automation of various tasks to ensure straight through processing and bring efficiency in work flow. OPCU includes Branches Operations Section, Business Account Opening Section, Salary Section Knet Settlement & SWIFT Section, and Credit Card Back Office and Reconciliation Section. It is also involved in operational clean-up process.

### **Retail Credit Admin and Processing Department (RCAP)**

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

### **Trade Service Department (TSD)**

During the year, the Department continues to provide superior customer service along with best turnaround times in the industry. It is successfully tracking all customer requests through FX web-based system and automated World Check screening approval. It is further working towards process automation by system enhancement to ease the workflow with other related Departments.

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

### **Credit Administration Department (CAD)**

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

### **Loan Follow Up and Collection Department**

The Department has successfully recovered bad assets in terms of loans and credit cards under Retail Banking, and has achieved a collection growth of 15% over the previous financial year.

The Department has also added segment codes to all the delinquent customers for ease of identification and smooth processing.

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

## **Strategic Planning and Follow up Division**

The year 2023 has been yet another exciting year for the Strategic Planning and Follow up Division, where the main focus has been to enhance the strategic progress reporting mechanisms, optimize the sources and structure of data to ensure that the Bank stays the course in terms of the strategic direction and aspired achievements, in addition to incorporating the ESG and Sustainable Finance requirements from the Central Bank of Kuwait within the Bank's framework, thus deploying collective efforts to acknowledge the considerable changes within the banking industry's landscape and realign for the upcoming years accordingly.

Understanding the significance of goal-guided performance, in addition to the substantial interest from the Central Bank of Kuwait in objective measurable strategy progress KPIs, and their utilization toward robust strategic performance management, the Strategic Planning and Follow up Division has been an active advocate of Management KPIs and played a major role in coordination with the Human Resources Division towards customizing the divisional level KPIs in line with

Al-Tijari “2022-2026 Shaping the Future” strategy goals, to ensure strategic focus in terms of expected deliverables and corresponding performance.

In 2023, Strategic Planning and Follow up, along with a team of select executive management led by the Chief Executive Officer, delivered a successful presentation to the Central Bank of Kuwait related to the Bank’s “2022-2026 Shaping the Future” Strategy. The Division has updated Al-Tijari “2022-2026 Shaping the Future” Strategy document by including some additional requirements in terms of high priority topics as per discussion with the Central Bank of Kuwait. The updated Strategy was resubmitted to the regulator following the endorsement of Al-Tijari’s Board of Directors.

In view of the special focus from the Central Bank of Kuwait regarding the “Environment, Social, Governance and Sustainable Finance” topic, which stems from the “Kuwait Vision 2035” National Development Plan, the Division took the lead in collaboration with all relevant stakeholders in forming the foundation through various initiatives to position the Bank for successful incorporation and execution, including establishing a dedicated “ESG and Sustainability” unit within the Strategic Planning and Follow up Division.

Environment, Social, Governance and Sustainable Finance KPIs were formulated early on, since the topic was already incorporated in the Al-Tijari “2022-2026 Shaping the Future” strategy as a key driver, which enabled tracking the progress in this regard, through continuous structuring of the collected data, leading to the successful production of Al-Tijari’s first official Sustainability Report for the previous year “2022”, with ongoing efforts to take it to the next level through the engagement of specialized expertise.

## Human Resources Division

Human Resources Division “HRD” strives to achieve the Bank’s general strategy and strongly considers human resources as a key driver of the Bank’s success. Therefore, the departments and units under HRD work closely to achieve the set goals in terms of developing the Bank’s human resources.

### Recruitment Department

#### Career Fairs

During the year of 2023, the Recruitment Department has taken part in various activities in order to fulfill Commercial Bank of Kuwait’s aim to offer knowledge and employment chances to fresh Kuwaiti graduates along with experienced individuals within the private banking sector.

One of the biggest events that took place that year was the Watheefti Career Fair in which Commercial Bank of Kuwait had large presence. The Recruitment Department in coordination with various divisions and departments across the Bank were present to promote exclusive jobs available during the Fair. In addition, Commercial Bank of Kuwait has participated in a number of career fairs held in several universities such as Gulf University for Science and Technology, American University of the Middle East & Kuwait Technical College. Furthermore, the Recruitment Department held on spot hiring as part of our yearly practice to recruit in divisions such as Retail Banking Division.

Additionally, the recruitment team has led workshops at a number of universities to help students choose their career routes, improve their CVs, and receive advice on how to present themselves at interviews.

The Recruitment Department was keen to deliver a digital user-friendly method for applicants to apply for positions by scanning a QR Code that later takes the user to the Bank’s website ensures that the job description closely reflects the nature of the required job. One of the aims of the Department was to further emphasize on internal job positions that are circulated across the Bank to further allow current employees to discover, learn, and have the option for a change in their career path.

The Recruitment Department believes in the importance to utilize the Bank’s LinkedIn page by actively posting and recruiting from such platform.

### **Ruwad – Risk Management Division, Financial Planning & Control Division, & Operations Division**

Attracting high quality talent is a key indicator of performance, success and growth; thus, CBK launched the 2nd Kuwaiti Graduate Program for the Risk Management Financial Planning & Control, and Operations Division to develop participants alongside their skills and knowledge.

During this program, participants have had the chance on undergoing on-the-job-rotations within some of the most impactful functions across the Bank, allowing them to cover most of the basic ideas on how things work in the Banking industry, and to be able to successfully complete multiple interpersonal and professional development trainings.

### **Certified Credit Management - (CCM)**

Investing in our employees and providing them with opportunity to attain certifications to upgrade their skills, the Bank has enabled employees to apply for the Certified Credit Management course. After passing the interview by required panellist, they were enrolled in this certification course to gain knowledge & practical experience. The employees were given an opportunity of internally transferring to vacant positions within Risk Management Division, International Banking Division & Corporate Banking Division.

### **Learning and Development**

#### **Rasmi – CBK's Dress Code**

In order to enhance CBK's and its employees' professional image, HRD launched RASMI - CBK's Dress Code. This initiative reinforces the importance of adhering to the Dress Code through the introduction of the RASMI E-magazine on THABER. HRD conducted a giveaway of the RASMI folders to all CBK Employees in order to complete the initiative.

#### **Internships & Collaborations**

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

In addition, and in order to support employees' wellbeing and to provide engaging activities for the youth, HRD initiated the 2023 Summer Training Program for employees' relatives, which provided an enjoyable learning experience.

#### **KGDP – Kuwait Graduate Development Program**

Under the «Kafa'a» Initiative launched by the Central Bank of Kuwait and in cooperation with the Institute of Banking Studies (IBS), CBK participants have successfully completed the Kuwait Graduate Development Program. The Program aims to create a competitive and agile workforce able to face upcoming challenges in this ever-changing work environment, through pairing theoretical and practical training for a whole year, including local and international field training.

#### **Cybersecurity Leaders Program**

CBK participated in the Cybersecurity Leaders Program, a comprehensive training program offered under the “Kafa'a” initiative by the Central Bank of Kuwait and The Institute of Banking Studies (IBS). In partnership with SANS (the world's largest and most respected provider of cybersecurity training), the Program offered an exclusive opportunity to learn about the latest cybersecurity trends, explore practical solutions to existing and potential threats, and get ahead of any potential cybersecurity challenges.

#### **Commercial Bank & American University of Beirut Memorandum**

As part of the Memorandum of Understanding with The American University of Beirut and in line with the 1st Implementation Protocol intended to develop, design and deliver the Executive Leadership Program “Crucial 5”, the last module along with the closing ceremony were held at the University's premises on October 6th, 2023.

#### **Echo - CBK ESG Program**

Considering the Bank's vision on promoting a coherent sustainable culture and a solid ESG strategy, on the observance of World Environment Day, the Bank proudly launched «Al Tijari echo» - CBK ESG Program. The initiative aims to raise awareness on the importance of the 17 Sustainable Development Goals and provides a platform for small, individual actions that will improve the likelihood of achieving the desired goal of a more sustainable future.

Workshops on Sustainability & ESG were held at the Tijari Academy. The sessions provided CBK Management and ESG Champions the necessary knowledge, tools and practical resources on the Sustainable Development Goals.

Employees also received seed pencils as part of the “Plant Your Pencil” activity, where several employees were encouraged and rewarded for successfully growing their plants.

A Sustainable Art Workshop in observance of World Sustainability Day was conducted, where CBK employees transformed reusable office items into pieces of art. This aims to reduce waste and reuse items that are typically discarded.

#### **“Pulse” - CBK’s Wellbeing Initiative**

Employees’ high performance can be enhanced by health and wellness programs that focus on their physical and emotional wellbeing. Hence, CBK is keen on promoting wellbeing at the workplace as it will improve the employees’ productivity, enhance employee morale and reduce absenteeism. Thereby improving the overall function of the Bank.

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

- Positivity Workshops were organized in collaboration with Alnowair, where participants learned the importance of positivity and its impact on their physical and mental wellbeing.
- Interactive and informative sessions on Nutrition & Health were also organized by a US Certified Health Coach. The sessions provided valuable insight and practical tips on eating healthy without restrictions and improving their overall wellness.
- Eco-friendly reusable water bottles were distributed to encourage environmental care by limiting plastic bottle waste and to promote self-care by staying hydrated.

#### **CBK Reads**

Having a culture of learning is a hallmark of high-performance organizations. In our aim to promote such culture, HRD launched a mini library branded as “CBK Reads”.

Through this initiative, employees can have access to top quality business and self-development books, which will enable them to seek, share, and apply new knowledge and skills to improve individual and organizational performance.

#### **Blended Learning**

CBK partnered with Moody’s Analytics to design and deliver a comprehensive customized Credit Certification Program geared towards enhancing the knowledge and skills of employees through instructor-led programs, e-learning sessions, and case studies.

In addition, several premium and exclusive in-house programs were organized in collaboration with reputable institutions such as Franklin Covey and Euromoney, to name a few.

#### **Flexible Working Hours**

The Bank provides flexible working hours within each division. Divisions’ employees can choose from the three available schedules, provided the employee completes the required working hours. This initiative is to provide flexibility to employees and increase employee productivity.

#### **Kuwaitization**

The Bank endeavours to attract ambitious Kuwaiti individuals, to train and invest in them, as they are the future of the country, thus increasing the national labour percentage in the Bank.

#### **Awards and Recognition**

- L&D earned the Silver Award in the 2023 Brandon Hall Group HCM Excellence Awards™ for Best Advance in Learning Technology Implementation – Learning and Development Awards.
- Secretariat General of the Gulf Cooperation Council awarded Commercial Bank of Kuwait as one of the companies that contributed in employment nationalization where the Bank won the “Labor Succession and Localization” Award for 2023 evidencing the Bank’s endeavors for caring and supporting Kuwait national labors, especially the youth, and giving them job opportunities.

## Internal Audit Division

The objective of the Internal Audit Division (IAD) is to provide independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the Bank 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 divisions and departments. These reports provide evidences to support the annual evaluation of the overall operating effectiveness of the internal control environment. However, any internal control system can only provide reasonable, but not absolute assurance that the objectives of that control system are met via assessment of the process design of internal control points and providing enhancements elevating processes' effectiveness and efficiency.

In addition to its planned engagements, Internal Audit Division also carries out investigations as and when required by Chairman, Board members & CEO.

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

## Compliance and Corporate Governance Division

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

CCGD acts as a reference within the Bank where it responds 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 divisions/departments and acts as a liaison point between the Bank and regulators in relation to the issued instructions and compliance-related issues. CCGD supports the Board of Directors and Executive Management for enhancing compliance and corporate governance environment & culture for all staff members in the Bank. CCGD undertakes pivotal role contributing to the training and awareness of the Bank's staff in all matters related to Compliance and Corporate Governance.

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

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

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

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

During 2023, 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's rules for disclosure and transparency requirements.

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

The Bank considers anti-money laundering and combating the financing of terrorism as one of the key strategic priorities for protecting the banking sector in particular, the economy and the whole society in general. At the Bank, we strive to achieve the highest standards of compliance with local and international regulations and instructions issued by the Central Bank of Kuwait in the field of anti-money laundering and combating the financing of terrorism.

The Bank exerts huge efforts to combat money laundering and terrorist financing. These include, but are not limited to, the following:

- **Transactions Monitoring**

The Bank attaches great importance to developing the banking products and services offered to customers. Regular efforts are exerted to review and update scenarios for automated systems that monitor the relevant operations periodically, and whenever necessary in the event any developments may arise. Updating and improving such scenarios aim to maintain the highest level of control and to comply with the best standards in the field of anti-money laundering and combating the financing of terrorism.

During the year, the AML/CFT Department reviewed all AML/CFT scenarios, developed new scenarios for monitoring, developed and upgraded the scenarios already in use. This reflects the Bank's commitment to the ongoing development to ensure full compliance with the latest requirements and legislations in the field of anti-money laundering and combating the financing of terrorism.

- **Clearing Alerts and Reporting**

Given the high importance of clearing alerts, AML/CFT Department handles about 170 system-generated alerts per day. The AML/CFT team immediately deals with these alerts. Due diligence measures are also applied by requesting information and supporting documents for the relevant transactions within a period not exceeding 5 working days. Then, a report is submitted to the Suspicious Transactions Reporting Committee chaired by the Chief Executive Officer to decide on whether or not the transaction should be reported to Kuwait Financial Intelligence Unit "KFIU".

- **Applying Enhanced Due Diligence Measures**

The Bank is keen on applying enhanced due diligence measures to mitigate risks associated with terrorist financing, particularly when it comes to dealing with high-risk countries when processing transactions required by customers. The Bank is committed to ensuring that no transactions with persons or entities that have been blacklisted are processed. The Bank is also keen on strictly implementing anti-money laundering and terrorist financing measures.

- **Cooperating with Divisions and Departments Across the Bank**

AML/CFT Department cooperates with all divisions and departments across Bank and the subsidiary company to measure the extent of compliance with implementing all the requirements and provisions of the applicable law, ministerial decisions, Central Bank of Kuwait instructions, the Bank's Policy on combating money laundering and terrorist financing, and recommendations and standards issued by the Financial Action Task Force. These endeavors are manifested through the periodic reviews on all concerned areas to verify and measure the extent of their compliance.

- **Cooperation with Regulatory Authorities**

The Bank believes in the importance of cooperation with the regulatory authorities and Kuwait Financial Intelligence Unit to achieve a common goal, that is combating financial crimes and terrorist financing and ensuring financial security. We are upgrading our systems and training our staff to ensure rapid response to requirements and challenges facing the banking industry.

We seek to strengthen our partnership with concerned authorities to combat such crimes and ensure the safety of the

banking sector and the whole society. We are committed to achieving our goals and adhering to the highest standards of anti- money laundering and terrorist financing to safeguard the financial security and economic sustainability.

- Training

The Bank's efforts include ongoing training programs to develop staff competences and raise their awareness regularly. Training programs and courses enable our staff to respond to practical cases and take the right decisions thereon. We also offer actual case studies that illustrate how banks are exposed to the risks of money laundering and financing of terrorism operations. Training helps in guiding the Bank's staff on how to manage challenges effectively.

The AML/CFT Training Plan encompasses the identification of employees to be nominated for training according to the approved training schedule, documenting the courses and their contents, and having in place a process to measure training effectiveness and reporting the results. Training programs are provided to all Bank staff, supervisory and executive management as well as members of the Board of Directors.

In addition, the Bank offered advanced training programs for employees of AML/CFT Department. They passed professional courses and obtained specialized certificates. These certifications include Certified Anti-Money Laundering Specialist (CAMS) and International Compliance Association certification (ICA), reflecting the Bank's investment in developing AML/CFT Team's skills and knowledge.

## Legal Division

The Bank's inhouse Legal Division assumes an effective role in providing the departments and divisions across the Bank with professional legal services to ensure meeting legal requirements. The Legal Division helps safeguarding the interests of the Bank, its shareholders and customers, maintaining the Bank's corporate image and helping it to compete and outperform its local peers for having a leading edge and consistently enhancing its important role and position in the banking industry. Thus, the Legal Division endeavors, through a professional working environment and clear objectives, to render the required legal services swiftly and professionally.

The Legal Division aims to have in place a competent team specialized in all legal affairs, and able to effectively and efficiently adopt and deal with the Bank's plans and strategies. The Legal Division continuously endeavors to enhance the capabilities of all its employees through practice, training, and development.

The Division, in cooperation with the diverse departments and divisions of the Bank, has concluded several successful recoveries and negotiations with defaulting customers, thereby entailing significant financial settlements in favor of the Bank during 2023. These settlements have contributed to consolidating the Bank's legal status and financial position in the coming period.

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

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

The Legal Division represents the Bank before judicial bodies and investigation authorities, and all related government and non-government entities in Kuwait. It endeavors to assume this primary and essential role successfully. Additionally, the Division works closely to establish an effective mechanism with a view to rapidly entertain and respond to the Bank diverse departments' requests to obtain legal services, and provide them with the proper legal opinion and possible solutions. In performing this role, the Legal Division takes into account the related legal rules and regulations, as well as the challenges and developments, and the increasing competition in the banking industry.

The Legal Division also places high importance for contributing to deepening legal knowledge and awareness pertaining to banking business for staff members in the Bank's diverse divisions, departments and branches, particularly the new recruits, and provides necessary training regarding legal knowledge in collaboration with the Human Resources Division.

## Corporate Communications Division

### Social responsibility and sustainability

The Bank is highly committed to all regulatory requirements and instructions issued by the Central Bank of Kuwait, especially with regard to environmental and social sustainability. Within this framework, the Bank is keen to bring about positive change in the corporate culture by continuing its efforts intended for serving the society, taking care of the environment and investing in the Bank's human capital. The Bank used to present its social responsibility and sustainability activities in the previous annual reports entitled "Social Responsibility". Starting from 2022, the environmental and social responsibility activities have been covered under the comprehensive Sustainability Report in accordance with the instructions of the Central Bank of Kuwait regarding sustainable financing. Al-Tijari has recorded notable achievements in this regard.

2023 has been yet another year of challenges and exceptional performance for the Bank in the field of social responsibility in terms of the various programs, activities and initiatives. Representing the Bank, the Corporate Communications Division "CCD" continued playing its active role, contributing towards enhancing the Bank's endeavors to accentuate its profound footprint and public image as a banking institution that realizes the significance of its corporate social responsibility by providing care and participation in the various social events and activities. These activities covered a wide range of humanitarian and charitable areas.

A key milestone in Al-Tijari's journey in the field of social responsibility for 2023 is that the Bank has won the "Pioneering Corporate Social Responsibility Project" Award at the GCC level for the "Double Your Reward with Al-Tijari" Campaign. Winning this prestigious award is a high recognition of the Bank's great achievements and contributions within its framework of social responsibility. It's a consolidation of the successful campaigns and innovative programs organized by Al-Tijari. Under this Campaign, the Bank donates an amount equal to the one donated by any customer in favor of charitable societies and organizations participating in the Campaign. This Award marks the high recognition and appreciation of the Bank's efforts, programs and activities in the fields of social responsibility and sustainability which have been highly acknowledged on the GCC level.

Al-Tijari's charitable and humanitarian efforts have gone so far reaching the international level. In the aftermath of the earthquake that struck Turkey and Syria causing devastating losses in lives and property, the Bank donated US Dollar Two million divided equally between the two aggrieved countries: The Republic of Turkey and the Arab Republic of Syria. The donation amount was channeled through Kuwait Red Crescent Society to deliver and ensure it was routed to relief efforts for earthquake-affected people as part of the social responsibility efforts extended by the Bank.

Al-Tijari continues its charitable and humanitarian efforts under the "Double Your Reward with Al-Tijari" campaign to support people affected by the war on the Gaza Strip and to participate in urgent relief efforts through a group of charitable societies and the Kuwait Red Crescent Society. The Bank also continued its dedicated efforts to serve the most disadvantaged segments of society by distributing food packages in cooperation with charitable societies and school bags and uniforms to needy families school students.

As the Bank cares for future generations, and for developing and defining children's talents and creative abilities, Al-Tijari sponsored the "Journey in Kuwait" Robotic Competition organized in cooperation with Sabah Al-Ahmad Center for Giftedness and Creativity at the headquarters of Shaikh Abdullah Al-Salem Cultural Center for children aged 7 to 10 years. This competition contributed to encouraging a culture of creativity and knowledge for children and youths through exploring technology, coding, and artificial intelligence, as the Bank is keen on encouraging young people to develop an interest in programming, technical fields, robotics, scientific research and creative thinking. One hundred participants took part in the competition and were given gifts by the Bank to encourage them to continue the creative excellence in this field.

In the context of solidarity amongst all segments of society, the Bank, through CCD, has paid all care and support towards the disabilities-challenging people by organizing many events and activities intended for this segment. Moreover, the Bank organized a special celebration for the elderly at the Elderly Care Home - Ministry of Social Affairs to express congratulations, and share with them the joy of the National and Liberation Days.

On celebrating the National and Liberation Days, CCD decorated and illuminated the Bank's headquarters with some paintings reflecting Kuwait heritage as a sign marking the Bank's keenness towards the revival of the Kuwaiti heritage and celebrating these happy days expressing belonging and loyalty to Kuwait.

CCD 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.

CCD underlines its support for the "Let's Be Aware" Campaign launched by the Central Bank of Kuwait in cooperation with Kuwait Banking Association for spreading awareness tips to all segments of the society. CCD has diligently posted awareness messages, press releases and informative articles covering various banking aspects using the Bank's accounts on social media networks, website, branches, and FAQ Page on the Bank's Portal. CCD was also keen on spreading a culture of awareness through lectures delivered in Kuwaiti Diwanias, such as "Al-Ra'eel Al-Awwal" Diwania.

Given the importance of environment preservation and protection under the sustainability and social responsibility efforts, the Bank organized several activities and events intended for consolidating this approach amongst all segments of society.

For the key role of social media platforms, CCD continues activating all means of communication with the Bank's customers and the public via various social media networks (Instagram, Facebook, X (formerly Twitter), Snapchat, LinkedIn, YouTube, Tiktok, and Threads). The Bank has initiated health awareness tips and media campaigns specifically designed for this purpose, and always underlines the values and principles that should be applied when working on social media networks.

Given the diversified social responsibility activities initiated by the Bank for the year 2023, the Corporate Communications Division believed that it is more appropriate to cover such activities within a designated report that can be viewed by scanning the below QR code.



## General Services Division

General Services Division "GSD" is a key support function in the Bank. It comprises of six departments and aims to perform as an auxiliary body striving to ensure business continuity in accordance with the Bank's policies and procedures by catering to the logistical and operational functions associated with the escalated Bank-wide requests. GSD is involved in the strategic planning and fruition of the required goods and services to be provided in the most cost effective manner and in the best interest of the Bank.

### Purchasing & Stationery Department

Purchasing and Stationery Department endeavors and puts in relentless efforts while carrying out the procurement and supply of reasonably priced and quality standard goods across the Bank. Purchasing Team manages the logistical aspects effectively to minimize delays in delivery of requested items to the end users. Outsourced services are handled by the department and the team emphasizes on quality and sustainable services to all the concerned stakeholders. The Department has manoeuvred to 'Go Green' where the Bank, through GSD, continues the recycling initiatives intended for environment preservation.

### **Construction & Property Management Department**

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

Under the Bank's ambitions and successful expansion program, new branches had been successfully completed during the past year which includes Khairan Branch and New Salmiya Branch adding to the large branch network spread over Kuwait. Redesigning and upgrading CMC Operations area and Vault Room at CBK 6RR Building had been successfully completed during the past year. Envisioned plans have been in place to further enhance and re-vamp 6RR building which will be inclusive of various required works.

The Bank's future plan includes having solar energy panels installed at all CBK locations. Other projects aiming to accomplish zero carbon, water and energy saving mechanisms are in place.

### **Security Department**

CBK Security Department has complied with the safety norms and had undertaken utmost care as per the usual practice to ensure that all necessary safety measures were in place to safeguard its staff, customers and the premises at all times.

Security Department had arranged practical training on how to act during a fire incident in November 2023 as per the scheduled annual training requirements.

The Bank's Human Resources Division in collaboration with Security Department conducted a certified First Aid training program for a considerably large group of employees from various departments and locations at the Bank for awareness of all the involved volunteers on how to act in cases of medical contingency situations in providing First Aid treatment until the arrival of paramedics.

### **Mail Department**

As an enhancement to the current QR verification of the Bank's internal mail which was introduced in the year 2022, an add-on feature was inducted wherein multiple mail packages are stacked together and dispatched via a single QR code. The mail package system has facilitated to carry out Mail Department functions in a paperless manner and with no requirement to maintain physical filing records as mail can be easily tracked through the digitized and system-based log, hence strategically aiding in the accomplishment of the Environmental and Social Governance goals.



# Corporate Governance

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Rules and Systems

## Introduction

In 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 the Basel Committee on Banking Supervision. As an essential part of its commitment to the highest standards of Corporate Governance, the Bank applies a set of bylaws, policies and practices with the objective of enhancing and promoting Corporate Governance principles, establishing sustainable development pillars and deepening the Bank’s culture in these areas.

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

In light of the evolving interest in sustainable development and sustainable financing, the Bank has paid due attention for enhancing such culture across its business and activities, and has embedded sustainability standards within the Bank’s Strategy. The Bank is keen on adopting the highest levels of transparency and disclosing all its material information according to the Capital Markets Authority’s instructions and Boursa Kuwait rules. Furthermore, the Bank posts disclosed information and the approved Corporate Governance Manual on the Bank’s website.

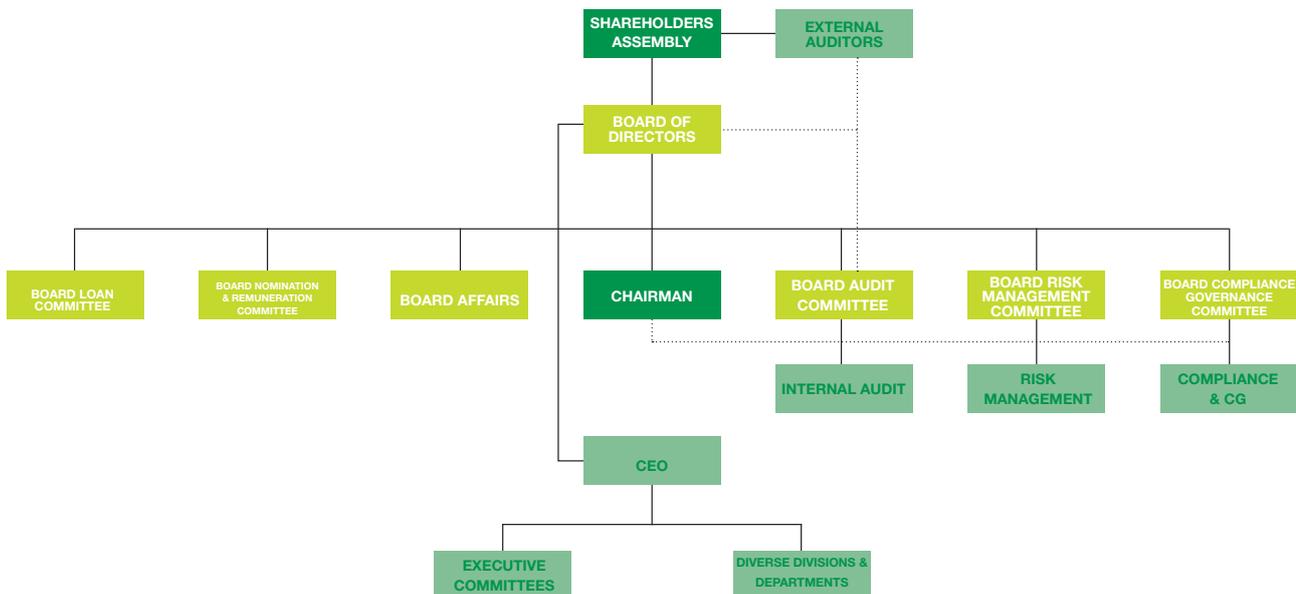
## Major Shareholders

Shareholders with a percentage exceeding 5% of the Bank’s share capital as at the end of 2023 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 and effective Corporate Governance standards and practices for the Bank Group, considering that it includes proper ways of effective controls on the Group’s business to advocate excellence in Corporate Governance. This structure is regularly revisited to ensure that it remains appropriate and reflects any developments that may arise in the Corporate Governance field. The following hierarchy illustrates the general structure of the Corporate Governance framework.



## Board of Directors, Key Responsibilities and Achievements

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

During 2023, following approvals from the Bank's General Assembly and the relevant regulatory authorities, the Bank initiated a Subordinated Bonds Issuance Program under Tier 2 capital at an amount not exceeding Kuwaiti Dinars 100 million maximum. The Bonds issuance shall be in tranches, of which the first was issued at an amount of Kuwaiti Dinars 50 million. The Bonds Issuance Program aims to diversify the Bank's capital base, support its asset growth, enhance liquidity and capital ratios, and meet any future capital expenditures with view to diversify the Bank's services and products.

### 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 and strategy, updating Corporate Governance principles, sustainability principles and sustainable finance, approving the policies, building up the public trust in the Bank's management and active contribution in planning the Bank's business. Further, the Board of Directors bears the responsibility for the Bank's financial soundness, safeguards the interests of shareholders and stakeholders with due emphasis on risk management and governance, including cybersecurity and information security risks and compliance governance, and enhances internal control systems, internal and external audits, realizing sustainable development and other responsibilities assumed by the Board under laws, regulations and regulatory instructions and resolutions.

The Board of Directors emphasizes the importance of applying Corporate Governance and the three pillars of sustainable governance (ESG) by creating corporate values culture amongst all staff members. This is undertaken by working closely to achieve the strategic objectives, improving performance levels and adhering to laws and regulatory instructions, particularly Corporate Governance rules and 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 and regulatory environment sustainability principles and sustainable finance. Furthermore, the Board of Directors is always aware of the local, regional and global economic developments.

### A Synopsis on the Bank's Board Members:

#### Sheikh/ Ahmad Duaij Al-Sabah - Chairman

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

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

- Chairman of the Board of Directors of Al-Tijari Financial Brokerage Company from 2014 to 2020.
- Vice-Chairman of the Board of Directors of Kuwait Banking Association from 2019 to January 2022, then Chairman of the Board of Directors of Kuwait Banking Association from February 2022 to date.
- Member of the World Union of Arab Bankers from May 2022 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, then reappointed with effect from May 2022.

Sheikh / Ahmad has also worked as:

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

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

**Abdulrahman Abdullah AlAli – Vice Chairman**

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

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

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

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

**Mohammed Abdulrazzaq AlKandari**

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 and Entertainment Company from 2014 to 2023.
- Technology Industrial Gases Production Company "Technogas" from 2014 to date.
- First Investment Company from 2014 to date.
- Venture Capital Bank (Bahrain) from 2012 to 2023.
- 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 and Leasing Company from 2007 to 2009.

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

**Sheikh/ Talal Mohammad AlSabah**

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

- Gulf Glass Manufacturing Company from 2005 to 2006.
- Refrigeration Industries and Storage Company from 2003 to 2008.

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

**Manaf Mohamed AlMuhanna**

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 through his work in the public and private sectors, and during his tenure whether at the level of board of directors or executive management in the following institutions:

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

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

#### **Yousef Yaqoub AlAwadhi**

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

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

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

- Member of the Board of Directors of Kuwaiti Saudi Pharmaceutical Industries Company from 2012 to 2019.
- Chairman of the Board of Directors of Eyas for Higher and Technical Education Company from 2014 to 2017.
- Vice Chairman of the Board of Director of Education Holding Group from 2014 to 2017.
- Member of the Board of Directors of Education Holding Group during 2017.
- Member of the Board of Directors of Sama Educational Company from 2015 to 2017.
- Member of the Board of Directors of Afaq Educational Company from 2016 to 2017.
- Member of the Board of Directors of Advanced Education Company in the Kingdom of Saudi Arabia from 2015 to 2016.
- Member of the Board of Directors of Alpha Atlantique Company - Moroccan Sahara in the Kingdom of Morocco from 2015 to date.
- Member of the Board of Directors of Al-Ahlia Real Estate Gate Company from 2008 to 2009.
- Independent Member of the Board of Directors of Gulf Franchising Holding Company from 2018 to date.
- Member of the Board of Directors of the Commercial Real Estate Company from April 2021 to date.
- Member of the Board of Directors of Tawazun Holding Company from January 2021 to 2022.

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

#### **Dhari Ali AlMudhaf**

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

- Ministry of Defense from 1997 to 2021
- 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 Attaché 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.
- CEO - Al Raya Healthcare Company from 31/3/2022 to date.

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

#### **Dr. Mahmoud Abdulrasoul Behbehani - Independent Member**

Dr. Mahmoud holds a Ph.D. in Insurance and Economics - 1998 from the University of Stirling, Scotland - UK, and a Master in Actuarial Sciences, 1994 from Paul Staten 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 until 2021.
- Data entry professional at the Public Authority for Civil Information from 1984 to 1986.
- Actuarial Advisor to the National Assembly for several years.

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

#### **Fahad Zuhair AlBader - Independent Member**

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

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

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

#### **Ahmad Bader Wahedi - Independent Member**

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

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

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

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

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

#### **Husam Abdulrahman AlBassam - Independent Member (called for joining the Board in August 2023)**

Mr. Husam holds a Bachelor's degree in Accounting - 1999 from the College of Commerce and Economics - Kuwait University. He has long practical experience, where he held several key positions as follows:

- Member of the Board of Directors of Boursa Kuwait Company (independent member), from 2014 to 2019.
- Member of the Board of Directors of the College of Business Studies, from 2014 to 2017.
- Member of the Board of Directors, Treasurer, Secretary and Deputy Chairman of the Kuwait Economic Society from 2004 until 2016.
- Member of the Board of Directors of Al-Masaleh Real Estate Company from 2006 to 2011.
- Member of the Board of Directors of the Gulf Economic Society from 2009 to 2015.
- Chairman of the Board of Directors of Hassad Holding Company from 2004 to 2015.
- Vice Chairman of the Board of Directors of Rakaz Holding Company from 2004 to 2014.
- Member of the Securities Market Violations Committee from 2016 to 2018, and was appointed Chairman of the Committee from 2018 to 2019.

He joined the Board of Directors of Commercial Bank of Kuwait as an independent member in August 2023. He is the Chairman of the Nominations and Remuneration Committee and a member of the Board Audit Committee.

### **Fahad Abdulaziz AlJarallah - Independent Member (Resigned in August 2023)**

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

In August 2023, Mr. Fahad Abdulaziz Al-Jarallah submitted his resignation from his position as independent member of the Board of Directors after the issuance of the Emiri Decree appointing him as the Assistant Undersecretary - Ministry of Finance. This resignation reflects Al-Jarallah compliance with the law and avoidance of any conflict of interest in terms of gathering two positions in both the public and private sectors.

### **Key Achievements of the Board of Directors for the Year 2023**

- Reviewing the regular follow-up reports and the latest updates regarding the Bank's Strategy (Shaping the Future 2022-2026).
- Conducting regular review of Risk Management Strategy Reports (2020-2024).
- Reviewing and approving the Bank's quarterly and year-end financial statements.
- Reviewing and approving necessary amendments to the Bank's organizational structure, as well as reviewing the structures of the Corporate Governance, the Board of Directors and Risk Management Division.
- Reviewing Capital Adequacy and Stress Testing Reports, as well as Risk Management Division's regular reports.
- Reviewing Risk Management Division's reports regarding Capital Adequacy of the Bank's subsidiary.
- Reviewing the regular reports of the Anti-Money Laundering "AML" Department, and the extent of the Bank's compliance with the relevant instructions.
- Reviewing periodic reports regarding the activities of the Legal Division.
- Approving the Bank's budget for 2024.
- Approving the Bank's Capital Plan (2023-2027).
- Reviewing the Strategic Cyber Security Framework Report and Information Security Report.
- Approving the re-composition of the Board Committees.
- Approving the updates introduced to the Bank's Risk Management policies.
- Approving the updates introduced to the Governance Policies and the Bylaws of the board of Directors and Board committees.
- Approving the regular updates introduced to the diverse policies governing the Bank's business activities as provided by various Bank divisions.
- Approving the performance evaluation related to the Board of Directors, the Board Members and the CEO, and approving the proposed 2023 Training Plan for the members of the Board of Directors.
- Encouraging the attraction and recruitment of national talents in executive positions.
- Reviewing the regular reports on the Bank's diverse business activities.
- Reviewing a presentation demonstrating the latest economic developments and a summary of the Bank's performance.
- Reviewing the periodic reports of the Human Resources Division and the HRD performance indicators.
- Reviewing the Annual Report of the Customer Complaint and Protection Department.
- Approving the recommendations in the Annual Report on Regulatory Compliance, Governance Practices and Disclosure in the Bank.
- Approving the Non-Compliance Risk Assessment Report for 2022.
- Approving the Corporate Governance Report in the Bank's Annual Report for 2022.
- Reviewing the Sustainability Annual report for 2022.
- Reviewing annually the Remuneration Policy and perusing the Internal Audit Report on the Benefits and Remuneration Policy.
- Reviewing the regular reports on the roles and responsibilities of the Board of Directors and the Board Committees.
- Reviewing the Register of Decisions issued by the Board and Board Committees and following up their implementation.
- Reviewing and assessing the performance of the credit and investment portfolios and loans.
- Reviewing and following up the latest updates regarding the Internal Audit Plan for 2023, approving the new Internal Audit Plan for 2024, and approving a new organizational structure for the Internal Audit Division.
- Reviewing and amending the Strategic Audit Plan (2023-2024).
- Following up the observations and violations raised by regulators and the necessary corrective actions taken in this regard.
- Perusing laws, circulars and instructions issued by various regulatory authorities, as well as the updates to the International Accounting Standards "IAS" and International Financial Reporting Standards "IFRS" and their impact on the Bank.
- Reviewing the External Auditor's Internal Control Review (ICR) Report for the year 2022 and the follow-up reports prepared in this regard.
- Reviewing the Management Letter prepared by the External Auditors.
- Reviewing the engagement letters of the external audit firms for auditing the Bank's financial statements for 2023.
- Approving the engagement of external audit firms for auditing the Bank's financial statements, the engaging some firms

- to conduct certain tasks for the Bank, such as assessment of the adequacy of the internal control systems, auditing the process of the Bank's implementation of the cybersecurity framework, auditing the Bank's implementation of FATCA and CRS requirements, and auditing the Information Technology Division and the Loan Portfolio of the Bank.
- Reviewing the Business Continuity Plan and the related Testing Report.
  - Approving the Subordinated Bonds Issuance Program under Tier 2 capital at an amount not exceeding Kuwaiti Dinars 100 million maximum, and approving the issuance of the First Tranche.
  - Approving the candidatures applications for membership of the Board of Directors for the Session 2024-2026.

## The Board Committees, Their Main Roles and Responsibilities and Key Achievements for 2023

Within the process of enhancing the principles of Corporate Governance at the Bank, the Bank has 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 and responsibilities, and governing its functions and matters pertaining to the preparation of regular reports within the scope of each committee's roles and 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.

In August 2023, Mr. Fahad Abdulaziz Al-Jarallah submitted his resignation from his position as an independent member of the Board of Directors after the issuance of the Emiri Decree appointing him as the Assistant Undersecretary - Ministry of Finance. This resignation reflects Al-Jarallah's compliance with the law and avoidance of any conflict of interest in terms of holding two positions in both the public and private sectors. Therefore, the first reserve independent member, Mr. Husam Abdulrahman AlBassam, was called to join the Board of Directors. The Board committees were recomposed in compliance with the rules and regulations of Corporate Governance stipulating that the Board Committees should have, in their formation, independent members. Further, an independent member should chair each of the Board Audit Committee, the Board Risk Management Committee and the Board Nomination and Remuneration Committee. Brief description about each Committee is given below:

<b>Board Compliance and Governance Committee (BCGC)</b>	
<b>Composition</b>	Ahmad Bader Wahedi – Independent Member and Chairman Dr. Mahmoud Abdulasoul Behbehani - Independent Member Fahad Zuhair AlBader - Independent Member Dhari Ali AlMudhaf
<b>Main Roles &amp; Responsibilities</b>	<ul style="list-style-type: none"> <li>• Prepare and update the Corporate Governance manual to be approved by the BOD, which includes the rules and regulations contained in the CB instructions regarding CG rules and systems at a minimum. The CG manual should be published on the Bank's website.</li> <li>• Review the annual reports presented by Compliance and Corporate Governance Division in the Bank to ensure: <ul style="list-style-type: none"> <li>- The Bank's compliance with relevant legislations and regulations, and the latest developments in this regard, and 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 status of the Bank's subsidiary is also taken into account, and the reports are presented to the BOD.</li> <li>- Follow-up the implementation of the rules and regulations contained in the CG manual, and the Bank's governance practices to ensure their effectiveness, and proposing the necessary improvements in this regard. Follow-up the ability of the subsidiaries to meet the applicable governance requirements, and the reports are presented to the BOD.</li> </ul> </li> <li>• 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, if any.</li> <li>• Evaluate CG structure on an annual basis to ensure that it remains appropriate, and ensure that such structure contributes to the effective oversight on subsidiaries, and present the same to the BOD annually.</li> <li>• Ensure that Compliance and Governance functions have due independence, that they undertake their roles effectively and independently, and are staffed with highly qualified employees with sufficient resources and proper training. Such assurance should be presented to the Board of Directors on an annual basis.</li> <li>• Approving regular business programs and plans for the Compliance and Governance Division.</li> <li>• Propose / review any amendments to the Bank's Memorandum and Articles of Association related to CG rules and systems.</li> <li>• Review the BOD bylaws, CG policies and other bylaws, policies, and CG requirements according to the regulatory instructions, or as requested by the BOD.</li> </ul>
<b>Key Achievements</b>	<ul style="list-style-type: none"> <li>- Reviewed the Corporate Governance Report within the Annual Report for 2022.</li> <li>- Reviewed the annual reports of Compliance and Governance Division for 2022.</li> <li>- Reviewed The Bank's Sustainability Report for 2022.</li> <li>- Perused the latest instructions issued by regulatory authorities with regard to compliance, governance and disclosure.</li> <li>- Reviewed the updates to the Corporate Governance Manual.</li> <li>- Reviewed the updates to the non-compliance risk assessment methodology.</li> <li>- Reviewed the updates to the Regulatory Compliance Governance and Disclosure Examination Plan (2023-2024-2025).</li> <li>- Reviewed the register of resolutions issued by the Board Compliance and Governance Committee and follow up their implementation.</li> <li>- Reviewed the Non-Compliance Risk Assessment Report.</li> <li>- Reviewed the updates to the General Services Division Policy</li> <li>- Reviewed the updates to the Regulatory Compliance Policy.</li> <li>- Reviewed the updates to the Customer Complaints and Protection Policy.</li> <li>- Reviewed the updates to the Legal Division Policy.</li> <li>- Reviewed the updates to the Board of Directors bylaw.</li> </ul>

<b>Board Audit Committee (BAC)</b>	
<b>Composition</b>	<p>Dr. Mahmoud Abdulrasoul Behbehani - Independent Member and Chairperson</p> <p>Mohammed A Abdulrazzaq AlKandari</p> <p>Husam Abdulrahman AlBassam - Independent Member</p> <p>Yousef Yaqoub AlAwadhi</p>
<b>Main Roles &amp; Responsibilities</b>	<ul style="list-style-type: none"> <li>• Review the scope, results and adequacy of Bank's internal and external audit.</li> <li>• Review the accounting issues which have a significant impact on the Bank's financial statements.</li> <li>• Review the internal control systems within the Bank, and ensure the adequacy of resources allocated to control functions.</li> <li>• Oversee and support the independency of Internal Audit function.</li> <li>• Review the financial statements of the Bank prior to its submission to the BOD, and ensure the adequacy of provisions.</li> <li>• Ensure the Bank's compliance with all laws, resolutions and regulatory instructions which are relevant to the Bank's activities and business, and are issued by competent authorities in Kuwait.</li> <li>• Evaluate the annual performance of the CIA and determine his remunerations and the remunerations of internal auditors.</li> <li>• Ensure that the Internal Audit Division applies an evaluation program for quality assurance and improvement, and that the results of such periodic evaluations are presented to BAC.</li> <li>• Present recommendation to the BOD for approval on the appointment, termination of the contract, and determining 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.</li> <li>• Through its review of the Internal Audit Reports or any other related reports, the BAC shall ensure that appropriate controls are in place so that employees can raise any concerns that they may have about any suspicions of violating, or perceived to be violating laws, regulatory instructions, internal policies and procedures. The Committee ensures compliance with other duties and responsibilities relevant to internal and external audit and internal control systems.</li> </ul>
<b>Key Achievements</b>	<ul style="list-style-type: none"> <li>- Conducted regular review of the quarterly and year-end financial statements, and the external auditors' report on auditing the financial statements.</li> <li>- Reviewed the Management Report prepared by the External Auditors.</li> <li>- Raised recommendations for reappointing the External Auditors, and reviewed the related contractual terms and conditions.</li> <li>- Raised recommendations for engaging external auditors to examine internal control systems for 2022, and examinations of the consumer and housing loans portfolio for 2023.</li> <li>- Reviewed the External Auditor's ICR Report for 2022 and the follow-up reports prepared in this regard.</li> <li>- Engaged an external audit firm to audit the Information Technology Division.</li> <li>- Reviewed the report of the External Auditor engaged to conduct a comprehensive assessment of Bank's condition, status, and operations.</li> <li>- Gave recommendation on engaging an external audit firm for performing assessment of the Bank's Strategic Cybersecurity Framework for 2023.</li> <li>- Reviewed the external auditor's report on assessment of the Bank's Strategic Cybersecurity Framework.</li> <li>- Reviewed and followed up the findings of the inspections conducted by the Central Bank of Kuwait after receiving the related reports.</li> <li>- 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.</li> <li>- Followed up the implementation of the approved Audit Plans for two years 2023/2024 and the latest updates on the same.</li> <li>- Appraised the performance of Chief Internal Auditor.</li> <li>- Reviewed the 2023 Internal Audit Plan.</li> <li>- Objectively reviewed the Annual Report on the evaluation of the external auditors for the year 2023 prepared by the Board Audit Committee.</li> <li>- Reviewed the Strategic Audit Plan for the years 2023-2024, and following up corrective actions.</li> <li>- Met with the External Auditors, Chief Internal Auditor and the General Manager of Compliance and Governance Division without the presence of the Executive Management.</li> <li>- Reviewed the follow up reports of the Central Bank of Kuwait inspections during 2023.</li> <li>- Reviewed the quality assurance, the internal evaluation process, the extent of employees' satisfaction, and inspection results for the year 2022, and ensured the independence of the Internal Audit Division.</li> <li>- Recommended the appointment of an external auditor for issuance of the subordinated bonds.</li> <li>- Reviewed the strategic plan for IT auditing and the ongoing audit for 2023/2024.</li> <li>- Reviewed the updates to the internal audit charter for 2023.</li> <li>- Recommended the appointment of a consulting firm to assist in implementing sustainable financing instructions.</li> <li>- Reviewed the register of resolutions issued by the Board Audit Committee and followed them up for implementation</li> </ul>

<b>Board Risk Management Committee (BRMC)</b>	
<b>Composition</b>	<p>Fahad Zuhair AlBader - Independent Member and Chairman  Abdulrahman Abdullah AlAli  Ahmad Bader Wahedi - Independent Member  Mohammed A Abdulrazzaq AlKandari</p>
<b>Main Roles &amp; Responsibilities</b>	<ul style="list-style-type: none"> <li>• Review the Bank's risk strategy and appetite before the BOD approval.</li> <li>• Review Risk Management policies before the BOD approval, and ensure they are circulated to the concerned Divisions/Departments within the Bank through RMD.</li> <li>• Ensure the implementation of CB instructions concerning capital adequacy (Basel), ICAAP and stress testing.</li> <li>• Review the credit rating system and the like before presenting to the BOD for approval.</li> <li>• 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.</li> <li>• Ensure the Executive Management is implementing the risk strategy, appetite and policies.</li> <li>• Review the reports related to risks associated with the Bank's subsidiaries and taking the necessary actions in this regard, and review the policies related to such risks, and present the same to the BOD.</li> <li>• 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, and the calculation of Internal Capital Adequacy Process (ICAAP) and economic capital.</li> <li>• 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.</li> <li>• Ensure the establishment of information security function within the Bank and the availability of the necessary criteria for this function as described in the CB instructions, and present the same to the BOD.</li> <li>• Review the strategies, policies and controls for information security and cybersecurity systems which shall be in line with the Bank's strategy, objectives and risk appetite, present the same to the BOD, and review the follow up reports prepared by the Executive Management in this regard.</li> <li>• Approve the key operational risk indicators.</li> <li>• Ensure that the Risk Management Division is implementing the risk strategy, the risk appetite and developing methodologies to identify, measure, monitor and mitigate risks.</li> <li>• Evaluate the performance of the Chief Risk Officer, and identify areas that need improvement.</li> <li>• Review the reports submitted by the Chief Risk Officer to the Committee Chairman, in addition to the risks-related reports submitted to other Board Committees in order to enhance communication amongst the Board Committees.</li> </ul>
<b>Key Achievements</b>	<ul style="list-style-type: none"> <li>- Regular review of the reports on the Risk Management Strategy approved for the period from 2020-2024 (Risk Appetite).</li> <li>- Reviewed the Business Continuity Policy and Plan.</li> <li>- Reviewed the ICAAP and Stress Testing reports, as well as Risk Management Division's regular reports.</li> <li>- Reviewed the regular reports on Key Risk Indicators (KRIs), reputation risks and operation risks.</li> <li>- Reviewed the analysis of the Corporate, International, and Retail Credit and Investments portfolios.</li> <li>- Back-tested the size of the judgmental/additional provisions.</li> <li>- Reviewed risk reports on subsidiaries.</li> <li>- Reviewed the regular reports associated with information security.</li> <li>- Reviewed the extent of the Bank's compliance with the Cyber Security Framework (CSF).</li> <li>- Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing Policy and related methodology.</li> <li>- Reviewed the Information Classification Policy and Information Security Policy, Information Security Framework and Information Security Risk Management Policy.</li> <li>- Reviewed AML/CFT Policy.</li> <li>- Reviewed the organizational structure of the Risk Management Division.</li> <li>- Reviewed the first issue of the Digital Transformation and Innovation Policy.</li> <li>- Reviewed the updates to the Board Risk Management Committee bylaw.</li> <li>- Reviewed staffing level at the Risk Management Division and the training courses offered to them.</li> <li>- Evaluated the performance of the Chief Risk Officer.</li> <li>- Reviewed the register of resolutions issued by the Board Risk Management Committee and followed them up for implementation.</li> <li>- Reviewed the first issue of the Risk Management Framework.</li> </ul>

<b>Board Nominations and Remunerations Committee (BNRC)</b>	
<b>Composition</b>	<p>Fahad Abdulaziz AlJarallah - Independent Member and Chairman until August 2023                      Husam Abdulrahman AlBassam - Independent Member and Chairman from August 2023                      Sheikh/ Talal Mohammad AISabah                      Yousef Yaqoub AlAwadhi      Manaf Mohamed AIMuhanna</p>
<b>Main Roles &amp; Responsibilities</b>	<ul style="list-style-type: none"> <li>• Prepare and update the BOD membership nomination criteria, including the conditions and requirements, in accordance with the relevant legislations and CB instructions in this regard, and submit the same to the BOD for approval.</li> <li>• 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.</li> <li>• 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.</li> <li>• Conduct an annual review for the BOD structure, and propose the recommendations to the BOD regarding any changes thereto.</li> <li>• Annually ensure that independency conditions are constantly satisfied for independent members during their BOD membership.</li> <li>• 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.</li> <li>• Provide the new BOD members at the time of their election/appointment with the guide book/manual which clarifies members' rights, duties and responsibilities. BNRC Secretary shall follow-up this matter.</li> <li>• 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.</li> <li>• Ensure that the BOD members are continually updated with the latest topics related to the banking business through appropriate means.</li> <li>• Prepare the remunerations policy, and submit the same to the BOD for approval.</li> <li>• Oversee the implementation of the remunerations policy and scheme through the information and reports provided by the Management to the BNRC quarterly, and present the same to the BOD.</li> <li>• Review the remunerations policy at least on an annual basis, or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto. Such amendments/updates shall be effective only after the BOD approval. This review includes annual evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information on the implementation process of the remunerations scheme presented by the Management to the BNRC, and present the same to the BOD.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Discussing and considering the potentials for replacing (upon request) any of the board members from one committee to another committee, taking the following into account: (A) the experiences and skills possessed by the member and the extent of their consistency with the tasks of the other committee, (B) the composition of the committee so that it does not contradict the requirement of having an independent member, and (C) having no conflict in respect of the duties of the committee's member in other committees.</li> </ul>
<b>Key Achievements</b>	<ul style="list-style-type: none"> <li>- Reviewed the list of candidates as members to the Board of Directors for the session (2024-2026), and make recommendations to the Board of Directors in this respect.</li> <li>- Appraised the performance of the Board of Directors as a whole, and the performance of each Board Member, and recommend BOD Training Plan.</li> <li>- Reviewed the structure of the Board of Directors and submitted recommendations to the Board regarding any proposed changes.</li> <li>- Conducted annual review of the Bank's Compensation and Remuneration Policy before submission to the Board of Directors for approval.</li> <li>- Reviewed the HR budget for the Year 2024 and assigning national cadres to executive positions.</li> <li>- Reviewed the Internal Audit Report on the Compensation and Remuneration Policy.</li> <li>- Reviewed the updates to the Human Resources Policy.</li> <li>- Reviewed the updates to the BNRC Bylaw.</li> <li>- Reviewed the regular reports and statements submitted by Human Resources Division.</li> <li>- Regularly reviewed the Remuneration Policy of the Subsidiary.</li> <li>- Reviewed the register of resolutions issued by BNRC and followed them up for implementation</li> </ul>

<b>Board Loans Committee (BLC)</b>	
<b>Composition</b>	Sheikh/ Ahmad Duajj Al-Sabah – Chairman Manaf Mohamed AlMuhanna Abdulrahman Abdullah AlAli Sheikh/ Talal Mohammad AlSabah Dhari Ali AlMudhaf
<b>Main Roles &amp; Responsibilities</b>	<ul style="list-style-type: none"> <li>• Review the Credit Policy and the proposed amendments thereto before BOD approval in accordance with the relevant CB regulations.</li> <li>• Review, revise and approve the credit limits assigned for countries, and the prescribed counterparties' limits for banks.</li> <li>• Review, revise and approve the foreign exchange limits (FX Limits) within the limits prescribed by the CB.</li> <li>• Review, revise and approve extending new facilities based on the Credit and Investment Committee's recommendation, and within the limits prescribed by the CB.</li> <li>• Give the approvals on the procedures of recoveries, reversing the interests and fees, off the balance sheet carried items, the final settlement of the written off amounts, the excess and extension of the credit limits' term as set out in the Credit Policy, and as per the CB regulations and guidelines.</li> <li>• Review the reports submitted by various Divisions across the Bank and the risk-related reports (if necessary) submitted to other Board Committees to enhance the communication process amongst the Board Committees.</li> <li>• Review reports submitted by the Risk Management Division and other Divisions and Departments regarding the credit quality early warning signs or deterioration.</li> </ul>
<b>Key Achievements</b>	<ul style="list-style-type: none"> <li>- Reviewed and approved the credit facilities within the limits prescribed by the Board of Directors.</li> <li>- Reviewed the first version of the International Banking Division's Business and Credit Policy.</li> <li>- Reviewed credit ratings and verified the terms and conditions of credit approvals.</li> <li>- Monitored the position of the Bank's credit portfolio and associated risks.</li> <li>- Reviewed the register of resolutions issued by BLC and followed them up for implementation.</li> </ul>

## Meetings of the Board of Directors and its Sub-Committees

Total Number of Meetings Held During 2023	BOD Meetings	BCGC	BRMC	BAC	BNRC	BLC	Total Number of Meetings Attended by Members
	<b>12</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>4</b>	<b>50</b>	<b>83</b>
Board Members	Number of Meetings Attended by the Board Members						
Sheikh/Ahmad Al-Sabah	12					42	<b>54</b>
Abdulrahmn AlAli	11		7			46	<b>64</b>
Sheikh/Talal AlSabah	9				4	42	<b>55</b>
Mohamed AlKandari	10		7	6			<b>23</b>
Youssef AlAwadhi	10			6	3		<b>19</b>
Dhari AlMudhaf	10	2				45	<b>57</b>
Manaf AlMuhanna	12				4	48	<b>64</b>
Fahad AlBader	12	3	8				<b>23</b>
Dr.Mahmoud Behbehani	11	3		6			<b>20</b>
Ahmad Wahedi	11	3	8				<b>22</b>
Husam Abdulrahman AlBassam*	5			2	3		<b>10</b>
Fahad AlJarallah**	6			4	1		<b>11</b>

**Remark:**

\*An independent reserve member was called during Q3 2023 to join the Board of Directors to complement the BOD composition.

\*\* An independent member resigned during Q3 2023.

During 2023:

- The total number of the Board decisions taken by circulation was (19).
- The total number of BLC's decisions made by circulation was (5).
- The total number of BNRC's decisions made by circulation was (1).
- The total number of BAC's decisions made by circulation was (8).
- The total number of BRMC's decisions made by circulation was (2).
- BCGC did not make any recommendations/approvals by circulation (0).

## Evaluation of the Board of Directors' Performance

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

## Board of Directors' Confirmation on Adequacy of Internal Control Systems

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

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

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

The Board of Directors, through creating a governance structure at Group level and periodic evaluation of that structure, and through the regular reports raised by the Board Committees, reviews and approves the policies, rules and manual pertinent to Corporate Governance and internal control systems that commensurate with the Bank's business, branches and subsidiary. The Board of Directors verifies the effectiveness of such policies and rules, and enhances and updates

them according to any changes that may be introduced, all in line with CB's instructions on Corporate Governance Rules and Systems. The abovementioned reports include any findings raised by regulatory authorities, External Auditors and the Internal Audit Division.

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

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

As per the instructions of the Central Bank of Kuwait, an independent External Auditor should be engaged to assess the internal control systems at the Bank. As such, during 2023, and after obtaining the Central Bank of Kuwait's approval, the Bank engaged an audit firm named "Protiviti Member Firm- Kuwait" to review the Bank's internal control systems for the year 2022. The Auditor's Report, prepared on 25/6/2023, stated that the accounting and other records, and internal control systems of Commercial Bank of Kuwait and its subsidiary "the Group" for the year ended 31 December 2022, for the areas subject to review, have properly been established and maintained. This is in compliance with the requirements of Central Bank of Kuwait's circular dated 10/01/2023, the Central Bank of Kuwait's General Guidelines Manual dated 15/06/2003 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, and the Central Bank of Kuwait letter dated 26 April 2020 asking the assignment of an external auditor to express opinion about the sufficiency of the procedures of the Review and Archiving Unit.

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 2022. 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 Board of Directors  
Commercial Bank of Kuwait  
Safat 13029  
State of Kuwait

25 June 2023

Dear Sirs,

### **Report on Accounting and Other Records and Internal Control Systems**

In accordance with our letter of engagement dated 5 April 2023, we have examined the accounting and other records and internal control systems of Commercial Bank of Kuwait and its subsidiary Al Tijaria Brokerage (herein referred to as 'the Group') for the year ended 31 December 2022:

We covered the following departments and activities of the Group:

- Corporate Governance
- Anti-Fraud and Embezzlement Systems
- Anti-Money Laundering
- Compliance
- Confidentiality of Client Information
- Corporate Communications
- Credit
- Customer Complaints and Protection Unit
- Digital Transformation Innovation Department
- Entity Wide Control Environment
- Financial Planning & Control Division
- Financial Securities Activities
- Human Resources
- Information Technology
- Internal Audit
- International Banking Divisions
- Investments
- Legal Division
- Operations Division
- Procedures for Rectification/Implementation of Reported Findings
- Retail Banking
- Risk Management Division
- Treasury
- General Services

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) circular dated 10 January 2023 considering the requirements contained in the Manual of General Directives issued by the CBK on 15 June 2003, Pillar 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 and the related instructions, instructions dated 9 February 2012 regarding confidentiality of customer's information and financial securities activities of the Bank and activities and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases and the letter from the Central Bank of Kuwait dated 10 January 2023 regarding the request of assigning an external auditor to express an opinion on the adequacy of the procedures in the review and archive unit.

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.

With the exception of the matters set out in the accompanying report, and having regard to the nature and volumes of the Group's operations, during the year ended 31 December 2022, and the materiality and risk rating of our findings, we report that:

- 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 15 June 2003 and letter issued by CBK on 10 January 2023,
- 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 2022, and
- c) The actions taken by the Group to address the findings referred in the report are satisfactory.

Yours faithfully,

**Sanjeev Agarwal**  
**Managing Director**  
**Protiviti Member Firm Kuwait WLL**

## Code of Conduct and Ethical Values

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

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

### Code of Conduct

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

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

### Conflict of Interest

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

### Transactions with Related Parties

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

### Disclosure and Transparency

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

### Insider Trading

Within its endeavors to preserve the confidentiality of the inside information of the Bank and its customers, and to prevent any potential abuse of such information, the Bank has in place a Policy governing dealing in securities for the insiders. This Policy was enforced after being reviewed by the Board Compliance and Governance Committee, and approved by the Board of Directors. Furthermore, the Bank initiated some procedures, such as obtaining acknowledgments and

undertakings from the insiders, determining the proper contractual arrangements with the other insiders, preparing the insiders list and updating it on an ongoing basis, along with all required forms and records, then posting them on the Bank's portal at Boursa Kuwait.

### **Banking Secrecy**

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

### **Information Security and Cybersecurity**

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

### **Whistleblowing**

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

## **Remuneration Framework and Policy**

The Bank has in place an approved Remuneration Policy covering all aspects and components of remunerations at the Bank. Board Nomination and Remuneration Committee annually reviews this Policy before submission to the Board of Directors for approval. It should be noted that this Policy was recently reviewed on 21/12/2023.

### **The Main Objectives of the Remuneration Policy:**

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 applied to all the employees of the Bank by having in place appraisal mechanism / job progression, and through an approved structure for salaries and benefits that ensures positioning the employees appropriately in the right positions.
2. Upon determining the salary scale and remuneration in the Bank, the policy takes into account the legal and regulatory requirements, in addition to the rules and laws enforceable in Kuwait, as well as the level and range of salaries and remuneration in the local banking sector.
3. Remunerations, according to the approved policy, are divided into: fixed remunerations, which include basic salary and fixed/ supplementary allowances, and variable remunerations which are related to the performance and depend on the

Bank's financial performance and divisions / departments' roles and efforts towards this performance, in addition to staff performance appraisal. The variable remunerations are divided into: Due Remunerations (Annual Incentive), which may be paid to staff members after the end of each financial year based on the Bank's financial performance and the staff performance appraisal during this year, and Deferred Remunerations, which may be paid to the staff members over a maximum period of 3 years as per the mechanisms, percentages and categories specified by the Board of Directors. According to the regulatory requirements, "Claw back" is applied to the latter type of remunerations that can be adjusted or clawed back in exceptional cases, such as weak/adverse financial performance of the Bank.

- As per the Bank's Organizational Structure and Corporate Governance rules, Compliance and Corporate Governance Division, Risk Management Division and Internal Audit Division are reporting to the Board Compliance and Governance Committee, the Board Risk Management Committee and the Board Audit Committee, respectively. However, and from the Management perspective, the three divisions work with a direct reporting line to the Chairman of the Board who, in turn, assesses the performance of the head of Compliance and Corporate Governance Division. The Board Audit Committee assesses the performance of the Chief Internal Auditor, while the Board Risk Management Committee assesses the performance of the Chief Risk Officer. 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 2023

### Board of Directors:

The Bank's Chairman and the Board Members' remunerations totaled KD 614 thousand during the year 2023. 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 1,129,577 have been paid during 2023 to the five Top Executives, plus the Chief Executive Officer, Chief Financial Officer, the Chief Internal Auditor and the Chief Risk Officer.

Category	Number	Total Remunerations	Remarks
Top Executive and Supervisory Management	13	KD 1,742,119	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 835,526	Including the CEO, Deputy GM -Corporate Banking Division, GM- International Banking Division, GM- Treasury and Investment Division and GM- Retail Banking Division.
The officials in charge of Financial Control and Risk Management.	5	KD 651,261	Including Chiefs of Financial Planning and Control Division, Internal Audit Division, Risk Management Division, GM - Compliance and Corporate Governance Division and GM - Legal Division.

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

## Succession Planning

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

## The Bank's Compliance with Corporate Governance Instructions and Manual

- The Bank has complied with the Central Bank of Kuwait's instructions on Corporate Governance rules and systems, and the approved Corporate Governance Manual. The Bank has prepared, completed and approved all bylaws and policies and requirements pertaining to Corporate Governance rules. The Bank, further, updates these bylaws and policies on a regular basis.
- The Bank has taken the required actions to ensure the proper implementation of Corporate Governance rules, and has composed the Board Committees that enhance the effectiveness of the Board's oversight on the Bank's key business and activities, and to follow up and monitor the implementation of the various requirements of the Corporate Governance, including Governance diverse pillars.
- The Code of Conduct is circulated to the Board Members and all employees of the Bank, and their signatures are obtained thereon acknowledging compliance with the content of the Code of Conduct.
- The Bank's approved organizational structure includes proper means for overseeing the Group's business activities, and the functions of Internal Audit, Risk Management and Compliance and Corporate Governance to advocate excellence in Corporate Governance.
- The Internal Audit Division, as an independent function from the Executive Management, audits and reviews the extent to which Corporate Governance rules are properly implemented, and submits its report in this regard to the Board Audit Committee which, in turn, presents it to the Board of Directors.
- An independent External Auditor is engaged on an annual basis to assess the internal control systems and prepare ICR Report to be sent to the Central Bank of Kuwait. This Report demonstrates the extent of the Bank's compliance with the implementation of the Corporate Governance rules and instructions. It is should be noted that the External Auditor's 2022 Report has not included any findings on the Corporate Governance rules.
- The Bank continues adjusting and streamlining its processes in line with any updates to the instructions of Corporate Governance rules and systems issued by the Central Bank of Kuwait on ongoing basis. The Board and Board Committees' bylaws and other policies and requirements related to Corporate Governance are also amended, if required. The Bank continues its rigorous implementation of these rules for ensuring compliance with the Central Bank of Kuwait's instructions, and for maintaining the principles of sound Corporate Governance.

## Risk Governance Framework

### Risk Management

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

- The First Line of Defense: It is the Business Line whose activities have the potential to create risks for the Bank, and therefore the responsibility of these areas is to assess and manage such risks.
- The Second Line of Defense: It includes the Risk Management and Compliance functions, which are independent of the first line of defense. Risk Management Division monitors and reports risks to the Management, and supervises the Bank's 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 in 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 Regulatory Compliance Policy underlying its functions and responsibilities. The Compliance Department ensures that the Bank complies with all laws and regulations applicable to the banking activities, and raises regular reports to Board Compliance and Governance Committee and the Board of Directors in this regard.

### **Internal and External Audit**

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

#### **Internal Audit**

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

#### **External Audit**

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

## **Customer Complaints and Protection**

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

## **Protecting the Rights of Shareholders and Stakeholders**

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

The Bank cares for protecting shareholders' rights, particularly minority shareholders, and strives for deepening governance best practices based on sound management. This is realized through observing the rules of equality and balance in terms of ownership representation and reflection of Board membership amongst shareholders once members of the Board of

Directors are elected. Therefore, the Bank's Board of Directors has proposed an amendment to the voting system for adopting the cumulative voting system. The Extraordinary General Assembly Meeting, held on 31 March 2021, approved BOD proposal, whereby Article No. "49 BIS" has been added to the Bank's Articles of Association. This new Article stipulates that: "The Cumulative Voting mechanism for electing the members of the board of directors of the Company shall be applied. This mechanism entitles each shareholder to a number of votes equal to the number of shares owned by him. The shareholder is entitled to use his votes to vote for one candidate or to allocate such votes to a number of candidates, without any of such votes being used more than once." The Bank has opted to apply the cumulative voting approach, although it is not mandatory in the State of Kuwait.

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

## Executive and Supervisory Management and Key Responsibilities

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

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

## Synopsis on Members of the Executive Management

### **Elham Yousry Mahfouz**

The Chief Executive Officer "CEO"

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

Before joining Commercial Bank of Kuwait, Ms. Elham worked in a number of Kuwaiti financial institutions. She possesses extensive knowledge in all banking and financial areas and banking industry trends in Kuwait on the back of her extensive experience and proven record of accomplishment exceeding 39 years in the banking sector.

Ms. Elham holds a Bachelor's degree with honors in Business Administration 1984 from the American University in Cairo, Egypt. Throughout her long professional career path, she has attended many training courses and seminars inside and outside Kuwait in the area of banking with focus on senior executive management skills. She was a keynote speaker in many events, participated actively and presented discussion papers in various forums and seminars in the banking and financial topics inside and outside Kuwait.

#### **Masud Ul Hassan Khalid**

Chief Financial Officer – Financial Planning and Control Division

Mr. Masud has been working with the Bank over the last 32 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, encouraging professional growth through mentoring and skill improvement training to improve team performance.

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

#### **Hussain Ali AlAryan**

General Manager – Treasury and Investment Division

Mr. Hussain has an extensive banking experience exceeding 30 years in various treasury 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 12 September 2018, he assumed the position of General Manager -Treasury and Investment Division.

Mr. Hussain obtained a Bachelor's degree with double majors in Computer Science and Business Administration (Marketing) from California State University - Sacramento, USA – 1992. He also attended various training courses to improve leadership skills, of which the latest was in 2022 at the International Institute for Management Development (IMD) - Switzerland.

#### **Ebtissam Baqer AlHaddad**

General Manager - Strategic Planning and Follow-up

Ms. Ebtissam has about 22-year experience in financial and strategic planning for public and private sectors. She possesses distinguished management and organizational skills to bring and implement the necessary changes at the level of the work environment and the challenges it faces. She delivers change and development by means of experience and knowledge transfer and communication and team spirit leverage.

She joined Commercial Bank of Kuwait in 2019 as Head of Project Management Office, directly reporting to the Chief Executive Officer, with a mandate to supervise high-priority projects related to improving and developing operational and financial performance. She has evolved in several key positions until 1 September 2021 when she was promoted to the position of General Manager - Strategic Planning and Follow-up. She works on achieving corporate transformation towards improving overall quality, business efficiency by enhancing the necessary leadership tools and driving motivation, effective communication and coordination. She obtained a Master's degree in Business Administration from Kuwait University in 2003.

#### **Ahmad Hamed BoAbbas**

Acting General Manager - Corporate Banking Division

Mr. Ahmad has banking experience extending over 20 years. He started his career as a part-time employee at the Contact Center, Commercial Bank of Kuwait. He evolved into various positions until he joined Corporate Banking Division, where he worked with his team in managing the Bank's corporate credit portfolio. In February 2021, he assumed the position of Acting General Manager – Corporate Banking Division - given his leading and strategic skills and abilities in building team spirit within a competitive environment.

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

**Kunal Singh**

General Manager- International Banking Division

Mr. Kunal has total work span of over 20 years across various aspects of international banking industry, Debt Capital Market (DCM) – Debt raising and debt restructuring, banking investment services, merger and acquisition and equity research at various sectors.

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

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

**Abdulaziz Saleh AlZaabi**

General Manager - Retail Banking Division

Mr. Abdulaziz has banking experience over 17 years in the field of retail banking and the relevant operational and digital areas. He has distinguished skills, capabilities and high professional competencies in achieving high growth rates. He attended several executive management programs at Harvard University in the United States of America, and others in the United Kingdom.

He evolved through his career with Commercial Bank of Kuwait. He held several key positions in the Retail Banking Division until he became General Manager - Retail Banking Division - on 30 March 2023.

He holds Bachelors of Finance from the University of South Florida - USA (2005).

**Paul Abdounour Daoud**

General Manager – Operations Division (Until December 2023)

Mr. Paul has a 42- year experience at Commercial Bank of Kuwait, as he joined the Bank in 1981. He worked in Retail Banking where he progressively held a number of posts in Retail Banking Division until he held the position of General Manager, Retail Banking Division. Effective from 9/12/2015, Mr. Paul was assigned to take over the responsibilities of Acting GM – Operations Division, then he was appointed as GM – Operations Division starting from 28/6/2016. Mr. Paul ceased to be GM – Operations Division and was appointed as a consultant to the CEO in December 2023.

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

**Sarah Mohamed Mansour**

Legal advisor to the Chairman and Acting General Manager – Legal Division

Ms. Sarah Mansour has experience in the legal profession for over ten years. In 2008, she joined the Philadelphia-based Exlon Company, USA through a training program for fresh graduates to enable women in the legal profession. Through her experience, she worked as a legal officer, and then served as a legal advisor until she joined the Al-Tamimi & Company law firm from 2018 to 2021 as a legal assistant in various departments, covering many law branches.

In 2021, she joined Commercial Bank of Kuwait as an Executive Legal Advisor, and progressed throughout her career at the Bank until she assumed her current position at the beginning of 2023.

She obtained a Bachelor of Law in 2006 from Kuwait University. She is a lawyer enrolled to plead before the Court of Cassation, Supreme Administrative Court and Supreme Constitutional Court.

**Amr Mohamed ElKasaby**

Chief Internal Auditor "CIA" - Internal Audit Division

Mr. Amr has more than 34 years of experience in the fields of external and internal audit, governance and risks and fraud investigations. He held the position of Chief Internal Auditor in several local banks, and worked for external audit firms. Further, he held the position of a board member and technical advisor in several companies.

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

He holds a Bachelor's degree in Commerce, Accounting and Auditing major from Kuwait University 1988. He also holds several professional certificates in the fields of audit, governance and fraud combating.

### **Tan Tat Thong**

Chief Risk Officer- Risk Management Division

Mr. Tan Tat Thong has over 31 years of experience in the financial sector and in providing consultancy to executive management in areas of corporate and investment banking services, asset management and insurance in Kuwait, GCC, Malaysia and Singapore. He enjoys deep and diverse knowledge in areas of risk management, internal controls, strategic planning and product innovation.

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

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

### **Tamim Khaled AlMeaan**

General Manager – Compliance and Corporate Governance Division

Mr. Tamim has over 23 years of experience in regulatory supervision and compliance gained through his work with the Central Bank of Kuwait and a number of conventional, Islamic and foreign banks.

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

Mr. Tamim joined Commercial Bank of Kuwait in June 2018 as General Manager – Compliance and Corporate Governance Division.

### **Abdulaziz Mustafa Ali**

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

Mr. Abdulaziz has banking experience of more than 15 years. Joining Commercial Bank of Kuwait in 2008, he served in the Retail Banking Division - Call Center Department. During that period, he worked as a supervisor on the Operations Control Unit for Anti- Fraud and Authorizations, as well as the Operations Department until 2015.

He joined AML/CFT Department in 2016, then promoted to become the head of the Department at the beginning of 2023. During his tenure, he has made remarkable changes to improve work mechanisms and the level of control by customers, by modern banking products, as well as monitoring the daily operations.

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

### **Sheikha/ Nouf Salem AlAli AlSabah**

General Manager – Corporate Communications Division

Sheikha / Nouf has more than 26 years' experience in banking, advertising, and media. She joined the Bank as Manager - Advertising and Public Relations Department, and then she progressively occupied a number of key positions. In 2018, she held the position of GM – Corporate Communications Division.

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

**Bader Mohammed Musleh Qamhieh**

General Manager – Information Technology Division

Mr. Bader Qamhieh has professional experience exceeding 23 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, along with his team, managed to develop and create many systems and software which contributed to developing the Bank's operations and upgrading all e-channels starting from the Core Banking System and Internet Banking, Mobile Banking and developing Call Center, SMS Banking and smart / chip cards related software. Mr. Bader's achievements have ultimately resulted in transforming the over-the-counter transactions in the Bank's branches to self-service and restructuring IT infrastructure and electronic communication networks inside and outside the Bank, and data centers in both production and staging/testing environments, using the latest technologies and devices in line with the most widely recognized international security standards.

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

**Mohammad Bader AlHaid**

Head of Digital Transformation and Innovation Division

Mr. Al-Haid has long banking experience spanning over 16 years, during which he held several key positions with focus on improving customer service quality, developing and innovating digital services and alternative channels, managing strategic and technological projects. In undertaking these duties, Mr. Al-Haid has been equipped with the knowledge and skills he gained through serving in various divisions across the Bank.

He joined Commercial Bank of Kuwait in 2007 and was promoted to the position of Assistant General Manager and Acting Head of the Digital Transformation and Innovation Division in 2022. Since DTID incorporation, he has been working on bringing remarkable changes to improve work mechanisms and develop customers' digital banking experience. In December 2023, Mr. Al-Haid has become Head of Digital Transformation and Innovation Division.

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

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

**Sadeq Jaafar AlAbdullah**

General Manager – Human Resources Division

Mr. Sadeq has over 19 years' experience in the Kuwaiti banking sector where he progressively held a number of positions in customer service, financial and strategic analysis then human resources management. He joined Commercial Bank of Kuwait in 2016 as Executive Manager at Human Resources Division. Starting from 2/12/2018, he assumed the position of General Manager – Human Resources Division.

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

**Talal Reyadh AlNassar**

Head - General Services Division

Mr. Talal has banking experience spanning over 18 years. He joined Commercial Bank of Kuwait in 2015 in the General Services Division, and was promoted to the position of AGM- GSD in 2021. During his tenure in the Division, he made remarkable changes to improve work process.

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

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

## Executive Committees

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

### 1. Credit and Investment Committee

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

### 2. Assets and Liabilities Committee (ALCO)

The Assets and Liabilities Committee is responsible for taking the required decisions on the balance sheet structure and interest rates and 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 and assessing the credit facilities that will be extended to each customer, and identifying the required provisions against such credit facilities as per the instructions issued by the regulatory authorities and the related international standards.

### 4. Information Technology and Information Security Committee (ITISC)

The ITISC is responsible for establishing an overall information technology and information security strategy, and ensuring alignment with the business strategy of the Bank. It also undertakes oversight, discussion and review of information technology and information security-related projects, follows up cyber-attacks, and recommends the necessary controls for confronting such attacks.

### 5. Operational Risk Committee (ORC)

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

### 6. Purchasing and Tender Committee

The Purchasing and Tender Committee is responsible for reviewing the purchases and deciding on tenders valued at KWD 9,000 and above before presenting them to the Bank's Senior Management for approval as per the delegated authorities in this regard.

### 7. Management Committee

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

### 8. 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).

### 9. 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, solid income growth potential, strong capital base and high liquidity. A summary of the Bank's financial position is

presented below. The MD&A should be read in conjunction with our consolidated financial statements for the year ended 31st December 2023. All amounts are stated in Kuwaiti Dinars and have been derived from consolidated financial statements.

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

### Financial Objectives

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

- Customer Centricity
- Digital Transformation
- Innovative Solution
- Human Capital
- Environment, Society and Governance (Sustainability "ESG")

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

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 through:

- 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 reserve to absorb credit losses
- Stable deposit base and significant liquidity buffers
- Sustainable efficiency and reinvestment capacity through resource optimization, simplification and innovation
- Leading employee engagement and culture of unity and enhanced succession planning

## Financial Results Overview

The Bank's profitability is strong and is supported by improved margins and strong fee-based income. Net interest margin improved supported by higher rates environment and good balance of CASA deposits. Additionally, non-interest income continues to be a significant contributor to its bottom line. Net profitability significantly improved on the back of lower provisions. The Bank continues to record strong operating efficiency, with a cost-to-income ratio of 31.4% for the year 2023. The focus on corporate banking is a key driver for better efficiency.

In recent years, the Bank has built up an international exposure to Asian counterparties, providing trade finance services to corporates and correspondent banks that have links with Kuwait. Domestically, the Bank continues to focus on long-term project finance, targeting government-related entities, large corporates involved in government-led projects and mid-sized companies in construction and real estate. On the retail side, the Bank aimed to improve our offering with a particular focus on digitization, targeting affluent Kuwaitis and civil servants.

## Balance Sheet Strength

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

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

At the end of 2023, our Basel III CET1 ratio was 15.65%, well above the current regulatory target set by the Central Bank of Kuwait of 10.0% and total capital ratio was 18.14% against regulatory limit of 13.5%. The Bank has consistently maintained this ratio well above the regulatory requirements and expects to maintain the same going forward.

Basel III leverage ratio of 11.83% comfortably exceeds the regulatory requirement of 3%.

Loss absorption capacity is further supported by the sizeable loan loss reserves 7.2% of gross loans at end December 2023, which provides a substantial cushion to absorb expected losses.

- **Liquidity Coverage Ratio**

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

For the year ended December 31, 2023, our annual daily average LCR was 231% compared to regulatory requirement of 100%.

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

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

NSFR range was between 107.3% - 119.3% during the twelve month period ended December 31 2023 compared to regulatory requirement of 100%.

Total assets at KD 4.2 billion are lower by 3.1% compared to last year. Loans and advances represent 58.2% of total assets, investment securities 8.0% and Treasury & Central Bank bonds are 4.2%. It is worth mentioning that it is the sixth consecutive year the Bank's non-performing loans are zero.

The total liabilities of KD 3.5 billion include customer deposits of KD 2.2 billion (62.6%) and other borrowed fund of KD 0.8 billion (21.1%). Total shareholders' equity was KD 660.6 million as at year-end 2023.

## Income Statement

Net operating profit at KD 111.2 million increased by 51% compared to last year driven by higher interest rates and margin, stable operating efficiency and impairment recoveries.

Operating income at KD 170.2 million is higher by KD 30.3 million (21.7%) than for the previous year driven mainly by the net interest income (66% of total operating income) which grew by 32.1%, benefitting from higher rates on loans and investment securities, while fee income at KD 44.5 million (26.2% of operating income) grew by 4.1% driven by higher LG and LCs business volumes.

Interest rate hikes increased the Bank's net interest margin to 2.8% in 2023 (2022: 2.1%)

Loans amounting to KD 20.2 million were written off during the year while recovery against previously written off loans amounted to KD 36.4 million. The provision reserve at year-end 2023 reached KD 245.9 million of which precautionary provisions are KD 156.4 million. 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 31.4% is one of the lowest in the Kuwait banking industry.

## Review of the Operating Environment

The year 2022 ended with the global economy seemingly coming to grips with adversities such as high and persistent inflation, slowdown in major economies like China and Europe as well as the Russia-Ukraine war. However, 2023 started off in a turbulent manner with the regional banking crisis in the US and fall out of Credit Suisse in Switzerland. Thankfully, the rest of the world was not significantly impacted by the spillover effects of these events in the beginning of 2023.

Monetary policy regulators across the world continued with raising interest rates, to levels unseen in a decade, in an effort to control inflation which was stubbornly sticking to high levels. Just when the monetary tightening measures were proving to be effective, the escalation of geopolitical tensions in the Middle East changed the dynamics again casting a negative overtone for the economic prospects for 2024.

Nevertheless, global economic growth has likely held up in 2023, driven by a normalization of consumption in China and a pick up in US growth, which have outweighed a sharp slowdown in Europe. Global growth in 2023 is expected to be around 3%, well below the historical average of 3.8% between the years of 2000-19, and 2024 is forecast to grow at 2.9% globally.

The US Economy defied expectations in 2023. Many forecasters predicted a recession at the year's outset. The economy was characterized by robust growth driven by strong consumer spending backed by robust and steady job growth. The public investments in critical sectors for future growth, resiliency, and security are seemingly beginning to come to fruition.

Defying pessimistic forecasts at the beginning of the year, US economic growth has progressed at a significant pace over the course of 2023. In December 2022, the consensus for real economic growth was -0.1% for 2023. However, the projections for 2023 growth, as revised at the end of 2023, is +2.6%, driven by strength in consumer spending, a revival in manufacturing structures investment and increased state and local government purchases. Sound household balance sheets and a strong labor market are the primary drivers of US consumer expenditures, which continue to grow at a strong pace. Jobs growth cooled towards a steady and stable pace, while the unemployment rate stayed low despite falling inflation.

The European economy lost momentum in 2023 on the back of a higher cost of living, weaker external demand and monetary tightening. Whilst economies like Spain and Italy performed stronger than expected, other major economies such as France and Germany slowed down sharply. The divergent growth largely offset the negative impacts and the region as a whole is expected to post flattish growth in 2023. Consequentially, EU's GDP growth is forecasted to improve by a meagre 0.6% in 2023 and 1.3% in 2024.

The United Kingdom's economy meanwhile has been able to avoid a technical recession as economic growth has been stunted with expectations for GDP to grow modestly at 0.4% for 2023, and further at 0.3% in 2024. The UK's economy continues to grapple with persistent core inflation, high interest rates, and weak global demand affecting imports and exports.

China, the world's second largest economy, has also not been impervious to global economic dynamics as it too has had to recuperate from its Covid-19 policies, a protracted property crisis, mounting local government debt, and the effects of weak global growth, affecting the country's exports negatively. While lower than its trend in previous years, China is set to hit its GDP growth target of 5% in 2023, with growth forecasted to slow to 4.6% in 2024 as deflationary pressures and the effects of the country's property slump takes hold.

Other advanced economies have been expected to continue to slow down from the growth seen in 2022 (2.6 %) to 1.5 % in 2023, and further yet at 1.4 % in 2024 as the tightening of monetary policy begins to take effect.

While faring better in their growth rates, emerging markets and developing economies are also projected to have a modest slowdown in growth, from 4.1 % in 2022 to 4.0 % in both 2023 and 2024 as efforts to curb inflation have been achieved.

In contrast to the other economies, economic diversification efforts have benefited the economies of the Gulf Cooperation Council (GCC). The region is estimated to grow by 1% in 2023 before picking up again to 3.6% and 3.7% in 2024 and 2025, respectively.

The weaker performance in 2023 is driven primarily by lower oil sector activities, which is expected to contract by 3.9% in 2023, reflecting the successive production cuts delivered by OPEC+ and the global economic slowdown. The production cuts are expected to be unwound by the first quarter of 2024 which will provide a boost to economic activity in 2024. However, the reduction in oil sector activities will be partially offset by the non-oil sectors, which are expected to grow by 3.9% in 2023 and 3.4% in the medium term supported by sustained private consumption, strategic fixed investments, and accommodative fiscal policy.

In order to maintain the current trajectory, GCC countries must continue to exercise prudent macroeconomic management, stay committed to structural reforms, and focus on increasing non-oil exports.

Kuwait's economic growth is anticipated to largely underperform when compared to the previous year, with forecasts for real GDP to grow by 0.8% in 2023. The drop in GDP can be attributed to Kuwait's commitment to OPEC's oil output cuts throughout the year, which will reduce Kuwait's full-year oil output by 4.3% to an average of 2.6 million bpd. Kuwait, standing as OPEC's fourth-biggest producer, will however be expected to recover as the curbs in oil production are scheduled to end in 2024, which will likely drive up both Kuwait's oil sector and total GDP by 3.3% in the year to come. Nonetheless, Kuwait is aiming to raise its oil production capacity to 3.15 million bpd, from the current 2.7 million bpd, within the next four years.

Kuwait's GDP per capita is expected to rank fourth in the GCC, with projections to record a figure of USD 32.22 thousand in 2023, as compared to Qatar's USD 81.97 thousand and Saudi Arabia's GDP per capita of USD 32.59 thousand. Kuwait's real GDP on the other hand is projected to reach USD 159.69 billion in 2023. Following its first budget surplus recorded in nine years on the back of a 65% rise in oil revenue in FY2022, resulting in a surplus of KWD 6.368 billion (USD 20.72 billion), Kuwait is projected to record a deficit of KWD 6.8 billion (USD 22 billion) for the fiscal year ending 31 March 2024 as oil prices moderates and oil output is curbed relative to OPEC cuts. Meanwhile, Kuwait's diversification efforts continue to make progress as the non-oil sector is projected to grow by 3% in 2023 on the back of buoyant private and expanding government consumption. Kuwait's project awards have nonetheless ranged higher in 2023 at more than twice the awards in 2022.

Inflation in Kuwait has been relatively moderate when compared to the global average, with Kuwait's CPI inflation rate averaging approximately 3.7% for most of 2023, reflecting a combination of ongoing strength in consumer demand, rising housing rents and lingering supply chain issues. These dynamics are expected to lessen in 2024 however, with projections for inflation to be brought down to an average of 2.5% over the course of the following year. As the State has worked to combat rising inflation and maintain its peg with the US Dollar, the Central Bank of Kuwait has raised the Central Bank Discount Rate to 4.25 % , moving largely in step with the US Federal Reserve. As the Federal Reserve is expected to have approached the end of its tightening cycle and begin to unwind its efforts of monetary tightening, the Central Bank of Kuwait is expected to lower its key rates in lockstep throughout 2024 and 2025.

The currency market has seen a shift in narrative in 2023 as global interest rates rise at differing levels while countries dealt with high inflation throughout the year. Many of the world's best performing currencies over the past year have been emerging-market ones which have been able to offer much higher interest rates than the US dollar. A number of emerging-market Central Banks, such as Hungary, Mexico and Brazil, have hiked rates more aggressively than the Federal Reserve, resulting in higher yields and leading to substantial currency total returns and as well limiting sudden capital outflows as US rates rose. Furthermore, the prospects of a lower US policy rate as a result of dropping inflation has weakened the US Dollar in 2023, with the Euro and British Pound emerging as the main benefactors. Accordingly, the US Dollar is expected to further enter a period of weakness as deteriorating fiscal and trade deficits have negatively impacted US dollar movements.

## Economic outlook – Risks and Challenges

### Systemic Risks

#### Global and Regional Uncertainties

Environment, Social and Governance risk including climate risk management are perceived to be an imperative agenda for banks. This can be evidenced by the emerging regulatory directives and global conferences to drive banks to incorporate the subject aspects in their activities and operations. These impacts may translate into credit charges, impairments and assets stranding, especially in regions/nations highly dependent on fossil fuel.

The Bank recognized the importance of developing a comprehensive Climate/ESG Risk Governance Framework with core functions of understanding, identifying, and assessing the potential impacts of Climate / ESG risk drivers on the Bank's assets and activities.

Even before the current turbulent "War on Gaza" since 7 October 2023, the world has experienced a sequence of distressed supply chain events such as COVID-19 in 2020 followed by the Ukraine - Russia conflict (2022). Such geopolitical tensions and wars led to commodity shortages and prompted importers to seek alternative suppliers at higher costs. Consequently, there has been a price spike in essential commodities such as wheat, rice, corn and energy.

Although certain countries benefited from increase of oil prices during the conflict between Ukraine and Russia, disagreements

and confrontations in the relations between US Administration and OPEC Plus Group regarding the oil production quantity remain a concern.

The current regional conflicts, particularly the war on Gaza, may disrupt major transportation routes including Suez Canal, Bab Al Mandab and Hormuz Straits as this may turn into a proxy war between super-powers.

Geopolitical conflicts are perceived to be one of the top threats to business growth and continuity as such events may result in creating uncertain operating environments associated with higher operating costs, complexity in supply chains, sanctions which disrupt access to critical inputs, boycotts and closure of key shipping channels and trading routes.

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 asset book and initiate appropriate measures for continuous monitoring and adoption of risk mitigants.

To monitor and mitigate the potential geopolitical risks the Bank will continue to scrutinize these kinds of geopolitical risk that may impact the core operations of corporate borrowers (local and international) and take the necessary proactive measures in case of observing any early warning indicators.

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

### **Local Disruptive Factors**

The global crude oil price was subdued during 2023 (as at 19 Dec 2023) with the average oil price trading around \$ 77.73 per barrel in the range of \$ 66.34 to \$93.68. The disagreements and confrontations in the relations between US Administration and OPEC Plus Group regarding the oil production quantity remain a concern as volatility of oil prices is expected to be the main local disruptive factor that could translate into uncertain outlook for government fiscal budget and balance.

### **Asset and Liability Concentrations and Other Market Risks**

The Bank continued to reduce the share of vulnerable and highly sensitive sectors in its lending portfolio. Construction and Contracting sectors accounted for the highest share of credit portfolio on account of financing of new government sponsored projects, though limited tenders were 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 has a comprehensive asset liability gap monitoring system which is further stressed taking into consideration various possible scenarios, to have better control on assessing the impact on account of market uncertainties.

The Bank also has a risk strategy in place which spells out various risk appetite metrics involving economic, solvency, liquidity, market risks, interest rate risk, strategic risk, reputational risk, etc.

### **Idiosyncratic Risks**

#### **Asset Quality**

A prolonged high interest rate environment may squeeze borrowers' liquidity positions especially companies and institutions operating at very narrow margins and/or having limited cash generating capacity, thus impacting their ability to repay the Bank's credit facilities. This may ultimately translate to a surge in delinquency and default rates.

The Bank's emphasis on qualitative factors and cautious growth strategy has yielded its benefit. Further, the Bank's strategy is to cautiously and selectively look for well-defined risk-return opportunities to grow the credit portfolio and currently non-performing loans are zero.

### **Non-Financial Risks**

The Bank recognises the importance for monitoring, measuring and reporting the non-financial risks the Bank is exposed to, including fraud risks and cybersecurity risks. The Bank collects operational and fraud risk data through Risk & Control

Self Assessments (RCSA), Key Risk Indicators (KRIs), procedure reviews and reported risk events which are duly reported in the periodic risk management reports. The Bank continues to enhance and test the Business Continuity Plan to assess and test the Bank's capability to resume operations of key processes, critical services and continue to serve customers through various channels in the case of an emergency or disaster, including a pandemic.

With digitalization of banking services, the Bank recognizes the importance of cybersecurity and is committed to implement advanced cybersecurity mechanisms and controls to minimize the risks resulting from cybersecurity threats.

In addition, cybercrime threats are becoming increasingly sophisticated and heavily socially engineered. It appears that cyber criminals are quick to change and adapt their techniques along with any security protocol changes in banking products, technology or digital channels.

The Bank is responsible for identifying, monitoring, measuring and reporting all information security risks including internal and external threats, whether deliberate or accidental, on all information assets of the Bank. In partnership with Human Resource Division, customized Information Security Awareness programs are developed and mandated for all staff in order to embed an information security awareness culture within the Bank. The Bank maintains its compliance with PCI-DSS, ISO 27001 and SWIFT CSP certification requirements, in addition to compliance with Central Bank of Kuwait's Cyber Security Framework requirements.

### **Adequacy of Internal Control Systems**

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

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

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

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

## **Sustainability and Corporate Social Responsibility**

Commercial Bank of Kuwait seeks to be an environment friendly institution and always endeavors to enhance the concept of corporate social responsibility and sustainability covering various educational, cultural, sport and health areas. The following paragraphs present a summary of the Bank's key achievements in protecting the environment and supporting the society.

Over a decade, the Bank has been issuing a booklet covering its corporate social responsibility and its efforts in environmental preservation activities. In 2022, the Bank issued its first comprehensive report on Sustainability and Social Responsibility showing in details the Bank's efforts in these areas.

### **Environment**

The Bank pays great attention to preserving the environment. From this standpoint, the Bank has a rich record of activities and initiatives inside and outside the Bank, including, but not limited to, the following:

#### **A. Activities and Events Within the Bank**

- Enhancing employees' environmental awareness, promoting sustainable development goals and participating in various

activities and initiatives such as recycling as part of PULSE, Al Tijari echo and CBK ESG Program.

- Raising employee awareness on key banking concepts such as risky investments, complex fraud operations and methods, money laundering transactions and terrorist financing, protecting confidential information, and other important themes under the "Let's Be Aware" Campaign.
- Establishing partnerships with prestigious universities and training institutions for the purpose of providing training opportunities, obtaining professional certificates for employees in various banking fields, and developing human capital.
- Continue rationalizing energy, water and natural resources consumption by utilizing modern technology to introduce innovative solutions such as water and electricity sensors, and QR codes to access publications in digital form instead of printing papers.
- Placing multiple recycling containers in the Bank's premises for sorting wastes per type in cooperation with a recycling company.

#### **B. Activities and Events Outside the Bank**

- Organizing awareness visits about the negative impact of pollutants on desert and sea lives, and the importance of commitment to the positive rationalization behaviors to preserve nature's viability and safety.
- Organizing field visits to schools in Kuwait to educate students on the importance of preserving the environment and to aware students, at various grades, of the negative impact of pollutants on desert and sea lives and the importance of adhering to positive and sound conservation behaviors.
- Implementing the recycling concept by launching the "GO Green" Campaign, which aims to keep the society aware of the harms of wastes and the importance of preserving the environment.

#### **C. Sustainable Finance - Green Loans and Bonds**

- The Bank offers sustainable finance through its financing and investment activities to encourage and support "Green" businesses. During 2023, the Bank won the "Bank of the Year 2022" Award from the prestigious "The Energy Year" Magazine, specialized in oil, gas and renewable energy sector. The Bank won this valuable Award for its contribution to financing energy projects.
- The Bank participated as a golden sponsor in the 2nd Kuwait Public Private Partnership Conference. The Bank is keen on participating in such conferences to study financing opportunities to public and private partnership projects. This is particularly important as such projects contribute to developing the infrastructure and realizing sustainable development goals in light of Kuwait Vision 2035 "New Kuwait".

#### **Social Responsibility**

Since its establishment, the Bank has given social responsibility great attention within its business scope. It extends support, sponsorship and participation for events and activities covering wide range of humanitarian and charitable work. It also supports the efforts and activities organized by Kuwait governorates and civil society institutions. During 2023, the Bank won two prestigious prizes:

- The "Pioneering Corporate Social Responsibility Project" Award for 2023 at GCC level for the "Double Your Reward with Al-Tijari" Campaign. The Bank's donates an amount equal to the one made by any donor of the Bank customers to charitable societies and organizations participating in the Campaign through their accounts at the Bank.
- The "Pioneering Labor Succession and Localization Project" Award for 2023 at GCC level.

The Bank's social responsibility programs included but were not limited to the following:

- Supporting social and educational events and activities organized by governorates to serve all members of society.
- Supporting and sponsoring social, educational and health events organized by governorates, such as sponsoring events for honoring outstanding students, activities for people of determination, and distributing school bags and clothing to needy families in Kuwait within the "Double Your Reward with Al-Tijari" Campaign.
- Participating in the charitable and humanitarian relief efforts in the aftermath of the earthquake that struck Turkey and Syria by donating U\$ 2 Million to the earthquake -affected people and also extending necessary humanitarian aid to affected population in Gaza due to the war.
- Distributing Eid gifts to cleaning and construction workers as part of the "Hawwin Alaihom" Campaign as well as Suhoor meals throughout the Holy Month of Ramadan as part of the Bank's "Suhoorkom Alaina" Campaign.
- Utilizing social media platforms, press releases and the Bank's website to spread awareness against investing in unknown, high-risk areas and urge customers to maintain their confidential banking information to avoid falling victims to fraudsters as part of the Bank's active participation in the "Let's Be Aware" Campaign.
- Caring for youth and encouraging social institutions that support them such as hosting the graduation of a new batch of trainees from the "Darb" Program affiliated with LOYAC Voluntary Organization, and caring for children and developing and refining their talents and creative capabilities.

- Preserving Kuwaiti heritage for over 30 years through several campaigns and events highlighting the authentic Kuwaiti heritage and the life of the first generation of the Kuwaiti people within the framework of “Ya Zeen Turathna” Campaign.

Finally, given the Bank’s care for compliance with the Central Bank of Kuwait’s circular issued in December 2022 regarding sustainable development, and the pillars embeded in Kuwait Vision 2035 «New Kuwait» for realizing sustainable development, the Bank continues its efforts in the areas of sustainability, social responsibility and governance. It is also issuing a separate report for 2023 covering the Bank’s achievements in this regard.



Financial

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Review

In 2023, Al Tijari demonstrated the benefits of its diversified business model. Our ability to adapt and execute our goals with speed and purpose allowed the Bank to drive progress and deliver solid results for our stakeholders.

We grew our customer base and invested in new capabilities to make us even stronger and more competitive. Our performance and financial strength enabled us to return value directly to shareholders. Dividend of 37 fils per share for the year in 2023 is 54% higher than 2022 (25 fils per share).

## 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 113.1 million is higher by KD 27.5 million compared to KD 85.6 million of last year, an increase of 32.1%. The average yield on interest earning assets increased to 5.33% from 3.25% of last year. The average cost on interest bearing liabilities also increased from 1.35% to 3.10% during 2023. Bank's overall net interest margin of 2.77% increased by 64 basis points due to growth in high yielding assets and high interest rate regime.

- **Non-interest income**

Non-interest income at KD 57.1 million which comprises all revenues other than net interest income increased by KD 2.8 million (5.2%) Fee income increased by KD 1.7 million (4.1%) and foreign exchange income remained at same level of last year while other income increased by KD 0.4 million.

- **Non-interest expenses**

Staff expenses of KD 28.9 million are higher by KD 11.0 million (61.5%) compared to 2022 mainly due to reversal of some accrued expenses during last year. General and administration expenses of KD 21.9 million for 2023 are higher by KD 4.6 million (26.6%), mainly due to higher legal expenses and donation to earth quakes victims. Depreciation and amortisation expenses were higher by KD 0.8 million compared to last year.

- **Impairment and other provisions**

The charge for Impairment and other provisions of KD 0.1 million is lower by KD 25.6 million compared to 2022. The impairment and provision charge is net of KD 36.4 million recoveries against previously written off loans. The provision reserve at year-end 2023 is KD 245.9 million of which precautionary provisions are KD 156.4 million. Non-performing loans are zero for the sixth consecutive year.

- **Net Profit**

The net profit attributable to the shareholders of the Bank is KD 111.2 million compared to KD 73.6 million for the last year, a growth of 51.0%. It is worth noting that net profit declared for the year 2023 is the highest during the last 15 years.

- **Balance Sheet**

Total assets of KD 4,176.0 million decreased by KD 134.5 million over last year. The Loan and advances increased by KD 10.5 million (0.4%) while the Investment securities decreased by KD 39.5 million and cash and short term funds decreased by KD 35.9 million (4.9%)

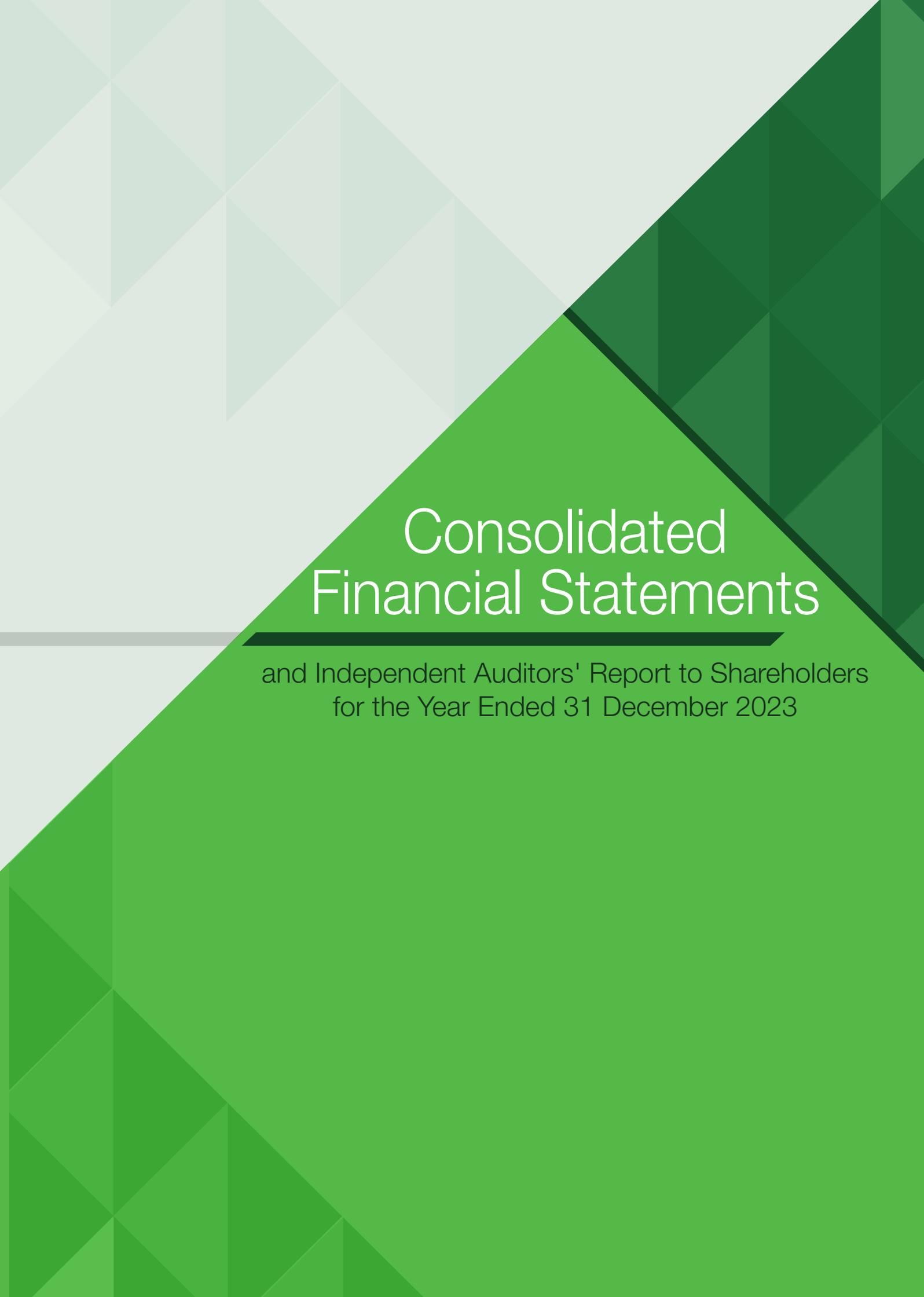
The customer deposits decreased by KD 139.9 million (6.0%), Other borrowed funds increased by KD 128.7 million (21.0%) while due to banks declined by KD 63.7 million (28.3%).

Equity attributable to shareholders of the Bank at KD 660.6 million is marginally higher than last year.

- **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 111.2 million) for the year attributable to shareholders of the Bank will be distributed as follow:

1. Interim cash dividend paid 12 fils per share KD 22.1 million (2022: Nil)
2. Proposed final cash dividend 25 fils per share KD 44.8 million (2022: 25 fils)
3. KD 44.3 million transfer to retained earnings.



# Consolidated Financial Statements

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and Independent Auditors' Report to Shareholders  
for the Year Ended 31 December 2023

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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 2023, 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 material 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 2023, 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 the 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 2,430 million as at 31 December 2023 representing 58% 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.



## **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 measurement of ECL under IFRS 9 in accordance with the CBK guidelines is complex and requires considerable judgement. The measurement is based 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 according to the number of days past due, together with any additional provision to be recognised based on management estimate of expected cash flows related to that credit facility.

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

Our audit procedures included assessing the design and implementation of controls over inputs and assumptions used by the Group in developing the models; its governance; and review controls performed by the management in determining the adequacy of credit losses.

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. We involved our specialists to review the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") and the overlays considered by management in view of the ongoing economic impacts, in order to determine ECL, taking into consideration the CBK guidelines. For a sample of credit facilities, we have evaluated the Group's staging criteria and computation of ECL including the eligibility and value of collateral considered in the ECL models used by the Group. We have also evaluated the consistency of various inputs and assumptions used by the Group's management to determine ECL.

Further, for the CBK rules provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, it has been computed accordingly. For the samples selected, we have verified whether all impairment events have been identified by the Group's management. For the selected samples, 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 2023**

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditors' report thereon.



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

### **Report on the Audit of Consolidated Financial Statements (continued)**

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

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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



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

### **Report on the Audit of Consolidated Financial Statements (continued)**

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

# Deloitte.



## **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 2023 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 2023 that might have had a material effect on the business of the Bank or on its financial position.

A blue ink signature of Ali B. Al-Wazzan, consisting of a stylized cursive script.

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

A blue ink signature of Dr Shuaib A. Shuaib, consisting of a stylized cursive script.

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

Kuwait  
14 March 2024

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
Year ended 31 December 2023

		2023	2022
	Note	KD 000's	KD 000's
<b>ASSETS</b>			
Cash and short term funds	3	696,647	732,555
Treasury and Central Bank bonds	4	176,887	183,555
Due from banks and other financial institutions	5	444,674	480,202
Loans and advances	6	2,430,041	2,419,548
Investment securities	7	333,426	372,903
Premises and equipment		29,311	29,414
Intangible assets	9	3,506	3,506
Other assets	10	61,521	88,790
<b>TOTAL ASSETS</b>		<b>4,176,013</b>	4,310,473
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		161,154	224,847
Due to other financial institutions		190,770	273,743
Customer deposits		2,200,336	2,340,285
Other borrowed funds	11	740,096	611,442
Other liabilities	12	223,079	199,835
<b>TOTAL LIABILITIES</b>		<b>3,515,435</b>	3,650,152
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital		199,206	199,206
Treasury shares		(99,369)	(49,798)
Reserves		285,515	277,398
Retained earnings		230,157	185,901
		615,509	612,707
Proposed dividend		44,823	47,298
		660,332	660,005
<b>Non-controlling interests</b>		<b>246</b>	316
<b>TOTAL EQUITY</b>	13	<b>660,578</b>	660,321
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,176,013</b>	4,310,473



**Sheikh Ahmad Duaij Jaber Al Sabah**  
Chairman



**Elham Yousry Mahfouz**  
Chief Executive Officer

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF INCOME**  
Year ended 31 December 2023

	Note	2023 KD 000's	2022 KD 000's
Interest income	14	217,507	130,894
Interest expense		(104,456)	(45,339)
<b>NET INTEREST INCOME</b>		<b>113,051</b>	85,555
Fees and commissions		44,530	42,788
Net gain from dealing in foreign currencies		8,039	7,978
Net gain from investment securities		110	54
Dividend income		3,752	3,198
Other operating income		690	292
<b>OPERATING INCOME</b>		<b>170,172</b>	139,865
Staff expenses		(28,855)	(17,872)
General and administration expenses		(21,913)	(17,309)
Depreciation and amortisation		(2,725)	(1,912)
<b>OPERATING EXPENSES</b>		<b>(53,493)</b>	(37,093)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>116,679</b>	102,772
Net charge of impairment and other provisions	15	(142)	(25,789)
<b>PROFIT BEFORE TAXATION</b>		<b>116,537</b>	76,983
Taxation and contributions	16	(5,238)	(3,369)
Directors' fee	19	(124)	-
<b>NET PROFIT FOR THE YEAR</b>		<b>111,175</b>	<b>73,614</b>
<b>Attributable to:</b>			
Shareholders of the Bank		111,150	73,585
Non-controlling interests		25	29
		111,175	73,614
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	17	59.9	37.2

the attached notes 1 to 26 from part of these consolidated financial statements

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 Year ended 31 December 2023

	2023 KD 000's	2022 KD 000's
Net profit for the year	111,175	73,614
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<b>Items that will not be reclassified subsequently to consolidated statement of income</b>		
Equity securities classified at fair value through other comprehensive income:		
Net changes in fair value	6,748	(144,925)
Property revaluation (LOSS) GAIN	(373)	1,199
<b>Items that are or may be reclassified subsequently to consolidated statement of income</b>		
Debt securities classified at fair value through other comprehensive income:		
Net changes in fair value	1,469	(6,155)
Net gain (loss) on disposal transferred to income statement	178	(93)
	8,022	(149,974)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>119,197</b>	<b>(76,360)</b>
<b>Attributable to:</b>		
Shareholders of the Bank	119,267	(76,389)
Non-controlling interests	(70)	29
	119,197	(76,360)

the attached notes 1 to 26 from part of these consolidated financial statements

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF CHANGE EQUITY**  
Year ended 31 December 2023

	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 2022	199,206	-	(5,233)	66,791	115,977	17,927	-	24,043	202,634	427,372	159,614	39,618	820,577	287	820,864
Total comprehensive loss for the year	-	-	-	-	-	-	-	1,199	(151,173)	(149,974)	73,585	-	(76,389)	29	(76,360)
Purchase of treasury shares	-	-	(44,565)	-	-	-	-	-	-	-	-	-	(44,565)	-	(44,565)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(39,618)	(39,618)	-	(39,618)
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	(47,298)	47,298	-	-	-
<b>Balance as at 31 December 2022</b>	<b>199,206</b>	<b>-</b>	<b>(49,798)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>25,242</b>	<b>51,461</b>	<b>277,398</b>	<b>185,901</b>	<b>47,298</b>	<b>660,005</b>	<b>316</b>	<b>660,321</b>
Total comprehensive income for the year	-	-	-	-	-	-	-	(373)	8,490	8,117	111,150	-	119,267	(70)	119,197
Purchase of treasury shares	-	-	(49,571)	-	-	-	-	-	-	-	-	-	(49,571)	-	(49,571)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(22,071)	(47,298)	(69,369)	-	(69,369)
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	(44,823)	44,823	-	-	-
<b>Balance as at 31 December 2023</b>	<b>199,206</b>	<b>-</b>	<b>(99,369)</b>	<b>66,791</b>	<b>115,977</b>	<b>17,927</b>	<b>-</b>	<b>24,869</b>	<b>59,951</b>	<b>285,515</b>	<b>230,157</b>	<b>44,823</b>	<b>660,332</b>	<b>246</b>	<b>660,578</b>

Investment valuation reserve includes a loss of KD 5,506 thousand (2022: loss of KD 5,498 thousand) arising from foreign currency translation of the Bank's investment in its associate.

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 Year ended 31 December 2023

	Note	2023 KD 000's	2022 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation and contributions		116,537	76,983
<b>Adjustments for:</b>			
Net charge of impairment and other provisions	15	142	25,789
Income from investment securities		(3,862)	(3,252)
Foreign exchange loss (gain) on investment securities		2,617	(3,691)
Depreciation and amortisation		2,725	1,912
Cash flow before changes in operating assets and liabilities		118,159	97,741
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		6,668	(6,103)
Due from banks and other financial institutions		35,481	2,374
Loans and advances		4,570	(141,002)
Other assets		41,559	(51,258)
Due to banks		(63,693)	(135,679)
Due to other financial institutions		(82,973)	28,067
Customer deposits		(139,949)	220,671
Other liabilities		(17,632)	(6,082)
Net cash (used in) from operating activities		(97,810)	8,729
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		135,122	158,258
Acquisition of investment securities		(86,377)	(173,258)
Dividend income from investment securities		3,752	3,198
Proceeds from disposal of premises and equipment		240	665
Acquisition of premises and equipment		(567)	(299)
Net cash from (used in) investing activities		52,170	(11,436)
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		128,654	91,983
Purchase of treasury shares		(49,571)	(44,565)
Dividend paid		(69,369)	(39,618)
Net cash from financing activities		9,714	7,800
Net (decrease) increase in cash and short term funds		(35,926)	5,093
Cash and short term funds as at 1 January		732,625	727,532
<b>Cash and short term funds as at 31 December</b>	3	<b>696,699</b>	<b>732,625</b>

the attached notes 1 to 26 from part of these consolidated financial statements

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2023

## 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 27 February 2024 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 MATERIAL 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 require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards ("IFRS") with an amendment for measuring the expected credit loss ("ECL") on credit facilities at the higher of ECL computed under IFRS 9 – 'Financial Instruments' in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

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 2023 as described below;

### **New and amended standards issued and effective**

#### **i) Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material' accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

#### **ii) Amendments to IAS 8**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

### iii) Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Other standards and amendments which are effective for annual accounting period starting from 1 January 2023 did not have any material impact on the accounting policies, financial position or performance of the Group.

### New and amended standards issued but not yet effective

#### i) General requirements for disclosure of sustainability-related financial information (IFRS S1) and Climate-related disclosures (IFRS S2)

In June 2023 the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across a Group's value chain. IFRS S2 is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. The standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

Other standards and amendments which are effective for annual periods beginning on or after 1 January 2024 have not been early adopted in the preparation of the Group's consolidated financial statements and are not expected to have a significant impact on the consolidated financial statements of the Group.

#### (b) Basis of consolidation

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

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

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

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

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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2023

- I. Derecognises the assets (including goodwill) and liabilities of the subsidiary
- II. Derecognises the carrying amount of any non-controlling interests
- III. Derecognises the cumulative translation differences, recorded in equity
- IV. Recognises the fair value of the consideration received
- V. Recognises the fair value of any investment retained
- VI. Recognises any surplus or deficit in profit or loss
- VII. Reclassifies the Bank's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### **(c) Associates**

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

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

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

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

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

After the application of the equity method, the Group determines whether it is necessary to recognise impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

### **(d) Financial instruments**

Financial instruments comprises of financial assets and financial liabilities.

#### **i) Classification and measurement**

##### **Financial assets**

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

### a) Business model assessment

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

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

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

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

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

- I. Contingent events that would change the amount and timing of cash flows;
- II. Leverage features;
- III. Prepayment and extension terms;
- IV. Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- V. Features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

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

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

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

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

#### **a) Financial assets carried at amortised cost**

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

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

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

#### **b) Financial assets carried at FVOCI**

##### **i) Debt securities at FVOCI**

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

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

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

##### **ii) Equity securities at FVOCI**

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

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

#### **c) Financial assets carried at FVTPL**

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

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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The Group financial assets are classified and measured as follows:

**i) Cash and short term funds**

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

**ii) Treasury and Central Bank bonds**

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

**iii) Due from banks and other financial institutions**

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

**iv) Loans and advances**

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

**v) Investment securities**

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

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

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

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

**vi) Other assets**

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

**ii) Financial liabilities**

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

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

**iii) Recognition and De-recognition**

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of

The Commercial Bank of Kuwait Group  
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the instrument. All 'regular way' purchase and sale of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in income in accordance with the policy applicable to the related instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset is derecognised

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

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

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

#### **iv) Derivative financial instruments and hedge accounting**

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

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

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

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

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

#### **v) Financial guarantee**

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

#### **vi) Offsetting financial instruments**

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

#### **vii) Asset pending sale**

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

#### **viii) Fair values**

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

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

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

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

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

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

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

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

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

#### **ix) Amortised cost**

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

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#### **x) Impairment of financial assets**

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

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

Equity securities are not subject to expected credit losses.

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

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

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

#### **a) Expected credit loss (ECL)**

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

#### **i) Stage Classification**

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

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

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

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

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

- a) Credit facilities are classified under Stage 2 where there has been a default in principal or interest payment for more than 30 days.
- b) Credit facilities are classified under Stage 2 when there has been a downgrade in the facility's credit rating by 2 grades for the facilities, with Investment Grade rating and by 1 grade with Non-Investment Grade rating.
- c) All rescheduled credit facilities are classified under the Stage 2 unless it qualifies for Stage 3 classification

#### **Stage 1: 12-month ECL**

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

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### Stage 2: Life time ECL - not credit impaired

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

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

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

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

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

### Stage 3: Life time ECL - Credit impaired

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

#### ii) Measurement of ECLs

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

#### a) Probability of Default (PD) estimation

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

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

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

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

#### **b) Exposure at Default (EAD)**

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

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

#### **c) Loss Given Default (LGD)**

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

Incorporation of forward looking information

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

#### **d) Letter of credit and letter of guarantee**

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

#### **iii) Modified loans and advances**

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

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

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

#### **i) General provision**

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

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## 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:

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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.

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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

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interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

#### **(l) Government grants**

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

#### **(m) Foreign currencies**

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

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

#### **(n) End of service pay**

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

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

#### **(o) Segment information**

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

#### **(p) Fiduciary assets**

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

#### **(q) Securities financing arrangements**

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

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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.

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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

	<b>2023</b>	2022
	<b>KD 000's</b>	KD 000's
Cash and cash items	<b>199,061</b>	274,839
Balances with the CBK	<b>166,708</b>	153,833
Deposits with banks maturing within seven days	<b>330,930</b>	303,953
	<b>696,699</b>	732,625
Less: Provision for impairment (ECL)	<b>(52)</b>	(70)
	<b>696,647</b>	732,555

### 4- TREASURY AND CENTRAL BANK BONDS

	<b>2023</b>	2022
	<b>KD 000's</b>	KD 000's
Treasury bonds	<b>15,639</b>	<b>18,641</b>
Central Bank bonds	<b>161,248</b>	<b>164,914</b>
	<b>176,887</b>	<b>183,555</b>

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.

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## 5- DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023 KD 000's	2022 KD 000's
Placements with banks	251,862	412,620
Less: Provision for impairment (ECL)	(88)	(23)
	<b>251,774</b>	412,597
Amounts due from other financial institutions	48,000	-
Loans and advances to banks	146,693	68,288
Less: Provision for impairment	(1,793)	(683)
	<b>192,900</b>	67,605
	<b>444,674</b>	480,202

## 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 2023

	KD 000'S				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	480,672	57,474	-	1,325	539,471
Construction and real estate	790,581	29,473	-	38	820,092
Other financial institutions	22,744	-	-	-	22,744
Retail customers	511,645	-	-	-	511,645
Others	667,712	56,937	-	-	724,649
	<b>2,473,354</b>	<b>143,884</b>	<b>-</b>	<b>1,363</b>	<b>2,618,601</b>
Less: Provision for impairment					<b>(188,560)</b>
					<b>2,430,041</b>

### As at 31 December 2022

	KD 000'S				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	563,308	63,636	-		626,944
Construction and real estate	654,237	45,535	4,466		704,238
Other financial institutions	29,716	-	-	9,238	38,954
Retail customers	502,593	-	-		502,593
Others	681,980	53,303	-		735,283
	<b>2,431,834</b>	<b>162,474</b>	<b>4,466</b>	<b>9,238</b>	<b>2,608,012</b>
Less: Provision for impairment					<b>(188,464)</b>
					<b>2,419,548</b>

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### Movement in provisions for loans and advances

	2023			2022		
	KD 000'S			KD 000'S		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	-	188,464	188,464	-	181,995	181,995
Written-off	(20,190)	-	(20,190)	(16,325)	-	(16,325)
Exchange differences	-	17	17	-	22	22
Charged to consolidated statement of income	20,190	79	20,269	16,325	6,447	22,772
Provisions 31 December	-	188,560	188,560	-	188,464	188,464

The specific and general provision for cash credit facilities amounting to KD 188,560 thousand (2022: KD 188,464 thousand) includes additional provision amounting to KD 156,350 thousand (2022: KD 156,350 thousand) which is over and above the CBK's minimum general provision requirements. The available provision for non-cash credit facilities of KD 55,523 thousand (2022: KD 30,338 thousand) is included in other liabilities.

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

Total available provision on credit facilities (cash and non cash) determined in accordance with the CBK rules on classification of credit facilities as at 31 December 2023 is KD 244,083 thousand (31 December 2022: KD 218,802 thousand).

The ECL on credit facilities determined under IFRS 9 amounted to KD 99,327 thousand as at 31 December 2023 (31 December 2022: KD 82,548 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:

	2023			
	KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
Superior	370,564	3,856	-	374,420
Good	1,081,467	96,372	-	1,177,839
Standard	695,086	263,337	-	958,423
Past due but not impaired	92,016	15,903	-	107,919
Impaired	-	-	-	-
Cash credit facilities	2,239,133	379,468	-	2,618,601
Non cash credit facilities	2,111,396	178,381	47,787	2,337,564
ECL provision for credit facilities	22,612	29,516	47,199	99,327

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	2022			
	KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
Superior	398,510	1,439	-	399,949
Good	1,033,762	105,228	-	1,138,990
Standard	698,867	237,687	-	936,554
Past due but not impaired	66,314	66,205	-	132,519
Impaired	-	-	-	-
Cash credit facilities	2,197,453	410,559	-	2,608,012
Non cash credit facilities	2,632,800	204,457	22,703	2,859,960
ECL provision for credit facilities	24,685	35,889	21,974	82,548

**Movement in ECL for credit facilities:**

	2023			
	KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2023	24,685	35,889	21,974	82,548
Transfer to Stage 1	257	(257)	-	-
Transfer to Stage 2	(197)	197	-	-
Transfer to Stage 3	(268)	(4,145)	4,413	-
Net (released) / charged	(1,871)	(2,172)	41,002	36,959
Written-off	-	-	(20,189)	(20,189)
Exchange difference	6	3	-	9
<b>ECL 31 December 2023</b>	<b>22,612</b>	<b>29,515</b>	<b>47,200</b>	<b>99,327</b>

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

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### 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 52,127 thousand from KD 49,642 thousand (2022: KD 60,574 thousand from 60,033 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 16,201 thousand (2022 : KD 2,908 thousand) higher than the reported allowance for credit losses as at 31 December 2023. 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

	2023	2022
	KD 000's	KD 000's
<b>Financial assets at FVOCI:</b>		
Debt securities -quoted	264,750	312,440
Debt securities -unquoted	9,791	10,437
Equity securities -quoted	33,411	37,316
Equity securities -unquoted	25,474	12,710
	<b>333,426</b>	<b>372,903</b>

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

	2023			
	KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	302,940	20,074	1,745	324,759
Net movement during the year	(45,694)	(2,660)	-	(48,354)
	<b>257,246</b>	<b>17,414</b>	<b>1,745</b>	<b>276,405</b>

### Movement In ECL

	2023			
	KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January	37	100	1,745	1,882
(Released) Charged during the year	(14)	(4)	-	(18)
	<b>23</b>	<b>96</b>	<b>1,745</b>	<b>1,864</b>

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

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

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 2023 was KD 255,340 thousand (2022: KD 176,702 thousand). The change in fair value of hedged instruments resulting from changes in market interest rate (hedged risk) during the year was KD 3,313 thousand (2022: KD 7,041 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 32.00% (2022: 32.26%) interest in Al Cham Islamic Bank S.A, a private bank incorporated in Syrian Arab Republic, engaged in Islamic banking activities. This has been fully impaired and provided for in the prior years.

## 9- INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license KD 3,506 thousand (2022: KD 3,506 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2023, 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 3.0% (2022: 2.6%). These cash flows were then discounted using a pre-tax discount rate of 11.2% (2022: 12%) 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 (2022: KD nil thousand).

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## 10-OTHER ASSETS

	2023	2022
	KD 000's	KD 000's
Accrued interest receivable	6,220	5,738
Other receivables	55,301	83,052
	<b>61,521</b>	88,790

Other receivables include unrealised gain related to Interest Rate Swaps amounted to KD 33,364 thousand (2022: KD 35,438 thousand).

## 11-OTHER BORROWED FUNDS

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 167,577 thousand (2022: KD 106,038 thousand). The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. At 31 December 2023, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 73,025 thousand (2022: KD 96,888 thousand). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

Other borrowed funds include Subordinated Tier 2 bonds of KD 50,000 thousand issued in September 2023 due in 2033. The bonds carry an interest rate of 3% per annum over the CBK discount rate, subject to a floor of 5%. The bonds are unsecured, callable in whole and not in part at the option of the bank after 5 years from the date of issuance, subject to certain conditions and approval of CBK.

## 12-OTHER LIABILITIES

	2023	2022
	KD 000's	KD 000's
Accrued interest payable	35,750	16,947
Deferred income	5,558	5,909
Provision for non-cash facilities and others	59,313	33,018
Staff related accruals	12,029	10,854
Others	110,429	133,107
	<b>223,079</b>	199,835

Others include unrealised loss related to Interest Rate Swaps amounted to KD 29,085 thousand (2022: KD 27,876 thousand).

## 13- EQUITY

### a) Share capital

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

The share capital comprises of 1,992,056,445 (2022: 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.

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### b) Treasury shares

	2023	2022
Number of treasury shares	199,133,674	100,140,469
Percentage of total shares issued	10.00%	5.03%
Cost of shares (KD 000's)	99,369	49,798
Fair value of shares (KD 000's)	99,965	50,070
Weighted average fair value per treasury share (fills)	501	500

Movement in treasury shares are as follows:

	No. of Shares	
	2023	2022
Balance as at 1 January	100,140,469	11,138,485
Purchases	98,993,205	89,001,984
Balance as at 31 December	199,133,674	100,140,469

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 2023 and 2022 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.

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### g) Dividend and bonus shares

Annual General Assembly of the shareholders held on 1 May 2023 approved to distribute cash dividend of 25 fils per share amounting to KD 47,298 thousand (2021: KD 39,618)

The Board of Directors in their meeting held on 11 July 2023, approved distribution of 12 fils per share of interim cash dividend amounting to KD 22,071 thousand which was paid subsequently.

The Board of Directors has proposed a final cash dividend of 25 fils per share (2022: 25 fils). This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

### 14- INTEREST INCOME

	2023 KD 000's	2022 KD 000's
Loans and advances to banks and customers	157,548	104,138
Interbank transactions and placements	38,215	15,029
Debt investment securities	13,936	8,066
Treasury bills and bonds	7,808	3,661
	<b>217,507</b>	130,894

### 15- NET CHARGE OF IMPAIRMENT AND OTHER PROVISIONS

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

	2023 KD 000's	2022 KD 000's
Loans and advances - specific	(20,190)	(16,325)
Loans and advances - recoveries	36,441	23,884
Loans and advances - general	(1,189)	(7,091)
Investment securities	18	134
Non cash facilities	(25,177)	3,796
Other provisions	9,955	(30,187)
	<b>(142)</b>	(25,789)

Impairment and other provisions includes release of ECL on financial assets other than loans and advances for the year ended 31 December 2023 amounting to KD 18 thousand (2022: release of KD 134 thousand).

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## 16- TAXATION AND CONTRIBUTIONS

	2023	2022
	KD 000's	KD 000's
National Labour Support Tax (NLST)	<b>(2,912)</b>	(1,852)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	<b>(1,176)</b>	(770)
Zakat	<b>(1,150)</b>	(747)
	<b>(5,238)</b>	(3,369)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year.

The Group calculates the contribution to KFAS at 1% of profit in accordance with the calculation based on the Foundation's Board of Director's resolution.

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

## 17- 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.

	2023	2022
Net profit for the year attributable to shareholders of the Bank (KD 000's)	<b>111,150</b>	73,585
Weighted average of subscribed and fully paid ordinary shares (numbers in 000's)	<b>1,992,056</b>	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	<b>(135,887)</b>	(15,736)
	<b>1,856,169</b>	1,976,320
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<b>59.9</b>	37.2

## 18- SUBSIDIARY

Name of Entity	Country of Incorporation	Principal Business	% of Ownership	
			2023	2022
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage services	<b>98.16%</b>	98.16%

## 19- 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:

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	2023			2022		
	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
<b>Board of Directors</b>						
Loans	3	1	151	3	2	2,038
Credit cards	4	1	15	4	1	20
Deposits	11	12	11,976	11	13	11,604
Directors' remuneration	11	-	614	11	-	483
<b>Executive Management</b>						
Loans	44	4	1,674	26	2	1,334
Credit cards	39	1	82	27	-	47
Deposits	59	46	1,873	42	44	1,394
Associates						
Deposits	1	-	13,624	1	-	13,691
<b>Major Shareholders</b>						
Deposits	1	-	62	1	-	17

Interest income and interest expense include KD 123 thousand (31 December 2022: KD 139 thousand) and KD 1,251 thousand (31 December 2022: KD 484 thousand) respectively on transactions with related parties.

Details of compensation for key management is as follows:

	2023	2022
	KD 000's	KD 000's
Salaries and other short-term benefits	1,895	1,900
Post employment benefits	27	27
End of service benefits	173	154

Directors' remuneration above includes Directors' fees KD 124 thousand (2022: KD nil thousand) and compensation for participation in executive committees which are subject to the approval of the shareholders at the annual general meeting. Directors' fees are within the amount permissible under local regulations.

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

**20- 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 specific maturity and variable rate financial instruments.

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

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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:

	2023			
	KD 000'S			
	Level 1	Level 2	Level 3	Total
<b>Debt securities</b>	264,750	9,791	-	274,541
<b>Equities and other securities</b>	33,411	25,474	-	58,885
	<b>298,161</b>	<b>35,265</b>	<b>-</b>	<b>333,426</b>
<b>Derivative financial instruments net. (note 21 (b) (i) (f))</b>	-	4,146	-	4,146

During the year ended 31 December 2023, there were no transfers between level 1, level 2 and level 3.

	2022			
	KD 000'S			
	Level 1	Level 2	Level 3	Total
Debt securities	312,440	10,437	-	322,877
Equities and other securities	37,316	12,710	-	50,026
	349,756	23,147	-	372,903
Derivative financial instruments net. (note 21 (b) (i) (f))	-	11,893	-	11,893

## 21- 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.

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**(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.

	2023 KD 000's	2022 KD 000's
<b>Credit exposure relating to on-balance sheet items</b>		
Cash and short term funds (excluding cash in hand)	648,264	680,633
Treasury and Central Bank bonds	176,887	183,555
Due from banks and OFIs	444,674	480,202
Loans and advances	2,430,041	2,419,548
Debt securities	274,541	322,877
Other assets	61,521	88,790
	<b>4,035,928</b>	4,175,605
<b>Credit exposure relating to off-balance sheet items</b>		
Acceptances	121,936	112,640
Letters of credit	127,989	122,784
Letters of credit	1,588,770	1,577,810
Undrawn lines of credit	443,346	1,016,388
	<b>2,282,041</b>	2,829,622
	<b>6,317,969</b>	7,005,227

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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			
	Superior grade	Good grade	Standard grade	0 - 60 days	61 - 90 days	Impaired	Fair value of collateral
<b>As at 31 December 2023</b>							
<b>Banks</b>	<b>46,215</b>	<b>-</b>	<b>100,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Corporate</b>	<b>374,420</b>	<b>1,177,715</b>	<b>465,814</b>	<b>89,007</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Retail</b>	<b>-</b>	<b>124</b>	<b>492,609</b>	<b>18,744</b>	<b>168</b>	<b>-</b>	<b>-</b>
	<b>420,635</b>	<b>1,177,839</b>	<b>1,058,901</b>	<b>107,751</b>	<b>168</b>	<b>-</b>	<b>-</b>
<b>As at 31 December 2022</b>							
Banks	-	68	68,220	-	-	-	-
Corporate	399,949	1,138,990	451,283	115,110	87	-	-
Retail	-	-	485,271	17,322	-	-	-
	399,949	1,139,058	1,004,774	132,432	87	-	-

The Group's risk grading system is a systematic methodology for analysing risk factors associated with the extension of extending credit.

The Group uses the external ratings of credit rating agencies for the assessment of banks and financial institution and an internal grading for corporate customers, if external ratings are not available.

Internal grades are further mapped to external credit ratings based on probability of default corresponding to these grades. This mapping is used to categorise credit facilities into investment and non-investment categories

The parameters that are considered for grading the customers include quantitative metrics, which consist of key financial ratios and qualitative metrics which include but not limited to entity specific, management specific, business specific, age and quality of financial information, historical account performance, general economic and political conditions and financial condition and performance, where applicable.

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	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**

	2023		2022	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
<b>Geographic sector</b>				
Kuwait	3,071,443	1,729,233	3,114,039	2,264,454
Asia	920,076	340,789	917,461	284,044
Europe	103,309	111,753	190,699	127,468
USA	13,312	79,839	12,886	67,020
Others	35,056	20,427	42,468	86,636
	<b>4,143,196</b>	<b>2,282,041</b>	4,277,553	2,829,622

	2023		2022	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
<b>Industry sector</b>				
Government	204,036	-	225,998	-
Trade and commerce	539,472	460,429	626,945	675,325
Construction and real estate	820,334	1,108,896	786,934	1,237,295
Banks and financial institutions	1,473,894	353,006	1,583,663	481,305
Others	1,105,460	359,710	1,054,013	435,697
	<b>4,143,196</b>	<b>2,282,041</b>	4,277,553	2,829,622

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**(f) Financial instruments with contractual or notional amounts that are subject to credit risk**

In the ordinary course of business the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The fair valuation gain or loss of the derivatives is taken to the consolidated statement of income.

Interest rate swaps held as fair value hedges are predominantly based on USD SOFAR.

	KD 000's						
	Positive fair value	Negative fair value	Notional amount by term maturity				Total
			Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	
<b>As at 31 December 2023</b>							
Forward Foreign Exchange Contracts	504	637	150,633	8,129	6,171	-	164,933
Interest Rate Swaps (held as fair value hedges)	3,289	835	1,227	30,368	23,608	141,643	196,846
Interest Rate Swaps (others)	30,075	28,250	-	-	6,135	274,731	280,866
	<b>33,868</b>	<b>29,722</b>	<b>151,860</b>	<b>38,497</b>	<b>35,914</b>	<b>416,374</b>	<b>642,645</b>

	KD 000's						
	Positive fair value	Negative fair value	Notional amount by term maturity				Total
			Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	
<b>As at 31 December 2022</b>							
Forward Foreign Exchange Contracts	6,314	1,983	67,417	192,683	44,625	-	304,725
Interest Rate Swaps (held as fair value hedges)	5,956	242	2,502	2,144	34,598	128,979	168,223
Interest Rate Swaps (others)	29,482	27,634	-	-	-	238,314	238,314
	<b>41,752</b>	<b>29,859</b>	<b>69,919</b>	<b>194,827</b>	<b>79,223</b>	<b>367,293</b>	<b>711,262</b>

**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.

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### (A) Interest rate risk

Interest rate risk arises from the difference in repricing maturities of assets and liabilities. The majority of the Group's assets and liabilities reprice within one year. The Group manages the risk by matching the repricing of assets and liabilities by setting up a tolerance limit. The exposure is regularly measured by reviewing the risk to the set tolerance limit. For detailed qualitative disclosure on the interest rate risk please refer to note V(d), "Risk management - Interest rate risk", of the Public Disclosures on Capital Adequacy Standard.

Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact on the consolidated statement of income of the Group over a period of one year as follows:

	Basis Points	KD 000'S	
		2023	2022
Kuwaiti dinar	+25	3,737	3,932
US dollar	+25	228	(491)
Other currencies	+25	(43)	274
		<b>3,922</b>	3,715

### (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.

	% Change in currency rates	2023		2022	
		KD 000'S		KD 000's	
		Statement of income	Equity	Statement of income	Equity
US Dollar	+5	(13)	-	(681)	-
Sterling Pound	+5	(6)	50	(1)	48
Australian Dollar	+5	2	-	2	-
Saudi Riyal	+5	17	-	41	-
UAE Dirham	+5	-	-	64	-
Qatari Riyal	+5	9	-	14	-
Others	+5	(9)	-	103	-
		-	50	(458)	48

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### (C) Equity price risk

Equity price risk is the risk that the fair value of equities fluctuate as a result of changes in the level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio. For detailed qualitative disclosure on the equity price risk please refer to note V(b), "Risk management - Market risk", of the Public Disclosure on Capital Adequacy Standard.

The effect on the consolidated statement of income and the consolidated statement of changes in equity due to possible changes in equity indices, with all other variables held constant, is as follows:

		KD 000'S			
		2023		2022	
	% Change in equity price	Statement of income	Equity	Statement of income	Equity
Boursa Kuwait	+5	-	1,671	-	1,866

### (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 2023	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
<b>ASSETS</b>						
Cash and short term funds	696,647	-	-	-	-	696,647
Treasury and Central Bank bonds	176,748	93	46	-	-	176,887
Due from banks and OFIs	66,045	31,524	47,131	241,471	58,503	444,674
Loans and advances	372,592	220,730	331,426	554,073	951,220	2,430,041
Investment securities	114,205	32,262	3,460	22,924	160,575	333,426
Premises and equipment	-	-	-	-	29,311	29,311
Intangible assets	-	-	-	-	3,506	3,506
Other assets	53,804	250	-	2,649	4,818	61,521
	1,480,041	284,859	382,063	821,117	1,207,933	4,176,013

## The Commercial Bank of Kuwait Group

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**LIABILITIES**

Due to banks	101,804	-	-	46,013	13,337	161,154
Due to OFI's	54,794	45,512	37,235	53,229	-	190,770
Customer deposits	1,483,569	200,722	264,179	244,121	7,745	2,200,336
Other borrowed funds	-	-	-	-	740,096	740,096
Other liabilities	109,257	10,750	9,797	3,483	89,792	223,079
	1,749,424	256,984	311,211	346,846	850,970	3,515,435
<b>Net liquidity gap</b>	<b>(269,383)</b>	<b>27,875</b>	<b>70,852</b>	<b>474,271</b>	<b>356,963</b>	<b>660,578</b>

**KD 000'S**

As at 31 December 2022

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
<b>ASSETS</b>						
Cash and short term funds	732,555	-	-	-	-	732,555
Treasury and Central Bank bonds	183,451	67	37	-	-	183,555
Due from banks and OFIs	20,744	305,291	53,527	54,776	45,864	480,202
Loans and advances	215,650	376,412	375,172	267,434	1,184,880	2,419,548
Investment securities	192,495	4,012	33,299	10,371	132,726	372,903
Premises and equipment	-	-	-	-	29,414	29,414
Intangible assets	-	-	-	-	3,506	3,506
Other assets	71,476	2,345	805	738	13,426	88,790
	1,416,371	688,127	462,840	333,319	1,409,816	4,310,473

**KD 000'S**

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
<b>LIABILITIES</b>						
Due to banks	42,504	83,693	34,189	51,143	13,318	224,847
Due to OFI's	114,260	76,738	37,262	45,483	-	273,743
Customer deposits	1,435,901	455,366	280,084	163,196	5,738	2,340,285
Other borrowed funds	-	53,603	29,711	-	528,128	611,442
Other liabilities	120,479	10,372	6,865	1,255	60,864	199,835
	1,713,144	679,772	388,111	261,077	608,048	3,650,152
<b>Net liquidity gap</b>	<b>(296,773)</b>	<b>8,355</b>	<b>74,729</b>	<b>72,242</b>	<b>801,768</b>	<b>660,321</b>

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(B) Contractual expiry by maturity.

As at 31 December 2023	KD 000'S					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	
Contingent Liabilities	405,544	538,933	396,674	373,739	567,151	2,282,041
As at 31 December 2022						
Contingent Liabilities	346,404	570,112	456,490	540,113	916,503	2,829,622

(C) Contractual undiscounted repayment obligations by maturity.

As at 31 December 2023	KD 000'S					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	
<b>UNDISCOUNTED LIABILITIES</b>						
Due to banks	101,926	-	-	48,492	15,951	166,369
Due to OFI's	54,818	46,153	38,489	61,945	-	201,405
Customer deposits	1,484,304	201,343	265,253	247,130	7,760	2,205,790
Other borrowed funds	437	3,723	209	-	818,185	822,554
Other liabilities	109,257	10,750	9,797	3,483	89,792	223,079
	<b>1,750,742</b>	<b>261,969</b>	<b>313,748</b>	<b>361,050</b>	<b>931,688</b>	<b>3,619,197</b>

As at 31 December 2022	KD 000'S					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	
<b>UNDISCOUNTED LIABILITIES</b>						
Due to banks	42,511	84,257	34,542	53,112	16,146	230,568
Due to OFI's	114,273	77,255	40,803	59,707	-	292,038
Customer deposits	1,436,299	457,954	280,776	163,328	5,798	2,344,155
Other borrowed funds	109	56,921	3,006	-	598,433	658,469
Other liabilities	120,480	10,371	6,865	1,255	60,864	199,835
	<b>1,713,672</b>	<b>686,758</b>	<b>365,992</b>	<b>277,402</b>	<b>681,241</b>	<b>3,725,065</b>

## 22- 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.

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### 23- 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, INT. AND RETAIL BANKING		TREASURY AND INVESTMENT BANKING		Total	
	2023	2022	2023	2022	2023	2022
Net interest income	90,986	74,727	22,065	10,828	113,051	85,555
Non interest income	44,452	42,300	12,669	12,010	57,121	54,310
Operating income	135,438	117,027	34,734	22,838	170,172	139,865
Impairment and other provisions	(9,873)	4,251	9,731	(30,040)	(142)	(25,789)
Net profit for the year	97,613	96,396	13,562	(22,782)	111,175	73,614
Total Assets	2,577,947	2,479,692	1,598,066	1,830,781	4,176,013	4,310,473
Total Liabilities	1,707,411	1,734,095	1,808,024	1,916,057	3,515,435	3,650,152

### 24- 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 3,790 thousand (2022: KD 2,680 thousand) has been provided.

### 25- 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

## 26- SIGNIFICANT EVENT

### Changes in interbank offered rates (IBOR)

The Bank's exposure to its floating-rate financial assets and liabilities is mainly through USD LIBOR has successfully been moved to alternative "reference rate" with the exception of a few contracts. These contracts will also move to alternative reference rate on next interest re-set date.

### 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.

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**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
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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 32.00% 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 2022: 2,500,000,000) shares of 100 fils each.

Share Capital – Share capital comprises of 1,992,056,445 (31 December 2022: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2023, the Bank held 199,133,674 treasury shares (31 December 2022: 100,140,469 treasury shares).

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

	<b>2023</b>	<b>2022</b>
	<b>KD 000's</b>	<b>KD 000's</b>
a. Tier 1 capital consist of:		
i- Common equity tier 1 (CET1)		
1. Paid-up share capital	<b>199,206</b>	199,206
2. Proposed bonus shares	-	-
3. Share premium	<b>66,791</b>	66,791
4. Retained earnings	<b>233,351</b>	192,290
5. Investment valuation reserve	<b>59,951</b>	51,461
6. Property revaluation reserve	<b>24,869</b>	25,242
7. Statutory reserve	<b>115,977</b>	115,977
8. General reserve	<b>17,927</b>	17,927
9. Treasury shares reserve	-	-
10. Other intangibles	<b>(3,506)</b>	(3,506)
11. Treasury shares	<b>(99,369)</b>	(49,798)
12. Non significant investments in banking, financial and insurance entities	-	-
13. Significant investments in banking, financial and insurance entities	-	-
<b>Total</b>	<b>615,197</b>	615,590

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**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
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	2023	2022
	KD 000's	KD 000's
ii- Additional tier 1		
1. Non-controlling interests in consolidated subsidiaries	246	316
<b>Total</b>	<b>246</b>	316
<b>Total tier 1 capital</b>	<b>615,443</b>	615,906
b. Tier 2 capital.		
1. Directly issued qualifying Tier 2 instruments	50,000	-
2. General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	47,803	45,404
<b>Total tier 2 capital</b>	<b>97,803</b>	45,404
<b>Total eligible capital</b>	<b>713,246</b>	661,310

### 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

	KD 000'S					
	2023			2022		
	Gross exposures	Net risk weighted assets	Capital requirement	Gross exposures	Net risk weighted assets	Capital requirement
a. Credit risk						
1. Claims on sovereigns	446,906	22,934	2,981	444,161	5,925	622
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	178,010	6,595	857	178,562	2,571	270
4. Claims on MDBs	48,169	24,085	3,131	-	-	-
5. Claims on banks	1,334,615	537,357	69,856	1,544,054	564,583	59,281
6. Claims on corporates	3,927,985	2,412,842	313,669	4,453,070	2,249,810	236,230
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	48,382	-	-	51,919	-	-
9. Regulatory retail	515,400	512,509	66,626	508,406	505,239	53,050
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	117	49	6	118	10	1
12. Other assets	153,380	157,228	20,442	153,322	152,574	16,021
13. Claims on securitised assets	-	-	-	-	-	-
<b>Total</b>	<b>6,652,964</b>	<b>3,673,599</b>	<b>477,568</b>	7,333,612	3,480,712	365,475

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	2023			2022		
	KD 000'S					
	Gross exposures	Net risk weighted assets	Capital requirement	Gross exposures	Net risk weighted assets	Capital requirement
<b>b. Market risk</b>						
1. Interest rate position risk	-	-	-	-	-	-
2. Equities position risk	1	-	-	1	-	-
3. Foreign exchange risk	1,232	1,233	160	5,180	5,181	544
4. Commodities risk	-	-	-	-	-	-
5. Options	-	-	-	-	-	-
<b>Total</b>	<b>1,233</b>	<b>1,233</b>	<b>160</b>	<b>5,181</b>	<b>5,181</b>	<b>544</b>
c. Operational risk	144,508	256,314	33,321	131,416	233,533	24,521
<b>Total</b>	<b>6,798,705</b>	<b>3,931,146</b>	<b>511,049</b>	<b>7,470,209</b>	<b>3,719,426</b>	<b>390,540</b>

**B. Capital ratio**

1	Total capital ratio	18.14%	17.78%
2	Tier 1 capital ratio	15.66%	16.56%
3	CET 1 capital ratio	15.65%	16.55%

**C. Additional capital disclosure**

1. Common disclosure template

	2023	
	KD 000's	
	Component of capital disclosure template	Cross reference from consolidated regulatory financial position
<b>Common Equity Tier 1 capital: Instruments and Reserves</b>		
1	Directly issued qualifying common share capital plus related share premium	265,997 i+l
2	Retained earnings	233,351 r+j
3	Accumulated other comprehensive income (and other reserves)	218,724 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	718,072

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**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
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**Common Equity Tier 1 Capital: Regulatory Adjustments**

7 Prudential valuation adjustments	-	
8 Goodwill (net of related tax liability)	-	
9 Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,506	f
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11 Cash-flow hedge reserve	-	
12 Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
13 Securitization gain on sale	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 Defined-benefit pension fund net assets	-	
16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	99,369	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)	-	d
19 Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	
20 Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22 Amount exceeding the 15% threshold	-	
23 of which: significant investments in the common stock of financials	-	
24 of which: mortgage servicing rights	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments	-	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28 Total regulatory adjustments to Common equity Tier 1	<b>102,875</b>	
29 Common Equity Tier 1 capital (CET1) after regulatory adjustments	<b>615,197</b>	

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**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)	246	s
35 of which: instruments issued by subsidiaries subject to phase-out	-	
36 Additional Tier 1 capital before regulatory adjustments	246	

**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)	246	
45 Tier 1 capital (T1 = CET1 + AT1)	615,443	

**Tier 2 Capital: Instruments and Provisions**

46 Directly issued qualifying Tier 2 instruments	50,000	g
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	47,803	c
51 Tier 2 capital before regulatory adjustments	97,803	

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<b>Tier 2 Capital: Regulatory Adjustments</b>	
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)	<b>97,803</b>
<b>59 Total capital (TC = T1 + T2)</b>	<b>713,246</b>
<b>60 Total risk weighted assets</b>	<b>3,931,146</b>

**Capital Ratios and Buffers**

61 Common Equity Tier 1 (as a percentage of risk weighted assets)	<b>15.65%</b>
62 Tier 1 (as a percentage of risk weighted assets)	<b>15.66%</b>
63 Total capital (as a percentage of risk weighted assets)	<b>18.14%</b>
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)	<b>10.00%</b>
65 of which: capital conservation buffer requirement	<b>2.5%</b>
66 of which: bank specific countercyclical buffer requirement	-
67 of which: D-SIB buffer requirement	<b>0.50%</b>
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	<b>8.65%</b>

**National Minima**

69 National Common Equity Tier 1 minimum ratio	<b>9.50%</b>
70 National Tier 1 minimum ratio	<b>11.00%</b>
71 National total capital minimum ratio excluding CCY and DSIB buffers	<b>13.00%</b>

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**Amounts below the Thresholds for Deduction (before Risk Weighting)**

72 Non-significant investments in the capital of financial institutions	-	e
73 Significant investments in the common stock of financial institutions	-	
74 Mortgage servicing rights (net of related tax liability)	-	
75 Deferred tax assets arising from temporary differences (net of related tax liability)	-	

**Applicable Caps on the Inclusion of Provisions in Tier 2**

76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	<b>198,416</b>	<b>a+b+h</b>
77 Cap on inclusion of provisions in Tier 2 under standardized approach	<b>47,803</b>	<b>c</b>
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	-	

2022

KD 000's

Component of capital disclosure template      Cross reference from consolidated regulatory financial position

**Common Equity Tier 1 capital: Instruments and Reserves**

1. Directly issued qualifying common share capital plus related share premium	265,997	h+k
2. Retained earnings	192,290	q
3. Accumulated other comprehensive income (and other reserves)	210,607	l+m+n+o+p
4. Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5. Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
6. Common Equity Tier 1 capital before regulatory adjustments	668,894	

**Common Equity Tier 1 Capital: Regulatory Adjustments**

7. Prudential valuation adjustments	-	
8. Goodwill (net of related tax liability)	-	
9. Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,506	f

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10. Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11. Cash-flow hedge reserve	-	
12. Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
13. Securitization gain on sale	-	
14. Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15. Defined-benefit pension fund net assets	-	
16. Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	49,798	j
17. Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	
18. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-	d
19. Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	
20. Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	
21. Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22. Amount exceeding the 15% threshold	-	
23. of which: significant investments in the common stock of financials	-	
24. of which: mortgage servicing rights	-	
25. of which: deferred tax assets arising from temporary differences	-	
26. National specific regulatory adjustments	-	
27. Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional	-	
28. Total regulatory adjustments to Common equity Tier 1	53,304	
29. Common Equity Tier 1 capital (CET1) after regulatory adjustments	615,590	

**Additional Tier 1 Capital: Instruments**

30. Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31. of which: classified as equity under applicable accounting standards	-
32. of which: classified as liabilities under applicable accounting standards	-

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33. Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34. Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	316	r
35. of which: instruments issued by subsidiaries subject to phase-out	-	
36. Additional Tier 1 capital before regulatory adjustments	316	

**Additional Tier 1 Capital: Regulatory Adjustments**

37. Investments in own Additional Tier 1 instruments	-	
38. Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40. Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41. National specific regulatory adjustments	-	
42. Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43. Total regulatory adjustments to Additional Tier 1 capital	-	
44. Additional Tier 1 capital (AT1)	316	
45. Tier 1 capital (T1 = CET1 + AT1)	615,906	

**Tier 2 Capital: Instruments and Provisions**

46. Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47. Directly issued capital instruments subject to phase-out from Tier 2	-	
48. Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49. of which: instruments issued by subsidiaries subject to phase-out	-	
50. General Provisions included in Tier 2 capital	45,404	c
51. Tier 2 capital before regulatory adjustments	45,404	

**Tier 2 Capital: Regulatory Adjustments**

52. Investments in own Tier 2 instruments	-	
53. Reciprocal cross-holdings in Tier 2 instruments	-	

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54 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56 National specific regulatory adjustments	-
57 Total regulatory adjustments to Tier 2 capital	-
58 Tier 2 capital (T2)	45,404
<b>59 Total capital (TC = T1 + T2)</b>	<b>661,310</b>
<b>60 Total risk weighted assets</b>	<b>3,719,426</b>

#### Capital Ratios and Buffers

61 Common Equity Tier 1 (as a percentage of risk weighted assets)	16.55%
62 Tier 1 (as a percentage of risk weighted assets)	16.56%
63 Total capital (as a percentage of risk weighted assets)	17.78%
64 Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	8.50%
65 of which: capital conservation buffer requirement	1.00%
66 of which: bank specific countercyclical buffer requirement	-
67 of which: D-SIB buffer requirement	0.50%
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	9.55%

#### National Minima

69 National Common Equity Tier 1 minimum ratio	8.00%
70 National Tier 1 minimum ratio	9.50%
71 National total capital minimum ratio excluding CCY and DSIB buffers	11.50%

#### Amounts below the Thresholds for Deduction (before Risk Weighting)

72 Non-significant investments in the capital of financial institutions	-	e
73 Significant investments in the common stock of financial institutions	-	
74 Mortgage servicing rights (net of related tax liability)	-	
75 Deferred tax assets arising from temporary differences (net of related tax liability)	-	

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### Applicable Caps on the Inclusion of Provisions in Tier 2

76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	197,023	a+b+g
77 Cap on inclusion of provisions in Tier 2 under standardized approach	45,404	c
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

### 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;

	2023		
	KD 000'S		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
<b>Assets</b>			
Cash and short term funds	696,647		
Treasury and Central Bank bonds	176,887		
Due from banks and other financial institutions	444,674	1,793	a
Loans and advances	2,430,041		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		188,560	b
Of which: Cap on inclusion of general provisions in Tier 2		47,803	c
Investment securities	333,426		
of which: non significant investment in capital of financial institutions (amount above the threshold for deduction)		-	d
Of which: non significant investment in the capital of financial institutions (amounts below the thresholds for deduction)		-	e
Premises and equipment	29,311		
Intangible assets	3,506	3,506	f
Other assets	61,521		
<b>Total assets</b>	<b>4,176,013</b>		
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	161,154		
Due to other financial institutions	190,770		
Customer deposits	2,200,336		
Other borrowed funds	740,096	50,000	g
Other liabilities	223,079		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		8,063	h
<b>Total liabilities</b>	<b>3,515,435</b>		

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	2023		
	KD 000'S		
	Consolidated regulatory financial position	Component used in capital disclosure templat	Cross reference to common disclosure template
<b>Equity</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital	199,206	199,206	i
Proposed bonus shares	-	-	j
Treasury shares	(99,369)	99,369	k
Reserves	285,515		
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		24,869	p
of which: investment valuation reserve		59,951	q
Retained earnings	230,157	233,351	r
	615,509		
Proposed dividend	44,823		
	660,332		
<b>Non-controlling interests</b>	246	246	s
<b>Total equity</b>	660,578		
<b>Total liabilities and equity</b>	4,176,013		

	2022		
	KD 000'S		
	Consolidated regulatory financial position	Component used in capital disclosure templat	Cross reference to common disclosure template
<b>Assets</b>			
Cash and short term funds	732,555		
Treasury and Central Bank bonds	183,555		
Due from banks and other financial institutions	480,202	683	a
Loans and advances	2,419,548		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		188,464	b
Of which: Cap on inclusion of general provisions in Tier 2		45,404	c
Investment securities	372,903		
Of which: non significant investment in capital of financial institutions (amount above the threshold for deduction)		-	d
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		-	e
Premises and equipment	29,414		
Intangible assets	3,506	3,506	f
Other assets	88,790		
<b>Total assets</b>	4,310,473		

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	2022		Cross reference to common disclosure template
	Consolidated regulatory financial position	Component used in capital disclosure template	
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	224,847		
Due to other financial institutions	273,743		
Customer deposits	2,340,285		
Other borrowed funds	611,442		
Other liabilities	199,835		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2			
Due to other financial institutions			
Customer deposits			
Other borrowed funds			
Other liabilities			
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		7,876	g
<b>Total liabilities</b>	<b>3,650,152</b>		
<b>Equity</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital	199,206	199,206	h
Proposed bonus shares	-	-	i
Treasury shares	(49,798)	49,798	j
Reserves	277,398		
of which: share premium		66,791	k
of which: statutory reserve		115,977	l
of which: general reserve		17,927	m
of which: treasury share reserve		-	n
of which: property revaluation reserve		25,242	o
of which: investment valuation reserve		51,461	p
Retained earnings	185,901	192,290	q
	612,707		
Proposed dividend	47,298		
	660,005		
<b>Non-controlling interests</b>	<b>316</b>	<b>316</b>	<b>r</b>
<b>Total equity</b>	<b>660,321</b>		
<b>Total liabilities and equity</b>	<b>4,310,473</b>		

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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	Kuwait Law
Regulatory treatment	
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	N/A
Coupons / dividends	
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

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#### 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:

	KD 000's	
	2023	2022
1 Total consolidated assets as per published financial statements	4,176,013	4,310,473
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	39,702	48,559
5 Securities Financing Transaction Exposures	-	-
6 Exposures for off-balance sheet items (i.e. credit equivalent amounts)	990,607	1,031,968
7 Other exposures	(3,506)	(3,506)
<b>8 Total exposures in calculation of leverage ratio</b>	<b>5,202,816</b>	<b>5,387,494</b>

##### (B) Leverage ratio common disclosure:

1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,176,013	4,310,473
2 (Asset amounts deducted in determining Tier I capital)	(3,506)	(3,506)
<b>3 Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>4,172,507</b>	<b>4,306,967</b>
4 Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	33,868	41,752
5 Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	5,834	6,807
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	-	-
<b>11 Total derivative exposures</b>	<b>39,702</b>	<b>48,559</b>
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 agent in the securities finance transaction (SFT)	-	-
<b>16 Total securities financing transaction exposures</b>	<b>-</b>	<b>-</b>
17 Off-balance sheet exposure (before application of credit conversion factors)	2,290,104	2,837,498
18 (Adjustments for conversion to credit equivalent amounts)	(1,299,497)	(1,805,530)
<b>19 Total Off-balance sheet exposure</b>	<b>990,607</b>	<b>1,031,968</b>
<b>20 Total exposures</b>	<b>5,202,816</b>	<b>5,387,494</b>
<b>21 Tier I capital</b>	<b>615,443</b>	<b>615,906</b>
<b>22 Leverage ratio (Tier I capital / total exposures)</b>	<b>11.83%</b>	<b>11.43%</b>

## V- Risk management

### Risk Governance

The Bank believes in undertaking risks associated with its business only after proper identification, assessment, management, and adequate mitigation of potential risk factors. The material risks to which the Bank is exposed to include credit risk and credit concentration risk, market risk and concentration risk, operational risk and residual operational risk, liquidity risk, interest rate risk, reputational risk, and strategic risk and legal risk.

The Risk Management Division of Bank is an independent and dedicated function reporting directly to the Board Risk Management Committee and administratively to the Chairman. The division is responsible for assessing, monitoring, and recommending strategies for control of credit and credit concentration, market and market concentration, liquidity, operational, interest rate, reputational, strategic, and legal risks. Specific personnel are assigned within the Risk Management division for overseeing each of these risks. The absence of any direct or indirect reporting lines or arrangements with other internal divisions, and permanent membership in all of the Group's executive committees are amongst the factors which reflect the independent nature of Risk Management's operations and the central role it maintains within the Group.

The Risk Management Division is subdivided into different units which assess, monitor, and control different risks. The Credit Risk Management Group (CRM) comprises the Obligor Credit Risk Management (OCRM) and Portfolio Credit Risk Management Departments (PCRM) respectively. The Non-Financial Risk Management Group (NFRM) comprises the Operational Risk Management Department which also manages Fraud Risk Management and Information Security Department. The Enterprise Risk Management (ERM) Group comprises of Risk Policies and Secretariat Department (RPSD), Risk Reporting and Middle Office Department (RRMOD), and Analytics & Simulation Department (ASD).

1. Operational Risk Management Department (ORMD) is responsible for monitoring, measuring, and reporting the operational risks the Bank is exposed to, including fraud risks. The department collects operational risk data through Risk & Control Self Assessments (RCSA), Key Risk Indicators (KRIs), procedure reviews, and reported risk events. A risk event database is maintained and reported in the periodic risk management reports. ORMD is also responsible for the Bank-wide insurance management and for coordinating the Bank-wide Business Continuity Plan and ensuring regular testing.

2. Information Security Department (ISD) is responsible for identifying, monitoring, measuring and reporting all the Bank's information security risks including internal and external threats whether deliberate or accidental, on all information assets of the Bank. ISD has established and maintains the related policies and procedures; as well as tests the effectiveness of the controls in order to keep the Bank's information assets secure. ISD provides periodic reports to the BRMC and BOD on the Bank's capability to manage information security and cybersecurity risks in addition to monitoring the implementation of the information security projects. ISD acts as an advisor to provide inputs to follow mandated compliance requirements across the Bank to safeguard its information assets.

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

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

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

The Credit & Investment Committee is the executive management decision making body that is empowered to consider all credit & investment related issues within certain limits. The Asset Liability Committee (ALCO) is responsible for the overall asset liability management framework which broadly covers balance sheet structure, maturity profile, interest rate risk, capital adequacy, and foreign currency positions, review of related policies, and approval of exceptions. The ALCO also performs the role of a risk committee whereby it has a high-level oversight over the risk management process. The Provisioning Committee is responsible for the overall evaluation and control of provisions taken by the Group and adherence to the related regulatory requirements.

In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Group has a formal enterprise-wide risk management policy, which provides detailed guidelines for a sound framework for enterprise-wide risk management. The objectives of risk management are supported by various risk policies that are reviewed and updated regularly. The risk policies, in general, cater to detailed planning for various risks based on business strategies, past performance, future expectations, economic conditions and, internal as well as external regulations. The policies also require a comprehensive analysis of a set of pre-determined parameters prior to the introduction of new products or instruments. The policies have put internal limits (nominal and risk-based) in place for continuous monitoring and ensuring that risks are maintained within the Group's risk appetite. Periodical reporting of risks to various authorities including the ALCO and the Board ensures that the executive management and the Board are continuously kept aware of positions thereby enabling informed decision-making.

The Group also conducts enterprise wide stress test in order to analyse the impact of extreme events on the profitability and capital adequacy.

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

**a. Credit Risk**

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

The Credit Policy and 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 the requirements in Credit policy.

The Credit Policy is supplemented by the Credit Risk Management Policy which establishes the infrastructure for credit risk management including tools for risk rating, portfolio analysis and independent credit assessment. Internal limits are also established to mitigate credit concentration and improve 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, facilities relevance to the business needs, management expertise, identifiable sources of repayment, available collateral, additional credit comfort and support available, etc. In addition, comprehensive post sanction reviews at the individual and portfolio levels are conducted to effectively monitor and control the existing credit portfolio.

Appropriate risk analysis ensures that the approved limits are commensurate with the risk profile of the counterparties. Apart from individual lending limits, broader portfolio level exposure limits have been stipulated for perceived high risk sectors and

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exposure to these sectors are continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings by external credit rating agencies are in place to ensure adequate portfolio diversification in terms of sovereigns and geographies. The Division also utilizes a sector classification model allowing more granularity in sector risk assessment.

The Bank uses an obligor risk rating model based on an advanced algorithm using both financial and non-financial parameters to generate an obligor risk rating. The model grades obligors with performing assets on a scale of 1 to 8 with 1 being the best risk. Ratings of 9 to 11 apply to non-performing assets. The internal risk rating is used to drive the credit approval process. As required by CBK, our internal risk grades have also been mapped to external grades. The probability of default is calibrated to the obligor rating. Non-financial considerations are industry specific and thus allow more fine-tuned risk assessment for different industries. The facility risk rating is also being done. Maximum counterparty/group-wise lending limits are applied to exposures according to regulatory norms for credit concentration.

Appropriate risk analysis ensures that the limits approved are commensurate with the risk profile of the borrower. Apart from individual lending limits, broader portfolio-level exposure limits have been stipulated for perceived higher-risk sectors, and exposure to these segments is continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings of external credit rating agencies like Moodys, Fitch, and S&P, are in place to ensure adequate portfolio diversification in terms of sovereign ratings and geographical exposures. The Division also implemented a sector risk assessment model allowing more granularity in sector classification.

The Bank also measures economic capital for credit risk including that for name, collateral, sector and geographic concentration under Pillar two of Basel III.

Bank's exposure to derivatives is by way of forex forwards with banks and bank customers and interest rate swaps entered into for hedging fixed rate bonds in the bond portfolio. As the Credit Value Adjustment (CVA) for Counterparty Credit Risk (CCR) is insignificant separate economic capital is not considered necessary. Credit limits for counterparty credit exposures, which are banks, are set up based on the External Credit Assessment Institution (ECAI) ratings and the bank's credit policy and are reviewed periodically. The counterparties in derivative transactions are banks and limits are set up on an unadvised basis and hence the bank holds the control of preventing wrong-way exposures. Obtaining and offering collateral are governed by the respective ISDA agreements entered into.

The bank does not undertake securitisation of its credit exposures

#### b. Market Risk

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

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

The Bank also assesses the market risk through internally developed Value at Risk (VaR) measures. VaR is based on higher of historical simulation and parametric approaches 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.

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The market risk policy also addresses the need for hedging under certain circumstances. The measurement of hedge effectiveness is governed by the market risk management policy which lays down guidelines for the establishment of hedges, the method of determining hedge effectiveness at inception and thereafter, and other general rules for hedge transactions.

#### c. Liquidity Risk

The Bank manages liquidity risks that are evident in maturity mismatches and liability-side concentrations. Limits are in place for the control of liquidity risk and these include the maximum allowable cumulative mismatches and a limit for the maximum amount allowed for lending. Internal alert limits are also laid down to ensure continued adherence to the regulatory limits. Internal limits for liabilities from significant depositors and from sensitive products/instruments are also in place. Limits were also introduced for mismatches in different time buckets to ensure that maturing assets and liabilities remain largely matched. A detailed liability side analysis is conducted periodically to discern rollover patterns, and identify core deposits, behavioral trends in short-term funds, and correlations with macroeconomic variables.

The Bank's liquidity risk management policy also requires that proper liquidity planning is periodically conducted and that stress tests are performed based on scenario analyses. A detailed contingency plan also forms part of the liquidity management framework. Economic capital for liquidity risk under pillar two of Basel III is also measured regularly.

The Basel Committee for Banking Supervision has introduced the Basel III regulations covering, among others, a global framework for liquidity risk management. The Bank has introduced internal limits for the liquidity ratios introduced in Basel III, i.e. the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). These ratios are being measured and monitored regularly against regulatory limits and internal limits.

#### d. Interest Rate Risk

Interest rate risk is managed as per the guidelines laid down in the interest rate risk management policy. The majority of the assets and liabilities of the Bank mature and/or re-price within one year and hence there is limited exposure to interest rate risk. Interest rate risk is monitored with the help of an interest rate sensitivity monitor (IRSM) in which assets and liabilities are distributed in pre-defined maturity / re-pricing time bands. The Earnings at Risk (EaR) is computed by applying BIS stipulated rate shocks to the IRSM and this is compared against internal limits that define the Bank's appetite for this risk. The changes in EVE based on BIS stipulated rate shocks are also calculated and compared against internal limits. Economic capital under pillar two for interest rate risk is measured regularly using an internally developed methodology.

#### e. Operational Risk

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

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

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

#### f. Information Security Risk

The objective of Information Security is to ensure the overall security of the Bank's information assets taking into consideration the multiple internal and external threats

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Information Security risk management provides a systematic approach and method to identify the risks and assess the controls to achieve this objective. The Bank has developed a comprehensive Information Security Policy, in addition to the Information Security Risk Management Policy which provides a detailed approach to identifying, analyzing, prioritizing, treating and monitoring Information security risks.

#### g. Other risks

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

### VI- Credit Exposures

The credit policy of the Group lays down the general lending standards as well as specific policies pertaining to different lending areas. Among others, the credit policy defines the lending criteria, the approval process for various credit decisions, documentation requirements, margin requirements, etc. The credit policy also includes a formal credit approval hierarchy designed on the basis of amount/tenor and other features of the credit facility(ies) considered is in place for making suitable credit decisions. All credit decisions made at lower levels of the hierarchy are reviewed by the highest approval authority, the BLC.

Provisions for credit losses are recognized on credit facilities based on the Central Bank of Kuwait (CBK) guidelines (The guidelines). As per the guidelines, the provision for credit losses to be recognized is higher of i) Expected credit losses as per CBK's IFRS 9 guidelines and; ii) Provision required by the CBK rules on classification of credit facilities and calculation of their provisions (the CBK rules).

For details on ECL methodology please refer financial statement note 2.i.ix "impairment of financial asset".

The CBK rules stipulate two-tier approach for credit loss estimation. The total credit loss to be recognized is the sum of the General and Specific provisions. General provision is computed as 1% of the outstanding cash facility balance and 0.5% of non-cash facility balance after netting of certain restricted categories of collateral. Specific provision calculation is based on the categorization of a credit facility into undermention and past due categories. Credit facilities are classified in the following categories when there is an objective evidence of impairment based on specified criteria, including management judgment of increase in credit risk.

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

However as a prudent and conservative measure, Bank immediately builds 100% provision and write-offs for all credit facilities that are past due more than ninety days. The ECAIs used for capital adequacy computation are in accordance with CBK rules and regulations pertaining to the capital adequacy standard. The permissible ECAIs under the regulations are Moody's, Standard & Poor, and Fitch. The ECAI ratings are translated into specific risk weights in line with the mapping process defined in the same regulations. The mapping process involves the application of stipulated risk weights for different ECAI ratings and in the case of claims on banks, into short-term and long-term exposures, as laid down in the regulations.

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**a. Gross credit exposures**

	2023			2022		
	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	446,906	446,906	-	444,161	444,161	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	178,010	178,010	-	178,562	178,562	-
4. Claims on MDBs	48,169	48,169	-	-	-	-
5. Claims on banks	1,334,615	1,064,899	269,716	1,544,054	1,228,806	315,248
6. Claims on corporates	3,927,985	1,908,162	2,019,823	4,453,070	1,931,394	2,521,676
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	48,382	48,382	-	51,919	51,919	-
9. Regulatory retail	515,400	514,952	448	508,406	507,950	456
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	117	-	117	118	-	118
12. Other assets	153,380	153,380	-	153,322	153,322	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>6,652,964</b>	<b>4,362,860</b>	<b>2,290,104</b>	7,333,612	4,496,114	2,837,498

**b. Average gross credit exposures**

	2023			2022		
	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	445,534	445,534	-	415,386	415,386	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	178,286	178,286	-	179,970	179,970	-
4. Claims on MDBs	24,085	24,085	-	-	-	-
5. Claims on banks	1,439,335	1,146,853	292,482	1,531,151	1,220,597	310,554
6. Claims on corporates	4,190,528	1,919,778	2,270,750	4,242,480	1,853,022	2,389,458
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	50,151	50,151	-	43,128	43,128	-
9. Regulatory retail	511,903	511,451	452	503,363	502,921	442
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	118	-	118	116	-	116
12. Other assets	153,351	153,351	-	148,698	148,698	-
13. Claims on securitised assets	-	-	-	-	-	-
Funded credit exposures by geographic sector	<b>6,993,291</b>	<b>4,429,489</b>	<b>2,563,802</b>	7,064,292	4,363,722	2,700,570

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**c. Total credit exposures by geographaic sector**

As at 31 December 2023	KD 000'S					
	Kuwait	Asia	Europe	Usa	Others	Total
1. Claims on sovereigns	417,812	29,094	-	-	-	446,906
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	156,472	21,538	-	-	-	178,010
4. Claims on MDBs	48,169	-	-	-	-	48,169
5. Claims on banks	119,848	973,713	162,510	13,464	65,080	1,334,615
6. Claims on corporates	3,539,029	235,340	51,797	80,086	21,733	3,927,985
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	48,382	-	-	-	-	48,382
9. Regulatory retail	515,387	13	-	-	-	515,400
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	117	-	-	-	-	117
12. Other assets	150,220	2,113	1,047	-	-	153,380
13. Claims on securitised assets	-	-	-	-	-	-
	<b>4,995,436</b>	<b>1,261,811</b>	<b>215,354</b>	<b>93,550</b>	<b>86,813</b>	<b>6,652,964</b>
Percentage of credit exposure b geographical sector	<b>75.1%</b>	<b>19.0%</b>	<b>3.2%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>100.0%</b>

As at 31 December 2022	KD 000'S					
	Kuwait	Asia	Europe	USA	Others	Total
1. Claims on sovereigns	396,368	47,793	-	-	-	444,161
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	178,562	-	-	-	-	178,562
4. Claims on MDBs	-	-	-	-	-	-
5. Claims on banks	291,470	915,141	266,484	13,051	57,908	1,544,054
6. Claims on corporates	4,025,219	238,352	51,027	67,042	71,430	4,453,070
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	51,919	-	-	-	-	51,919
9. Regulatory retail	508,384	22	-	-	-	508,406
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	118	-	-	-	-	118
12. Other assets	151,317	988	1,011	-	6	153,322
13. Claims on securitised assets	-	-	-	-	-	-
	<b>5,603,357</b>	<b>1,202,296</b>	<b>318,522</b>	<b>80,093</b>	<b>129,344</b>	<b>7,333,612</b>
Percentage of credit exposure b geographical sector	<b>76.4%</b>	<b>16.4%</b>	<b>4.3%</b>	<b>1.1%</b>	<b>1.8%</b>	<b>100.0%</b>

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**d. Funded credit exposures by geographic sector**

		KD 000'S					
<b>As at 31 December 2023</b>		<b>Kuwait</b>	<b>Asia</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Total</b>
1.	Claims on sovereigns	417,812	29,094	-	-	-	446,906
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	156,472	21,538	-	-	-	178,010
4.	Claims on MDBs	48,169	-	-	-	-	48,169
5.	Claims on banks	119,848	765,018	101,795	13,274	64,964	1,064,899
6.	Claims on corporates	1,804,036	102,301	467	38	1,320	1,908,162
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	48,382	-	-	-	-	48,382
9.	Regulatory retail	514,939	13	-	-	-	514,952
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	-	-	-	-	-
12.	Other assets	150,220	2,113	1,047	-	-	153,380
13.	Claims on securitised assets	-	-	-	-	-	-
		<b>3,259,878</b>	<b>920,077</b>	<b>103,309</b>	<b>13,312</b>	<b>66,284</b>	<b>4,362,860</b>
Percentage of credit exposure by geographical sector		<b>74.7%</b>	<b>21.1%</b>	<b>2.4%</b>	<b>0.3%</b>	<b>1.5%</b>	<b>100.0%</b>

		KD 000'S					
<b>As at 31 December 2022</b>		<b>Kuwait</b>	<b>Asia</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Total</b>
1.	Claims on sovereigns	396,368	47,793	-	-	-	444,161
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	178,562	-	-	-	-	178,562
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	291,470	706,205	185,020	12,886	33,225	1,228,806
6.	Claims on corporates	1,755,036	162,453	4,668	-	9,237	1,931,394
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	51,919	-	-	-	-	51,919
9.	Regulatory retail	507,928	22	-	-	-	507,950
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	-	-	-	-	-
12.	Other assets	151,317	988	1,011	-	6	153,322
13.	Claims on securitised assets	-	-	-	-	-	-
		<b>3,332,600</b>	<b>917,461</b>	<b>190,699</b>	<b>12,886</b>	<b>42,468</b>	<b>4,496,114</b>
Percentage of credit exposure by geographical sector		<b>74.1%</b>	<b>20.5%</b>	<b>4.2%</b>	<b>0.3%</b>	<b>0.9%</b>	<b>100.0%</b>

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**e. Unfunded credit exposures by geographic sector**

As at 31 December 2023	KD 000'S					
	Kuwait	Asia	Europe	USA	Other	Total
1. Claims on sovereigns	-	-	-	-	-	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	-	-
4. Claims on MDBs	-	-	-	-	-	-
5. Claims on banks	-	208,695	60,715	190	116	269,716
6. Claims on corporates	1,734,993	133,039	51,330	80,048	20,413	2,019,823
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	-	-	-	-	-	-
9. Regulatory retail	448	-	-	-	-	448
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	117	-	-	-	-	117
12. Other assets	-	-	-	-	-	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>1,735,558</b>	<b>341,734</b>	<b>112,045</b>	<b>80,238</b>	<b>20,529</b>	<b>2,290,104</b>
Percentage of total credit exposures by residual maturity	<b>75.8%</b>	<b>14.9%</b>	<b>4.9%</b>	<b>3.5%</b>	<b>0.9%</b>	<b>100%</b>

As at 31 December 2022	KD 000'S					
	Kuwait	Asia	Europe	USA	Other	Total
1. Claims on sovereigns	-	-	-	-	-	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	-	-
4. Claims on MDBs	-	-	-	-	-	-
5. Claims on banks	-	208,936	81,464	165	24,683	315,248
6. Claims on corporates	2,270,183	75,899	46,359	67,042	62,193	2,521,676
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	-	-	-	-	-	-
9. Regulatory retail	456	-	-	-	-	456
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	118	-	-	-	-	118
12. Other assets	-	-	-	-	-	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>2,270,767</b>	<b>284,835</b>	<b>127,823</b>	<b>67,207</b>	<b>86,876</b>	<b>2,837,498</b>
Percentage of total credit exposures by residual maturity	<b>80%</b>	<b>10%</b>	<b>4.5%</b>	<b>2.4%</b>	<b>3.1%</b>	<b>100%</b>

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**f. Total credit exposures by residual maturity**

As at 31 December 2023	KD 000'S					Total
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	
1. Claims on sovereigns	187,699	78,060	72,001	7,018	102,128	446,906
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	178,010	178,010
4. Claims on MDBs	-	-	-	48,169	-	48,169
5. Claims on banks	644,468	223,040	68,497	251,485	147,125	1,334,615
6. Claims on corporates	697,436	518,807	508,723	620,120	1,582,899	3,927,985
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	48,382	-	-	-	-	48,382
9. Regulatory retail	21,019	473	520	1,695	491,693	515,400
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	47	16	11	43	117
12. Other assets	151,630	1,136	524	36	54	153,380
13. Claims on securitised assets	-	-	-	-	-	-
	<b>1,750,634</b>	<b>821,563</b>	<b>650,281</b>	<b>928,534</b>	<b>2,501,952</b>	<b>6,652,964</b>
Percentage of total credit exposures by residual maturity	<b>26.3%</b>	<b>12.3%</b>	<b>9.8%</b>	<b>14.0%</b>	<b>37.6%</b>	<b>100.0%</b>

As at 31 December 2022	KD 000'S					Total
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	
1. Claims on sovereigns	185,742	91,333	76,124	18,382	72,580	444,161
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	178,562	178,562
4. Claims on MDBs	-	-	-	-	-	-
5. Claims on banks	623,152	473,973	128,230	118,891	199,808	1,544,054
6. Claims on corporates	453,609	692,548	618,121	660,937	2,027,855	4,453,070
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	51,919	-	-	-	-	51,919
9. Regulatory retail	20,095	565	1,043	2,299	484,404	508,406
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	47	16	11	44	118
12. Other assets	151,950	467	833	40	32	153,322
13. Claims on securitised assets	-	-	-	-	-	-
	<b>1,486,467</b>	<b>1,258,933</b>	<b>824,367</b>	<b>800,560</b>	<b>2,963,285</b>	<b>7,333,612</b>
Percentage of total credit exposures by residual maturity	<b>20.3%</b>	<b>17.2%</b>	<b>11.2%</b>	<b>10.9%</b>	<b>40.4%</b>	<b>100.0%</b>

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**g. Funded credit exposures by residual maturity**

As at 31 December 2023	KD 000'S					Total
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	
1. Claims on sovereigns	187,699	78,060	72,001	7,018	102,128	446,906
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	178,010	178,010
4. Claims on MDBs	-	-	-	48,169	-	48,169
5. Claims on banks	560,654	84,841	51,038	221,354	147,012	1,064,899
6. Claims on corporates	375,093	118,365	129,698	276,804	1,008,202	1,908,162
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	48,382	-	-	-	-	48,382
9. Regulatory retail	20,969	424	451	1,635	491,473	514,952
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	-	-	-	-	-
12. Other assets	151,630	1,136	524	36	54	153,380
13. Claims on securitised assets	-	-	-	-	-	-
	<b>1,344,427</b>	<b>282,826</b>	<b>253,712</b>	<b>555,016</b>	<b>1,926,879</b>	<b>4,362,860</b>
Percentage of total credit exposures by residual maturity	<b>30.8%</b>	<b>6.5%</b>	<b>5.8%</b>	<b>12.7%</b>	<b>44.2%</b>	<b>100.0%</b>

As at 31 December 2022	KD 000'S					Total
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	
1. Claims on sovereigns	185,742	91,333	76,124	18,382	72,580	444,161
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	178,562	178,562
4. Claims on MDBs	-	-	-	-	-	-
5. Claims on banks	550,554	323,004	84,677	89,610	180,961	1,228,806
6. Claims on corporates	179,833	273,480	205,275	150,176	1,122,630	1,931,394
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	51,919	-	-	-	-	51,919
9. Regulatory retail	20,063	538	968	2,240	484,141	507,950
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	-	-	-	-	-
12. Other assets	151,950	467	833	40	32	153,322
13. Claims on securitised assets	-	-	-	-	-	-
	<b>1,140,061</b>	<b>688,822</b>	<b>367,877</b>	<b>260,448</b>	<b>2,038,906</b>	<b>4,496,114</b>
Percentage of total credit exposures by residual maturity	<b>25.4%</b>	<b>15.3%</b>	<b>8.2%</b>	<b>5.8%</b>	<b>45.3%</b>	<b>100.0%</b>

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#### h. Unfunded credit exposures by residual maturity

As at 31 December 2023	2023				2022	Total
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	
1. Claims on sovereigns	-	-	-	-	-	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	-	-
4. Claims on MDBs	-	-	-	-	-	-
5. Claims on banks	83,814	138,199	17,459	30,131	113	269,716
6. Claims on corporates	322,343	400,442	379,025	343,316	574,697	2,019,823
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	-	-	-	-	-	-
9. Regulatory retail	50	49	69	60	220	448
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	47	16	11	43	117
12. Other assets	-	-	-	-	-	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>406,207</b>	<b>538,737</b>	<b>396,569</b>	<b>373,518</b>	<b>575,073</b>	<b>2,290,104</b>
Percentage of total credit exposures by residual maturity	<b>17.7%</b>	<b>23.5%</b>	<b>17.3%</b>	<b>16.3%</b>	<b>25.2%</b>	<b>100.0%</b>

As at 31 December 2022	KD 000'S					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	
1. Claims on sovereigns	-	-	-	-	-	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	-	-	-	-	-	-
4. Claims on MDBs	-	-	-	-	-	-
5. Claims on banks	72,598	150,969	43,553	29,281	18,847	315,248
6. Claims on corporates	273,776	419,068	412,846	510,761	905,225	2,521,676
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	-	-	-	-	-	-
9. Regulatory retail	32	27	75	59	263	456
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	47	16	11	44	118
12. Other assets	-	-	-	-	-	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>346,406</b>	<b>570,111</b>	<b>456,490</b>	<b>540,112</b>	<b>924,379</b>	<b>2,837,498</b>
Percentage of total credit exposures by residual maturity	<b>12.2%</b>	<b>20.1%</b>	<b>16.1%</b>	<b>19.0%</b>	<b>32.6%</b>	<b>100.0%</b>

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

	2023		2022	
	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	89,007	-	115,110	87
7. Claims on central counter parties	-	-	-	-
8. Cash items	-	-	-	-
9. Regulatory retail	18,744	168	17,322	-
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	-	-	-	-
12. Other assets	-	-	-	-
13. Claims on securitised assets	-	-	-	-
	<b>107,751</b>	<b>168</b>	32,432	87

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

	2023		2022	
	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	1,793	1,110	683	644
6. Claims on corporates	179,740	(3,555)	180,099	(6,863)
7. Claims on central counter parties	-	-	-	-
8. Cash items	-	-	-	-
9. Regulatory retail	6,796	2,560	6,426	1,819
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	-	-	-	-
12. Other assets	2,024	27	1,940	30,189
13. Claims on securitised assets	-	-	-	-
	<b>190,353</b>	<b>142</b>	189,147	25,789

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**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 2023			
1. Kuwait			107,751	168
2. Asia			-	-
3. Europe	-	-	-	-
4. USA	-	-	-	-
5. Others	-	-	-	-
	-	-	107,751	168

	KD 000'S			
	Gross Debt	Specific Provision	Past Due But Not Impaired	
			0-60 DAYS	61-90 DAYS
	As at 31 December 2022			
1. Kuwait				
2. Asia	-	-	132,432	87
3. Europe	-	-	-	-
4. USA	-	-	-	-
5. Others	-	-	-	-
	-	-	132,432	87

**I. Movement in provisions**

	2023			2022		
	KD 000'S			KD 000'S		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	-	189,147	189,147	-	182,034	182,034
Write-offs	(20,190)	-	(20,190)	(16,325)	-	(16,325)
Exchange differences	-	17	17	-	22	22
Statement of income	20,190	1,189	21,379	16,325	7,091	23,416
	-	190,353	190,353	-	189,147	189,147

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**m. Credit exposures after CRM and CCF**

	2023		2022	
	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	447,021	-	444,308	-
2. Claims on international organisations	-	-	-	-
3. Claims on PSEs	-	189,446	-	191,417
4. Claims on MDBs	48,169	-	-	-
5. Claims on banks	1,208,817	137,801	1,278,299	309,998
6. Claims on corporates	42,644	2,520,132	830	2,400,395
7. Claims on central counter parties	-	-	-	-
8. Cash items	-	48,382	-	51,919
9. Regulatory retail	-	513,392	-	506,215
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	-	59	-	20
12. Other assets	-	153,380	-	152,575
13. Claims on securitised assets	-	-	-	-
	<b>1,746,651</b>	<b>3,562,592</b>	1,723,437	3,612,539

**VII- Credit risk mitigation**

Acceptable collateral includes cash, bank guarantees, shares, real estate, etc. subject to specific conditions on eligibility, margin requirements, etc. laid down in the credit policy. The credit risk mitigation used for capital adequacy computation includes collateral in the form of cash and shares as well as guarantees by 'A' rated Banks in accordance with the CBK's rules and regulations concerning capital adequacy standards. The credit policy of the Group lays down guidelines for collateral valuation and management which includes, minimum coverage requirements for different categories of collateral, remargining, frequency and basis of revaluation, documentation, insurance, custodial requirements, etc. According to the credit policy, the frequency of revaluing the collateral depends on the type of collateral. Specifically, daily revaluation is required for share collateral and also in cases where the collateral is in a different currency to the exposure. This process is handled by a department independent of the business divisions to ensure objectivity. An independent annual analysis is conducted by Risk Management Division to categorize the shares acceptable as collateral into different grades for the purpose of stipulating differential margin requirements.

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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
<b>AS AT 31 DECEMBER 2023</b>				
1. Claims on sovereigns	446,906	-	-	-
2. Claims on international organisations	-	-	-	-
3. Claims on PSEs	178,010	-	-	-
4. Claims on MDBs	48,169	-	-	-
5. Claims on banks	1,334,615	-	-	-
6. Claims on corporates	3,927,985	726,554	132,082	-
7. Claims on central counter parties	-	-	-	-
8. Cash items	48,382	-	-	-
9. Regulatory retail	515,400	17,725	1,871	-
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	117	-	-	-
12. Other assets	153,380	7,648	-	-
13. Claims on securitised assets	-	-	-	-
	<b>6,652,964</b>	<b>751,927</b>	<b>133,953</b>	<b>-</b>

	KD 000'S			
	Total Gross Exposures	Collateralised Exposures	Financial Collaterals	Bank Guarantees
<b>As at 31 December 2022</b>				
1. Claims on sovereigns	444,161	-	-	-
2. Claims on international organisations	-	-	-	-
3. Claims on PSEs	178,562	-	-	-
4. Claims on MDBs	-	-	-	-
5. Claims on banks	1,544,054	-	-	-
6. Claims on corporates	4,453,070	770,160	242,474	-
7. Claims on central counter parties	-	-	-	-
8. Cash items	51,919	-	-	-
9. Regulatory retail	508,406	18,474	1,963	-
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	118	-	39	-
12. Other assets	153,322	748	747	-
13. Claims on securitised assets	-	-	-	-
	<b>7,333,612</b>	<b>789,382</b>	<b>245,223</b>	<b>-</b>

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### 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:

	<b>2023</b>	2022
	<b>KD 000'S</b>	KD 000'S
1. Interest rate position risk	-	-
2. Equity position risk	-	-
3. Foreign exchange risk	<b>160</b>	544
4. Commodities risk	-	-
5. Options	-	-
	<b>160</b>	544

### IX- Operational risk

The Group uses the standardized approach for the computation of operational risk capital charge that amounted to KD 33,321 thousand 2022: KD 24,521 thousand) which primarily involves segregating the Group's activities into eight business lines and applying the relevant beta factors to the average gross income for each business line as defined in the CBK's rules and regulations pertaining to capital adequacy standards. However, capital for operational risk is separately calculated for pillar two purposes using a variation of the standardized approach based on the results of the operational risk scorecard.

### X- Equity position in the banking book

The majority of equity holdings are taken with the expectation of capital gains and dividend income. Strategic equity holdings are taken in financial institutions where the Group expects to develop a business relationship or ultimately gain control of that entity.

Equity investment securities in the Group are classified as "FVOCI". These are carried at fair value with any resultant gain or loss arising from changes in fair value taken to the investment valuation reserve through the consolidated statement of comprehensive income in equity.

Fair values are determined by reference to quoted market prices. The fair value for investments in mutual funds, unit trusts, or similar investment vehicles are based on the last published bid price. The fair value for unquoted investments is determined by reference to any recent transaction of shares of the same entity, the market value of a similar investment, or at a conservative discount to its net asset value or book value.

The quantitative information related to equity investment securities in the Group are as follows:

	<b>2023</b>	2022
	<b>KD 000'S</b>	KD 000'S
1. Value of investment disclosed in the balance sheet	<b>58,885</b>	50,026
2. Type and nature of investment securities		
Financial assets at FVOCI		
Equity securities -quoted	<b>33,411</b>	37,316
Equity securities -unquoted	<b>25,474</b>	12,710
	<b>58,885</b>	50,026
3. Cumulative realised gain (net) arising from sales of investment securities	-	-
4. Total unrealised gain / (loss) recognised in the balance sheet but not through profit and loss account	<b>6,748</b>	(144,925)
5. Capital requirements		
Financial assets at FVOCI	<b>7,655</b>	5,253

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### xi- Interest rate risk in the banking book

Interest rate risk management is governed by the interest rate risk management policy of the Group. The policy lays down guidelines for interest rate risk planning, reporting, and hedging. Various interest rate risk limits are also put in place. The policy also clearly defines the responsibilities of various committees and divisions in the context of interest rate risk management. Ongoing monitoring of interest rate risk within the Group involves the monthly generation of the interest rate sensitivity monitor (IRSM) which classifies all assets and liabilities into pre-defined time bands. The classification of the assets and liabilities is based on guidelines laid down in the policy which reflect the maturity/repricing characteristics of the underlying exposure.

Over a period of one year, the impact on net interest income based on repricing gaps is:

	2023		2022	
	Impact On Earnings		Impact On Earnings	
	±@ 1%	±@ 2%	±@ 1%	±@ 2%
	KD 000's	KD 000's	KD 000's	KD 000's
Kuwaiti dinars	14,948	29,896	15,728	31,456
US dollars	912	1,824	(1,964)	(3,928)
Other currencies	(172)	(344)	1,096	2,192
	±15,688	±31,376	±14,860	±29,720

### xi- Remuneration

Board nomination and remuneration committee (BNRC) is composed of at least three non-executives BOD members including the BNRC Chairperson (The BOD Chairman should not be a member of BNRC). The BNRC shall be chaired by an independent member. The BNRC Chairperson and members shall be selected by the BOD. Secretary to the Board acts as the secretary to BNRC. BNRC currently comprises of the following non executive Board members.

Mr. Husam Al bassam  
 Sh. Talal Al-Sabah  
 Mr. Yousef Al-Awadi  
 Mr. Manaf Al Muhana

The following are the main roles and responsibilities of BNRC:

1. Prepare this policy and review it on an annual basis at least or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto; such amendments/updates shall be effective only after the BOD approval. This review include evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information to work flow of the remunerations scheme presented by the management to the BNRC, and present the same to the BOD.
2. Oversees the implementation of the remunerations policy and scheme through the information and reports provided by the management to the BNRC quarterly, and present the same to the BOD.
3. Propose the recommendations to the BOD regarding the level and components of the proposed remunerations to the CEO, his deputies and assistants as well as who are at the same level of these executive jobs in the Bank, such recommendations shall be effective only after the BOD approval.
4. Coordinate with the Board Risk Management Committee (BRMC) and/or the CRO to evaluate the proposed incentives in the remunerations policy and scheme.
5. Ensure that the executive management has adopted effective systems, procedures and mechanisms to ensure compliance with this policy, and present the same to BOD.

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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. Evaluate the practices according to which remunerations are granted against realizing uncertain time-indefinite potential future revenues.
8. Determine the remunerations scheme in line with the sound practices related to granting remunerations.
9. 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 2023 BNRC was assisted by Internal Audit Division to review Remuneration Policy.

BNRC met 4 times during 2023. Remuneration paid to BNRC members for 2023 cover their memberships in other Board Committees and any other tasks assigned to them by the Board. Total Board of Directors' remuneration KD 614 thousand (2022: KD 483 thousand) is disclosed in Bank's annual report on aggregate level according to CBK's instructions related to Corporate Governance.

### Remuneration Policy

During 2023 remuneration policy was reviewed by BNRC, which submitted the updated remuneration policy to Board on 21 December 2023. 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.
- Fixed Remuneration - It is made up of basic salary ,allowance and related benefits.

#### 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.

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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:

	2023	2022
	KD 000'S	KD 000'S
Amount paid	1,714	1,517
No. of employees	1,168	1,035

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:

	2023		2022	
	No. Of Employees	KD 000'S	No. Of Employees	KD 000'S
Amount paid to:				
Kuwaiti employees	48	482	153	790
Non Kuwaiti employees	21	962	131	721

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

	KD 000'S			
	2023		2022	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed				
Cash-based	2,095	-	2,081	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
Total fixed	2,095	-	2,081	-

There is no variable remuneration was paid during the year.

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

	KD 000'S			
	2023		2022	
	No. Of Employees	Kd 000'S	No. Of Employees	Kd 000'S
Senior Management	16	2,095	15	2,081
Material Risk Takers	5	836	5	814
Financial & Control Functions	5	651	5	642



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location

التجاري  
Al-Tijari

