

REVIEW OF OPERATIONS

RETAIL BANKING DIVISION

Superior Banking Services

Retail Banking Division (RBD) continues to play a significant role in providing distinctive banking services to our customers. During 2008, a number of structural and administrative changes were introduced to the Division which contributed towards optimizing our performance and streamlining the workflow. The Division is effective within the Bank's general strategy which aims at offering the best banking services and products to customers. RBD achieved remarkable results in 2008 thanks to the consolidated efforts of all the branches' employees and the Division's management in bringing innovative banking services to the public, and in continuing to expand the Bank's customer base.

Retail Banking Division continued its conservative policy in offering new installment loans in accordance with the instructions and controls recently issued by the Central Bank of Kuwait. The Division continues to offer various deposit and account product offerings which cater for all customers' segments and meet their requirements.

Expansion of the Branch Network

Within the Bank's expansion strategy, Retail Banking Division expanded its branch network across Kuwait keeping its services easily accessible to all customers. During the year, the Division opened three new branches - Fahd Al Salem Street, Al Sour Street and Abdulla Al Mubarak District - bringing the total number of branches to 54. Notably, the Bank operates the second largest local branch network in Kuwait. The Division has improved the interior layout and exterior architecture in a number of branches in line with the contemporary brand standards. The Bank continue to enhance and develop its retail product offerings to cater for all customers' needs with its Lead Account, My First Account and other deposit offerings witnessing some enhancement during the year. Communication channels with customers continue to be updated and upgraded through the Bank's website, www.cbk-online.com.

Proactive Interaction with Customers

RBD constantly evaluates its participation in, and the success of, diverse activities and promotional campaigns used in marketing of its products. The Division continues to coordinate with the Bank's Advertising and Public Relations Department in a number of activities and festivals with the aim of bringing the Bank to the heart of the community.

Customer Service is our Top Priority

Maintaining the Bank's reputation for the highest level of customer support, Retail Banking Division continues to attract the very best new recruits and to train them with a view to further optimizing their skills. All members of our staff are trained to a high degree with the objective of enhancing their potential to serve our customers better. The Division's management initiated dialogue with a view to present a new

customer service manual offering guidance on how best our staff can provide solutions for customers.

CARD CENTER

In view of the Bank's constant pursuit of secure banking transactions conducted by customers via ATM Cards and Credit Cards, the Bank progressively replaced the magnetic cards by the chip-embedded cards.

Furthermore, the Division is working on improving and developing SMS Service to enable customers to be notified of their outstanding credit card obligations, credit cards' payments due and their credit cards' purchases and withdrawals. Shortly the Bank will launch an Immediate Payment Service for credit card dues through all the available channels including CBK branches, the Bank's web site, our Call Center and ATMs.

CBK DISCOUNT PROGRAM

In order to provide further state-of-the-art services and unique privileges for credit card holders, CBK has entered into agreements with a diverse range of restaurants, hotels, stores and entertainment venues in Kuwait with a view to offering customers an increasing number of valuable discounts on their purchases paid for by using CBK credit cards.

Commercial Bank of Kuwait has recently expanded its ATM network through a number of ATM Vehicles deployed in the areas which lack this service. Further, CBK endeavored, through a dedicated work team, to make these vehicles available in the popular locations and occasions.

Retail Banking Division will continue its earnest efforts towards introducing further improvements to customer services in order to achieve complete customer satisfaction.

CORPORATE CREDIT DIVISION

2008 will be remembered as a year of global financial crisis which has seriously affected markets everywhere - including Kuwait. This crisis had a negative effect on all sectors of the world economy. GCC stock markets, in common with global markets, have been in free-fall, particularly after September 2008.

Investment companies in Kuwait were the first to be hit as they saw the values of their investment plummet, resulting in access to new funds from banks drying up. This has had a severe impact on some of the major financial institutions, and raised questions on their ability to continue to operate. The worldwide recession and a continuous slide in oil prices, nearing the US\$ 30 a barrel mark, are expected to combine and leave their marks on the Kuwaiti market.

We foresee an ongoing recessionary trend and a difficult economic environment for 2009 during which the bank will continue to consolidate.

For most of the earlier part of 2008, the Bank continued to cautiously expand on the back of increased government and private sector spending which was fuelled by continuing high oil prices and an unprecedented government budget surplus.

With its developed team of creative and motivated professionals, Corporate Credits Division placed a special emphasis on providing uniquely pro-active personal attention to its clients in a highly competitive environment. This special attention distinguished CBK from its rivals and resulted in a well balanced growth in all business lines providing diversified revenue sources and superior returns to shareholders.

One of our major achievements in 2008 has been to successfully finance, on a fully underwritten basis, the US\$1 Billion Al-Zour South Gas Turbine Emergency Power Plant, this is in addition to other well known construction projects in Kuwait including the new headquarters of the Central Bank of Kuwait.

INTERNATIONAL BANKING DIVISION

CBK's reach in international markets allows us to support our customers and shareholders in a number of key ways. These include maintaining a broad base of relationships with foreign banks, and by taking proprietary positions and investing prudently in a portfolio mostly related to trade that maximizes the bank's fee income. Superior performance is achieved through participation in loan syndications and trade related risk participations. These utilize our extensive network of international correspondent banks that are active in these types of trade related transactions.

The year was a challenging one for CBK, but the International Banking Division (IBD) was able to remain profitable. Due to IBD's conservative credit choices, we were successful in avoiding exposure to markets and banks that experienced difficulties in 2008. Throughout this period, income was mainly derived from unfunded risk participation, in addition to funded business in selected markets.

TREASURY

Despite having witnessed financial meltdown in the banking arena across the globe in 2008, the result of a number of bank failures and of a decline in stocks and commodity prices worldwide, Treasury played a distinct role in maintaining the bank's high tempo of growth. The volume of business activity was rather lower during the second half of 2008 due to economic slowdown, yet Treasury continued to retain its leadership status, both in the Dollar/KWD foreign exchange market, as well as in the Kuwaiti Dinar money market. Moreover, Treasury traded actively across all major currencies in the foreign exchange market - proprietary as well as customer driven.

In the year 2008, banking relationships were greatly focused on corporate clients who stand as strong pillars for the bank's expansion. It remained our constant endeavour to focus on requirements of our customers, and to strive to leverage with improved technology to provide highest levels of service to the banking community. Treasury also developed a business relationship with major banks around the globe that has helped to achieve large credit lines as a further diversification of funding source. Treasury continues to work ceaselessly to become the preferred provider of banking services that target retail as well as wholesale customer segments.

Treasury's key success is built on the latest technology, and sound ethical practices combined with efficiency and effectiveness.

Besides, it is also to be noted that despite having obtained Central Bank's approval to commence Derivative trading activities, Treasury has opted to adopt a rather conservative approach on the subject issue. Currently, the program is kept in abeyance, though ready for launch at the appropriate time.

INVESTMENT DEPARTMENT

2008 – A challenging year: In a year that witnessed unprecedented turmoil in global financial markets, a year in which almost all investment strategies and asset classes crumbled and registered their worst returns in decades, Investment Department still managed to register decent gains. These gains were realized from sale of investments in different asset classes.

Dividend income and Fees from Fund Management activities also contributed to the bottom line.

Proprietary Investments: Investment Department is responsible for managing a portfolio of diversified and non-correlated assets for the Bank's proprietary books.

All investment activities of the Bank are carried out by a team of mainly Kuwaiti professionals. Investment guidelines laid down by the Central Bank of Kuwait are strictly adhered to and form the basis of the Bank's investment policy.

Asset Management

Asset management activities of Investment department commenced in 2002. Currently, six Funds are offered under the "Tijari Funds" umbrella. Two of the six Funds are fully Sharia compliant. These Funds cover a wide range of geographies and market sectors. Similar to all investment activities that were negatively affected by the global financial crisis, the performance of Tijari funds was affected by the crisis. The Funds currently managed by the Bank are:

- **Tijari Investment Fund:** Was launched in May 2002 and invests in quality stocks of Kuwait companies listed on the Kuwait Stock Exchange.
- **Tijari Money Market Fund:** One of the best performing among its peer group, this well diversified Fund, launched in September 2002 offers investors an alternative to deposits whilst providing a high degree of security and easier liquidity.
- **Tijari GCC Equity Fund:** Was launched during the December 2005 and invests mainly in the large cap and high growth quality stocks of the GCC region.
- **Tijari Islamic Fund:** The Fund invests in the Sharia compliant companies listed on the Kuwait Stock Exchange. The Fund was launched in July 2006 and is conservatively managed.
- **Tijari India Fund:** This “Fund of Funds” which was launched during January 2007, invests in Indian equity markets.
- **Tijari Islamic Money Market Fund:** Launched during December 2007, this Sharia compliant Fund invests mainly in Islamic money market Funds and in Islamic debt instruments.

DIVERSIFIED INCOME RESOURCES

Union Securities Brokerage Company

Investment Department played a key role in the Bank's acquiring majority ownership of Union Securities Brokerage Company (USBS).

USBC was incorporated in December 1984 as a closed Kuwaiti shareholding company. It is one of the only 14 licensed brokerage companies operating in Kuwait.

USBC's main business activity is executing orders for listed equities on Kuwait Stock Exchange. It carries out its brokerage activities from its main office located in the Kuwait Stock Exchange Building and from four other offices in Kuwait.

CBK Capital

During the first half of the year, CBK Capital, the fully owned subsidiary of the Bank, was formed with the paid up capital of KD 15 million. The formation of CBK Capital is the result of lengthy and extensive feasibility study and intensive interaction with the Regulators. Investment Department had a major role in the formation of CBK Capital.

CBK Capital will initially focus on the GCC and MENA region and plans to provide investment banking products and solution to institutional and high net worth individuals alike.

TIJARI PRIVATE BANKING (TPB)



Our mission is to become the trusted partner of our valued clients by providing them with value added banking and investment solutions through out all life stages, by a team of highly experienced professionals with proven credibility and remarkable track record.

Established in 2006, Tijari Private Banking continues its efforts to distinguish CBK high net worth individuals through outstanding personalized service, and remains constantly alive to each client's unique circumstances and requirements.

At Tijari Private Banking we place great emphasis on the building of long term multi-generational relationships. We maintain a high level personal and confidential business environment, and through this our relationships are built on well-grounded and mutual trust. Our clients entrust their assets to us. In return we make ensure we offer them the reassurance of dealing with one of Kuwait's leading Banks and constantly demonstrate that their assets are always in the safest of hands.

At Tijari Private Banking, we truly understand the value of time, therefore we gear all our resources to provide clients with the most comfortable and convenient banking and investment experience. Added to this we offer total confidentiality, trust and a high degree of personal attention.

We have created a state-of-the-art Private Banking Center exclusively for our Private Banking Clients. Staffed by highly trained relationship professionals who are always at our client's service, and ensuring that all our products and services you are presented in an appropriate environment. In this regards, we are constantly developing new ideas and solutions to add value to the relationship we hold with our clients and endeavour to protect their wealth across generations.

Our products and services are unique and tailored to suit each client's personal needs. We create, innovate and update all our products and services in order to establish, build and maintain a solid investment solutions platform.

RISK MANAGEMENT DIVISION

The continued importance assigned to prudential risk management at all levels of the Bank has ensured that it has remained largely immune to external financial shocks. The Bank's governance structure places primary responsibility for risk and control upon the risk taking units. The Risk Management Division is responsible for maintaining prudential oversight towards the risk taking activities of the Bank.

Risk management, which follows an enterprise wide approach, is based on a complementary set of policies that govern credit risk, market risk, operational risk, interest rate risk, liquidity risk and information security risk. The policies, in general, describe

the roles and responsibilities of various internal stakeholders, establish insightful and proactive planning for various risks, determine the appropriate levels of risk appetite and, lay down mechanism for measurement, reporting and escalation of risks and exceptions. The implementation of policy requirements is facilitated by appropriately qualified and competent risk professionals as well as systems and solutions. The Bank's risk management framework lays significant emphasis on analyzing and understanding the underlying risks before undertaking new transactions, and changing or implementing new processes and systems. This enables exhaustive assessment of all risks and ensures that the transactions and processes conform with the Bank's risk appetite and regulatory requirements. This is achieved through a combination of a governance structure which includes a multi-tiered approval ladder for transactions and processes, and independent reviews to analyze risks and which assist the decision makers.

Risk management also relies extensively on independent monitoring of the Bank's existing transactions and processes. This enables proactive identification of potential weaknesses in credit and investment portfolios as well as inherent operational risks in the Bank's continuing operations. This mechanism is aided by annual reviews of transactions, regular reviews of portfolios with credit and market risk elements, control self assessments, and monitoring of key risk indicators.

Quantification of risk enables objective measurement of underlying risks. An internally developed risk grading mechanism, which is regularly back-tested, is in place for numerical assessment of risks for commercial transactions that form the bulk of the Bank's lending portfolio. Internal tools are in place for regular measurement of Value at Risk (VaR) - for the market risk exposures - and Earnings at Risk (EaR) - for interest rate risk - in the banking book. The regulatory capital measurement, which is based on the standardized approach of Basel II, enables a bank-wide assessment of capital required to support the Bank's operations and also serves as a proxy for economic capital measurement.

INFORMATION TECHNOLOGY

In 2008 the bank embarked upon a series of improvements aimed at maintaining best practice in a number of key areas of information technology (IT). These areas were selected to provide security and assurance for the bank and our customers.

Included in this series was an integrated centralized disaster recovery system, as well as the provision for performance monitoring and management. A programme for the expansion of the utilization of RFIDs now also includes their use for IT fixed assets, and for VIP customer recognition.

Further enhancing and securing cashless banking, 2008 also saw the implementation of EMV compliant ATM switch, and the introduction of EMV debit and credit cards. A redesign of the

bank's network connectivity was successfully completed. This involved moving more than twenty of our branches to the much faster and more reliable direct fibre links. A central log repository now exists for all systems and devices, and ITD oversaw the replacement of firewalls allowing for more accurate trouble-shooting, system management, and control. Amongst the structures currently being finalized are a new core banking system which also includes the revision and implementation of best practice processes, and a new funds transfer pricing system aimed at offering greater equality in sharing income generated by the bank's different business units.

The bank's forward-looking strategy continues to drive the need for constant assessment, change and improvements. At ITD we look forward to answering these challenges as we lead the bank smoothly through specific and targeted IT solutions.

OPERATIONS DIVISION

The Operations Division plays a key role in providing day-to-day support to other divisions engaged in supporting the Bank's customers in addition to working directly with those who are served by Operations Division. Throughout 2008, the Operations Division has been engaged in the introduction of new technology as well as delivering the day to day responsibilities to internal and external customers. The new technology being implemented will deliver greater efficiency and will benefit both our customers and our staff.

Central Processing

The Central Processing Department has already implemented a number of changes to streamline processing practices, taking advantage of the changes in technology mentioned above. An increasing proportion of the department's processing is now delivered using Straight Through Processing (STP). This trend will continue into 2009 as STP capability is expanded. Increasing use of STP techniques will benefit our customers as processing times are reduced and information is more easily available.

Trade Services

Trade Services Department (TSD) continues to provide an important value added service to clients who require Letters of Guarantee and Letters of Credit in the area of Trade Services. A close working relationship between the Trade Services Department and the main business areas of the bank ensures that a quick and efficient service is provided in delivering these services to support our clients in their business activities. TSD also takes pride in providing advice to clients, particularly in complex trade transactions, where we are able to advise the client as to the most appropriate solution and structure in order to protect their best interests. In some cases experts from the department have provided direct training to the bank's customers regarding changes in the rules governing international trade. During 2008 the department completed a significant link up with CBK's branch network allowing our customers to request guarantees conveniently at their branch. However the expertise and processing services are now provided by the TSD.

Treasury Operations

The Treasury Operations Department has maintained its support role for the bank's Treasury Division and Investment Department and, in common with other departments within the Operations Division, has been managing its day to day responsibilities while embracing new technology related changes.

Credit Administration and Programme Management

During 2008, the Credit Administration Department has been investing heavily in preparation for the new technology changes which are planned to be launched towards the end of 2008 and in early 2009. These changes will result in significant advancement in the way the department manages its responsibilities.

The Programme Management Office is at the forefront of implementing change, working with all areas of the bank, ensuring that these improvements are implemented in accordance with the management's plans.

Overall, 2008 has been a year of change, requiring bank personnel to embrace and learn new processes and procedures while maintaining a high level of service to our customers. Many staff members have willingly made considerable efforts and sacrifices to achieve this. We all look forward to an exciting year in 2009 as the improvement and change this new technology offers begins to show results for the benefit of our customers, shareholders and staff.

HUMAN RESOURCES DEPARTMENT

The Management of the Bank continues to recognize that the employees are its greatest asset. Realizing the need to have the best people creates a competitive organization, the Bank continues to keep its staff happy by rewarding performance and granting generous salary increases through annual appraisals and promotions.

Training Unit

For the enhanced performance of any organization, it is important that its human resources are kept abreast of new developments and possess the relevant skills. To realize this, our Training Unit proactively looks after employees' training needs to meet and exceed internationally recognized standards. One approach to achieve this is by investing in in-house training, utilizing the services of reputable training providers and making use of the Bank's state of the art training facilities.

The Training Unit continued to organize the new recruits training program for 137 new employees and has nominated 8 staff to attend the Credit Management program and 4 staff to attend the Bank Branch Management Program. The Training Unit was very active during the year where it has organized 80 in-house training courses, 42 courses at training providers in Kuwait, 28 courses abroad and 42 courses with the Institute of Banking Studies.

Recruitment Unit

Once again, the Recruitment Unit has achieved its set target in recruiting a good number of high caliber Kuwaiti candidates. With these attractions, it has allowed the Kuwaiti candidates a chance to fulfill their aspirations and to promote their ideas into a healthy professional environment that will make them into tomorrow's leaders and successors.

Recruitment Unit's presence in certain events such as the annual job fairs in Kuwait University, American University of Kuwait, Gulf University, Australian College & the Public Authority for Applied Education and Training, allowed us to achieve first place in the 'Kuwaitization process' and to surpass the percentage/quota set by the Government with 170 Kuwaiti staff recruited during the year. Our continued participation in the National Union of Kuwaiti Students (NUKS) annual conference in the USA gives us the opportunity to attract high caliber Kuwaiti graduates from universities in the United States. Our future mission for these young graduates is to give them intense on-the-job training in various aspects of banking which will allow them to develop their career path in becoming our second line future managers.

The Summer Program is another on-going process at HRD. One which offers children and relatives of our employees' or the opportunity to do field training during the summer.

INTERNAL AUDIT

With the turmoil of markets around the world, it is natural for depositors and investors to demand assurance from the institution in which they choose to invest that correct controls, and the adherence to lawful policies and regulations, are maintained. The Internal Auditing Department, along with other control bodies in the bank, plays the critical role in ensuring compliance in this regard

The Commercial Bank of Kuwait's Internal Audit Department, plays a significant role in helping to accomplish the Bank's objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of risk management and corporate governance. This is the result of providing independent and objective assurance, as well as providing consultations that add value to and improve the Bank's operations.

In order to achieve the above objectives, the department is equipped with a highly qualified and experienced staff team that is able to assist the Bank's board of directors and the management in the discharge of their duties and their compliance with laws, regulations, internal policies and procedures.

ANTI MONEY LAUNDERING UNIT

Money laundering continues to be a global concern and the Anti Money Laundering (AML) Unit, which reports directly to the Chairman and Managing Director, continues to monitor, investigate and report any suspicious transactions. The upgrade automated AML system now extends coverage to all SWIFT messages in addition to domestic

transactions, and makes use of Central Bank of Kuwait, United Nations, U.S Treasury OFAC and internal blacklists to identify any suspicious and unusual transactions. The Anti Money Laundering Unit continues to comply with all regulatory requirements and ensures the implementation of best practise.

LEGAL DEPARTMENT

Legal Department plays a significant role in safeguarding the Bank's rights by rendering legal consultations through a professional team of legal advisors. Additionally, Legal Department arranges the legal relationship between the parties of any financing transaction and provides the documents and proceedings legally prescribed in this regard in a way that will guarantee swift, easy and legal formation of a credit relationship between the Bank and the borrowers. Further, Legal Department renders the legal advice on all the Bank's activities.

The Legal Department has an important role co-coordinating with all the other departments to provide legal services, support and advice, in addition to the drafting and preparing all types of contracts and agreements as required by the business functions.

The Legal Department represents the Bank before courts and public prosecution to safeguard the Bank, its shareholders and employees rights.

CPM DEPARTMENT

Under the direction of the Department Head and in line with the Bank's ambitious expansion strategy, the Construction and Property Management Department (CPM) has undertaken and successfully completed the construction of a new stand-alone branch at Dahiyat Abdulla Mubarak, which opened in October 2008. Other projects successfully completed this year include new branches at Farwaniya, the Vegetable Market, Salmiya, Fahad Al Salem, Al Soor and Hawally Tunis Street, with Dasma and Jahra nearing the completion stage.

Construction of two additional Branches, at Hadiya and Al Jleeb, are currently under process with others to follow, adding to the large branch network spread over Kuwait.

In addition, the CPM also provides timely and efficient maintenance services to both internal and external customers.

ADVERTISING & PUBLIC RELATIONS DEPARTMENT

The Caring Face of Commercial Bank of Kuwait

Our Advertising and Public Relations Department continues to play a key role in reinforcing the Bank's corporate image.. As one of Kuwait's leading financial institutions, CBK embraces every opportunity to demonstrate our commitment towards social responsibility, as well as supporting a revival of interest in Kuwait's heritage as an integral part of all other social, humanitarian and cultural activities.

During 2008, CBK offered patronage to Bait Lothan by sponsoring their full season of exhibitions and photography related activities. Further, CBK patronized Kuwait Real Estate & Investment Exhibition and the 1st GCC Sports Championship for Women.

Commercial Bank of Kuwait is a caring Bank, as such we are proud of the key role we play in all our charitable activities. During 2008, the Bank undertook an initiative in offering financial contributions to the families of prisoners in Kuwait's Central Jail. This generous initiative aims to alleviate the sufferings of these families and help them during what is a difficult time. Further, CBK renovated the garden of the school for mentally handicapped girls. This project was completed as part of the Bank's endeavors to offer assistance to children with special needs. The Bank also participated in the Gergian party held during the Holy Month of Ramadan for sick children at Hussien Mekki Jumaa Hospital

Continuing its broad view across the community, CBK had a strong presence in seminars, conferences and forums recently held, prominent amongst which was its sponsorship of the Kuwait Public Relations Conference for the second consecutive year. Furthermore, CBK sponsored the 3rd Cultural Legal Week of the Kuwaiti Lawyers Association at the 3rd Legal Book Fair, as well as continuing its patronage for the activities of the 5th Arab Media Forum.

Commercial Bank of Kuwait extended its support to Kuwaiti organizations abroad through providing sponsorship to the National Union of Kuwaiti Students Conference in the United States. The conference was attended by the Bank's Chairman & Managing Director who participated in the economic forum by presenting a paper on the current economic conditions. The Bank was patron of the Employment Opportunities Exhibition held as part of the conference.

In another step that demonstrated the Bank's endeavors to strengthen and widen social relationships among staff members, CBK arranged the 5th Al-Tijari Hobbyists Exhibition. This has become an eagerly anticipated event in which the Bank's employees exhibit their innovative works.

CBK and Traditional Kuwaiti Heritage

Commercial Bank of Kuwait is committed to supporting a revival of traditional Kuwaiti heritage. We see the growth of interest in Kuwait's heritage very much as a complementary strand to our vision as a progressive and forward looking institution. As part of our support, CBK issued an annual calendar for 2009 which included twelve paintings that depicted scenes of the traditional Kuwaiti heritage. Additionally Commercial Bank of Kuwait co-operated, for the third time, with the Ministry of Communications in issuing a set of stamps. The stamps depicted images from Kuwait's heritage which were included in calendars previously issued by the Bank.

Our Advertising and Public Relations Department looks forward to continuing these efforts, and more, all of which aim to further highlight the Bank's approach to all sporting, health, humanitarian and social activities.

CORPORATE GOVERNANCE

Framework for Governance

The Commercial Bank of Kuwait is committed to effective Corporate Governance, balancing innovation, commitment and corporate citizenship with control and transparency in all its dealings.

The Board of Commercial Bank of Kuwait has resolved that good faith, integrity, compliance, quality and respect must guide the conduct of directors, management and staff at all times when engaged in the Bank's business. These principles apply equally in dealings with customers, counterparties, regulatory authorities and business colleagues.

In order to apply these principles in a consistent manner, the Board has approved a formal Code of Conduct, which all employees receive on commencement of work with the Bank, including a requisite entry into a confidentiality undertaking.

The Corporate Governance framework for the Bank includes extensive operational policies and procedures, internal and external audit and compliance procedures, effective communications, transparent disclosure, accountability and measurement.

Background and Shareholders

Commercial Bank of Kuwait is a Public Shareholding Company incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange. The Bank is licensed and supervised as a commercial bank by the Central Bank of Kuwait.

The Board of Directors were aware of the following Shareholders with holdings in excess of 5% of the issued ordinary Share Capital as of 31st December 2008:

- **Al Sharq Holding 23.11%**

Key Committees

The following sets out in summary form the principal objectives and responsibilities of each Board committee.

The Board Executive Committee (BEC)

- Appointment of the CGM & CEO and those who report to him or her and the Chairman & MD
- Setting of objectives and policy frameworks including those related to Credit and Investment
- Formulation of overall banking and operating strategy
- Review and approval of action plans and implementation
- Review and approval of the annual budget
- Review and approval of internal control policies and supervision thereof

- Performance of quarterly reviews on the implementation of the action plan - amending where necessary
- Review of actual financial performance against budget
- Review and approval of marketing, organisational and administrative matters
- Review and approval of capital and project expenditure above the Chairman & MD's authority
- Review and approval of the Investment Policy, recommending to the Board of Directors any required amendments.
- Approval of certain investments in line with the Investment Policy
- Review of the Executive Management Team's quarterly performance report of the Investment Portfolio
- Approval of the asset class allocation of the Investment Portfolio
- Ensuring compliance with the Central Bank of Kuwait's investment instructions and regulations
- Delegation of the Executive Management Team to execute the disposal and acquisition transactions, participation in capital increases and approve the asset class allocation of the Investment Portfolio
- Submission of semi-annual performance reports of the Investment Portfolio to the Board of Directors

The Board Credit Committee (BCC)

- Review and approval of the Credit Policy and proposed amendments by the Credit Committee or Risk Management in accordance with the Central Bank of Kuwait's instructions
- Review and approval of Country Credit Limits for credit, investment and treasury
- Review and approval of foreign exchange control within the Central Bank of Kuwait's limits
- Review and approval of bank counterparty limits
- Review and approval of new and renewed credit facilities based on the Credit Committees recommendations and within Central Bank of Kuwait's limits
- Review and approval of fund returns, interest and fees reversal, off balance sheet transactions, write off of debts and the extension of credit limits as set out in the Credit Policy and within the Central Bank of Kuwait's instructions
- Review and approval of credit facilities offered to members of the Board of Directors ensuring compliance with the Central Bank of Kuwait's instructions.

The Board Audit Committee

- Ensure a climate of effective corporate governance and discipline within Commercial Bank of Kuwait
- Ensure the quality of financial reporting by reviewing the financial statements on behalf of the Board
- Oversee and support the internal audit function, giving it a greater degree of independence from management

- Provide a framework for the external auditors to assert their independence, whilst providing a communications channel through which to express issues of concern
- Selection of the Chief Internal Auditor
- Appoint External Auditors and designate budget and special audit assignment fees
- Review any resignations by or terminations of the External Auditors or the Chief Internal Auditor
- Review with the External Auditors the nature and scope of their audit and ensure proper coordination if more than one external audit office is involved

Board of Directors

In March 2006, the Shareholders elected Board Members for a term of three years:

- Abdul Majeed Haji Al Shatti
- Abdul Razzak Khaled Al Wazzan
- Abdul Fatah Mohammed Rafee Marafie
- Sadek Ibrahim Marafie
- Ahmad Mohammed Al-Mishari
- Fouad Ismail Dashti
- Khaled Ibrahim Al-Raqum