

التجاري  
Al-Tijari



# 2024 ANNUAL REPORT

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



Across sands, we grew with  
you and shall continue to  
build long lasting trust.



His Highness

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

The Amir of the State of Kuwait



His Highness

**Sheikh Sabah Khaled Al-Hamad Al-Sabah**

The Crown Prince of the State of Kuwait

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# Table of Contents

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01

**Board of Directors**

Page 6

02

**Introduction**

Page 8

03

**Chairman's Message**

Page 10

---

04

**Executive & Supervisory  
Management**

Page 14

05

**Economic Review**

Page 16

06

**Review of Operations**

Page 18

---

07

**Corporate Governance  
Rules and Systems**

Page 43

08

**Financial Review**

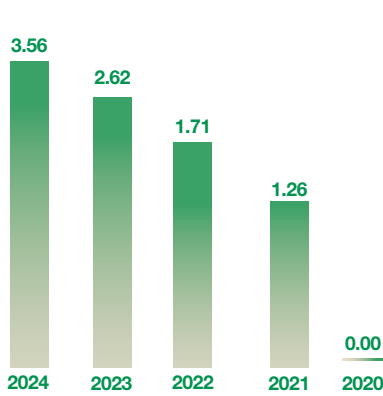
Page 76

09

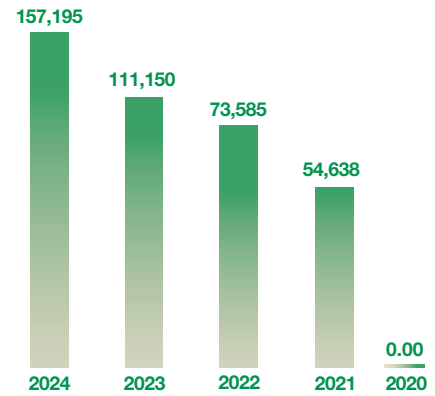
**Consolidated Financial  
Statements**

Page 78

# Financial Trends



**Return on Average Assets %**



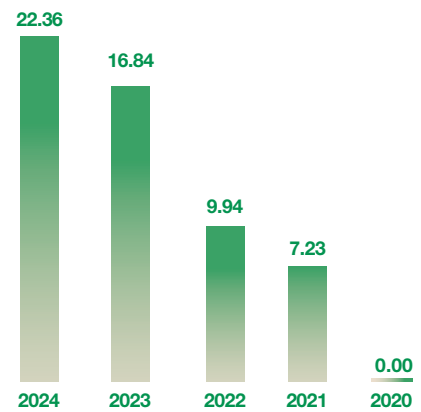
**Net Profit Attributable to Shareholders of the Parent Bank**

KD 000's



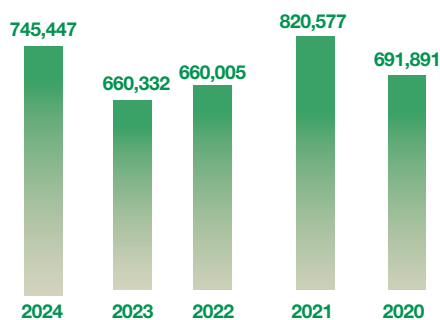
**Earning Per Share Attributable to Shareholders of the Parent Bank**

Fils Per Share



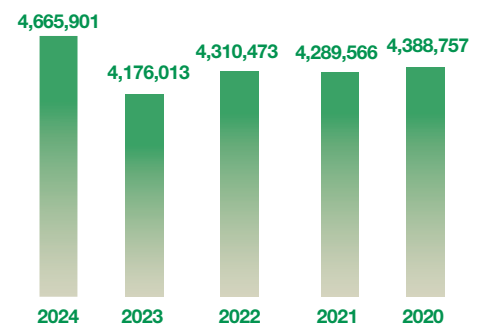
**Return on Shareholders' Equity**

(Average) %



**Equity Attributable to Shareholders of the Parent Bank**

KD 000's



**Total Assets**

KD 000's

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# Board of Directors



**Sheikh/ Ahmad Duaij 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



**Tareq Ahmad AlJassim**  
Independent Board Member



**Husam Abdulrahman AlBassam**  
Independent Board Member



**Ahmad Bader Wahedi**  
Independent Board Member

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# Introduction

# Introduction

## **Commercial Bank of Kuwait: Solid Financial Performance Backed by Vision and Strategy**

The year 2024 stands as a milestone in the journey of Commercial Bank of Kuwait (Al-Tijari), that spans over six decades in delivering exceptional performance across all metrics. The Bank posted record net profits—the highest since its founding—prompting the Board of Directors to recommend the largest cash dividend in both the Bank's history and the Kuwaiti banking sector for the year.

Amid the sweeping wave of digital transformation reshaping the global financial landscape, Al-Tijari continues to advance with steady momentum. The Bank has broadened its operations and introduced a range of innovative, premium banking services designed to meet the needs of all customer segments. These offerings not only surpass expectations but also compete with the finest solutions offered by leading banks locally, regionally, and globally.

With digital adoption accelerating and operational efficiency improving, Commercial Bank remains steadfast in its commitment to investing in cutting-edge technologies. The Bank focuses on crafting next-generation digital banking solutions within a solid regulatory framework—guided by a forward-looking strategy that integrates advanced digital systems and artificial intelligence. These initiatives are creating a secure, interconnected, and future-ready banking ecosystem that distinguishes Al-Tijari in a competitive market.

As Kuwait's second-oldest established Bank, with a proud heritage, a visionary outlook, and a strong presence in sustainability and social responsibility, Al-Tijari is set to continue driving meaningful transformation across the banking sector. Through innovative offerings, deep industry expertise, and investment in a highly capable workforce, the Bank reaffirms its commitment to the principles championed by its Executive Management: citizenship, leadership, sustainability, and social responsibility.

Chairman's Message



Sheikh/ Ahmad Duaj Al-Sabah

Chairman

# Chairman's Message

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

**Dear Shareholders,**

**Peace and Blessings of Allah be upon you**

It is with great pleasure that I present to you the performance review of Commercial Bank of Kuwait for the fiscal year 2024. This year marks a significant milestone in our Bank's history, characterized by record financial achievements and strategic advancements.

This year, our business delivered exceptional results, with record net profits and a strengthened capital position, the best performance and highest profit in the Bank's history. Our success is built on deep client relationships, a clear and consistent strategy, and strong execution across every level of the organization. At the core of our performance lies disciplined strategy execution, aligning our resources and talent with areas of greatest opportunity while reinforcing our strengths.

Our robust loan growth reflects the success of our customer-centric approach, fostering long-term relationships built on trust. Additionally, we have significantly invested in digital platforms to enhance the customer experience, ensuring simplicity, security, and efficiency as more customers embrace self-service channels. Our continued investment in both talent and technology ensures we remain at the forefront of innovation while safeguarding the Bank's future and catering to our customers' needs.

## 2024 Performance Overview

### Key Financial Highlights

Despite a challenging operating environment, we delivered outstanding financial results:

- Operating Income: KD 180.0 million, a 5.8% increase from 2023
- Operating Profit Before Provision: KD 117.7 million, up 0.5%
- Net Profit: KD 157.2 million, reflecting a 41.4% increase from last year
- Fee Income: KD 49.7 million, 11.6% higher than 2023
- Cost to Income Ratio: 34.64%, demonstrating operational efficiency
- Customer Loans and Advances: KD 2.8 billion, up 15.5%
- Total Assets: KD 4.7 billion, an increase of 11.7%
- Loan Loss Reserves: KD 257.1 million

Our regulatory ratios remained strong and well above the Central Bank of Kuwait's statutory requirements, including:

- Capital Adequacy Ratio: 18.9%
- Liquidity Coverage Ratio: 217.7%
- Net Stable Funding Ratio: 111.4%
- Leverage Ratio: 11.3%

Our commitment to risk discipline has been reflected in the continued zero non-performing loans since 2018, showcasing our effective early recognition and mitigation strategies.

Moody's upgraded the Bank's long and short-term deposit ratings, as well as its long-term Counterparty Risk Assessment and long-term Counterparty Risk Ratings. This upgrade reflects the successful execution of the Bank's strategy, enhanced asset quality, robust profitability driven by higher margins and solid fee income, strong capitalization, ample reserves to absorb credit losses, and substantial liquidity buffers.

## Business Updates

Treasury and Investment Division successfully completed a KD 100 million subordinated Tier 2 bond program, following the issuance of a KD 50 million second tranche. The proceeds from the bond issuance strengthened the Bank's Tier 2 capital and bolstered its capacity to finance large-scale projects.

Retail Banking Division continued to deliver an exceptional client experience, with a growing number of customers opting for self-service digital channels. To better serve customers of all ages and backgrounds, we focused on enabling, simplifying, and protecting their Banking experience by introducing efficient and secure platforms and smart ATMs that make it easier to do business with us.

In recognition of our efforts, Al-Tijari received the MasterCard Award for the Most Distinctive Prepaid Card in Kuwait at the Arab East Business Forum 2024 in Singapore, which focused on the future of digital payments and artificial intelligence.

Corporate Banking Division saw robust growth in its loan portfolio, with a strong focus on both traditional sectors and emerging industries, particularly those centered around AI, green energy, and other innovative fields. This strategic focus led to the expansion of credit offerings tailored to these industries, aligning with the Bank's goal of increasing sustainable financing and reducing customer and sector concentration.

International Banking Division achieved its highest growth in years, surpassing expectations. Our proactive approach in coordinating with foreign multinational corporations (MNCs) and Kuwaiti MNCs operating globally has opened up new business and direct financing opportunities. As global growth accelerates and monetary policies ease, we anticipate further expansion, including greater unfunded business opportunities.

## Sustainability and Social Responsibility

At Al-Tijari, we are committed to making a positive impact through our sustainability initiatives and social responsibility programs. Our focus on environmental stewardship, community support, and employee well-being is integral to our long-term vision. This year, we continued to partner with global organizations, launch creative campaigns, and engage in meaningful social projects. This year we:

- Partnered with the Inner Development Goals Initiative, a Swedish-based, non-profit initiative inspired by the UN SDGs. This collaboration aims to strengthen our sustainability framework and initiatives.
- Won the Brandon Hall Group HCM Excellence Awards which was granted to Commercial Bank of Kuwait in two categories: The GOLD AWARD for Best Learning in the Flow of Work and The BRONZE AWARD for Best Learning Team. The announcement was made during the 32<sup>nd</sup> annual HCM Excellence Awards which took place in Florida USA.

This recognition is a testament to the Bank's commitment to excellence and its continuous efforts to embed learning into every aspect of work and cultivate a culture where CBK employees thrive, excel, plan their professional paths and hone their skills. This approach is strongly supported by the Bank for developing national talents.

- Published our 2023 Sustainability Report, highlighting the significant progress made by the Bank within the context of its "2022-2026 Shaping the Future Strategy". The report reflects the Bank's commitment to sustainable growth, in line with its strategic plan and Kuwait Vision 2035. Throughout the year, the Bank has organized and launched several innovative campaigns and programs accentuating its key role as a socially responsible Banking institution aiming at consolidating sustainability and social responsibility efforts.
- Continued our support for 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 also uses its electronic channels and accounts on social media networks to educate customers on the importance of protecting their Banking information against fraud attempts.

### Outlook for 2025

At Al-Tijari, we plan with a long-term vision, focusing on strategic investments that enhance resilience, improve customer experience, and reinforce our leadership in the Banking sector. 2024 was a milestone year, marked by record profitability – the highest in the Bank's history - and robust financial indicators. These achievements reflect the dedication of our team, the trust of our customers, and the unwavering support of our shareholders. Looking ahead to 2025, we remain confident in our ability to deliver strong returns and navigate the evolving economic landscape. With a diversified and resilient business model, a customer-focused approach, and prudent management, we will continue executing our strategy with precision, prioritizing sustainable growth and value creation for all stakeholders. Our commitment remains steadfast in maximizing shareholder returns, enhancing service quality, and embracing modern advancements in the Banking sector, all while staying true to our core values and strategic goals.

### A Note of Gratitude

I would like to take this opportunity to express my sincere gratitude to His Highness the Amir of Kuwait, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Crown Prince, Sheikh Sabah Khaled Al-Hamad Al-Sabah, for their visionary leadership in shaping a peaceful and progressive Kuwait. My heartfelt appreciation also goes to the Central Bank of Kuwait and other regulatory authorities for their steadfast support and guidance. Finally, I would like to extend my deepest thanks to the Bank's shareholders, customers, and Executive Management and all our dedicated staff for their relentless efforts in making Al-Tijari the Bank of Choice.

Together, we look forward to another year of excellence and progress.



**Sheikh/ Ahmad Duaij Al-Sabah**

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# Executive & 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

**Mona Hussain AlAbdulrazzaq**

Secretary to the Board

**Ahmad Khaled AlKudhur**

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**

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

**Abdulaziz Saleh AlZaabi**

General Manager - Retail Banking Division

**Kunal Singh**

General Manager - International Banking Division

**Ebtissam Baqer AlHaddad**

General Manager - Strategic Planning & Follow up Division

**Ahmad Hamed BoAbbas**

Acting General Manager - Corporate Banking Division

**Talal Reyadh AlNassar**

Head of General Services Division

**Mohammad Bader AlHaid**

Head of Digital Transformation & Innovation Division

**Kholoud Basam AlMousa**

Head of Customer Complaints & Protection Department

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# Economic Review

## Global Economy

As per the latest IMF report, economic activity has shown resilience through early 2024, supported by robust private consumption in key economies. Despite challenges such as persistent services inflation and trade tension, the global economy is expected to grow steadily at 3.2% in 2024 and 3.3% in 2025. That said, the momentum of global disinflation is slowing due to persistent services inflation.

Overall, risk to the outlook remain balanced, but near-term risks have become more prominent. Upside risk to inflation stemmed from a lack of progress on services disinflation, renewed trade tensions, and geopolitical uncertainties. These risks may result in higher for even longer interest rates, which in turn increases external fiscal and financial risks. Additionally, significant swings in economic policy around elections could lead to fiscal slippages and heightened protectionism. By contrast, policies that promote multilateralism and a faster implementation of structural reforms could boost supply gains, productivity and growth with positive spillovers worldwide.

The priority for policymakers is to restore price stability and address the legacies of recent crises. Central Banks should be cautious about easing policies too early and remain open to further tightening if necessary. Where inflation data signal a durable return to stability, gradual monetary easing should proceed. This will also provide room for required fiscal consolidation. Fiscal policy should focus on rebuilding buffers, ensuring debt sustainability, and making room for priority investments. Finally, strengthening multilateral cooperation and reducing trade distorting measures is vital to address global challenges and promote sustainable growth.

## Kuwait Economy

The World Bank mentioned in their forecast report that economic growth of Kuwait is expected to record a contraction of 2.8% in 2024, following the effects of the oil production cuts by OPEC+. The non-oil sector is projected to grow by 2.3%, but still relatively elevated interest rates may restrain domestic consumption, preventing the economy from achieving its full potential.

The fiscal deficit is projected to persist in the medium term, influenced by the current expansionary fiscal stance. In the absence of economic diversification, oil revenue remains the government's predominant source of income. To ensure fiscal stability and reduce procyclicality, it is key to further reduce oil revenue dependency and advance the Kuwait Vision 2035 goals, alongside strengthening public financial management. Creating space for private sector activity, introducing VAT in alignment with other GCC countries), as well as other fiscal adjustments could broaden revenue sources and support the diversification agenda.

External accounts are expected to maintain a strong trade surplus at 27.2% of GDP in 2024, lower from the levels of 31% in 2023. The decrease is mainly attributable to benefits from the recovering tourism industry which will help in boosting the Kuwait Vision 2035 strategic development plan and 2024-2027 work plan. This is expected to trigger a gradual narrowing of the current-account surplus to 20.7% of GDP by 2026, down from an estimated 27.2% in 2024.

The KWD customer and interBank deposit rates slumped during the year mainly driven by excess KWD liquidity and meager loan growth.

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 2024, which is in line with the market volatility.

## Kuwait Stock Market

Kuwait Premier Market index posted a YTD better performance of 5% approx. to close at 7838.76 from 7477.04, whereas, Main Market 50 Index posted a stellar performance of 24% gain to close at 6806.66 from 5487.40. The Kuwait stock market outperformed the GCC market due to expected growth in the non-oil GDP sector, interest rate cuts and rising foreign direct investments.

Given that the Kuwait market is a part of the MSCI index, it will be highly impacted by the global financial market sentiment. The market is expecting Kuwait to emerge as a top performing investment venue in 2025, mainly backed by reforms, strong resources to withstand oil price shocks, and a solid budget.

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# Review of Operations

## Retail Banking Division

Retail Banking Division “RBD” continues to offer a wide array of products and services, such as opening accounts, taking deposits, granting consumer and housing loans, issuing credit, prepaid, and debit cards, and providing other retail Banking and branches-related services. RBD is composed of a set of specialized Departments such as Premier Banking Services, Branches, Card Centre, Virtual Banking, Marketing, and Direct Sales.

This year, our Banking services witnessed great development, focusing on digital transformation through adopting the latest advanced technologies. We continue offering our services through various Banking channels. The Bank works diligently on advancing and offering new products to provide customers with exceptional Banking experience. As part of our wide-ranging strategic digital transformation journey towards digital Banking services, we launched innovative services specially tailored to meet the evolving needs of our customers base.

RBD offers cutting-edge customer-centric services, which enable us to stay at a leading position in providing customized financial solutions. Through seamless integration of technology and human experience, we endeavor to exceed customer expectations, especially in the fields of premier Banking and retail Banking services for high net worth customers. We continue communicating with our customers, analyze their feedbacks and work on developing our services and solutions to cater for customers’ evolving needs.

- During 2024, Al-Tijari continued its digital transformation journey to improve customer services and expand the scope of the Bank’s digital portfolio through enhanced accessibility. Great advancement has been achieved by ensuring the availability of all CBK branches and ATM locations on Google Maps, which improves accessibility and availability of services for all customer segments. This initiative not only enhances customer convenience but also aims at improving customer satisfaction through prompt response to their queries and feedbacks.
- The Bank applies its policy for developing its branches network, enhancing expansion, and utilizing the latest technological and digital services in line with the best standards in the digital Banking industry. This allows the Bank to continue its successful journey towards digital transformation through the improvement of its digital platforms, and providing the best innovative services and solutions to customers. During 2024, the Bank developed its Ahmad Al-Jaber Branch in the heart of Kuwait City. It also deployed a number of self-service machines, enabling customers to perform various Banking transactions, such as deposits and withdrawals, in vital locations around Kuwait such as: 360 Mall, Dalal Centre in Salmiya, the Public Authority for Industry in South Surra, Kuwait Petroleum Corporation in Shuwaikh, the Oil Sector’s Training Center in Al-Ahmadi, Jazeera Airways Headquarters and T5 Airport Terminal.
- In June 2024, Al-Tijari, being one of the pilot Banks, launched the WAMD Instant Payment service. This initiative aimed at expanding the Bank’s digital services portfolio for attracting new customers. It represented a major step towards offering various instant financial services to all customer segments.
- The Bank has introduced several improvements to customer service. These include for example a feature allowing customers to request their credit card PINs via CBK Mobile app. and enabling owners of small and medium-sized enterprises to request account opening via T-bot app on WhatsApp. These efforts have contributed to easier and more secure Banking experience.

### Card Centre

The Bank has been awarded the “Most Distinctive Prepaid Card in Kuwait” during the MasterCard East Arabia Business Forum 2024, held in Singapore. The event brought together MasterCard’s partners and customers from across the Company’s East Arabia region to explore the future of digital payments and artificial intelligence.

The MasterCard Award acknowledges financial ecosystem players which have achieved remarkable strides in developing innovative payment solutions and providing distinctive customer Banking experiences and solutions. The Bank received the Award in recognition of its commitment to continuously upgrading and developing its product offerings and the launch of the multi-currency MasterCard prepaid card, which supports up to 13 foreign currencies, providing security and convenience to customers. This innovative payment product enables users to load their preferred currencies and is widely accepted worldwide as it bears MasterCard logo and is in line with the latest trends in the Banking cards and digital payments industry.

The Card Centre provides a wide variety of credit, prepaid and debit cards especially designed to meet the needs and expectations of our customers. In cooperation with renowned international financial services providers, such

as MasterCard and Visa Corporations, Al-Tijari Banking cards offer many features, such as easy access to cash around the clock and special rewards programs. Cardholders can also enjoy convenient payments worldwide, and chances to participate in exclusive promotional events.

During 2024, the Visa Signature Cashback Program was improved by increasing the cashback rate from 3% to 5%, with a maximum monthly cashback of KD 500, resulting in increased credit card acquisition and usage growth.

In line with the Bank's vision towards providing the highest levels of customer service, the Bank extended the working hours of the Card Center to provide services from 8 AM to 10 PM. This move reflects the Bank's care to facilitate customer service so that the customer will not need to leave office during his working hours to make his Banking transactions related to credit cards and online payment services offered by the Bank.

### Contact Centre

The Contact Centre plays a pivotal role in offering integrated Banking services, and assisting customers Banking with CBK around the clock. Through advanced technological channels such as video, voice options and CBK Mobile App., customers can easily make their Banking transactions, inquire about the Bank's products and services and get prompt assistance in performing Banking transactions.

The Contact Center also focuses on data protection and security, and instant responses to fraud or card theft cases. In addition, the Contact Center offers guidance to customers on best Banking solutions that meet their needs. These services ensure regular communication with customers, offering support and safeguarding Banking privacy.

### Summary of the Marketing Department Efforts and Campaigns

Retail Banking Division "RBD" is keen on offering optimal Banking services, products, and promotions to all customer segments. Within this framework, the Marketing Department launched many campaigns and arranged events that aim to create new exceptional experiences for potential and existing customers, with a focus on ensuring customer satisfaction, meeting their needs and exceeding their expectations. The following is a summary of some key campaigns and events during 2024:

- **Retirees Package**

During 2024, the Bank launched a salary transfer package especially tailored for retirees in recognition of this segment of society. This initiative was executed in cooperation with the Bank's strategic partner "Thekher" to ensure that retirees receive exclusive benefits and services. The package includes unique benefits, such as preferential rates on fixed deposits. The package is tailored particularly to meet the financial needs of the retirees. Through this special package, the Bank asserts its commitment to serving this important segment of society, and providing them with financial solutions that meet their needs.

- **Auto Loans**

The Auto Loans Campaign was a key activity this year. Customers were granted discounts up to KD 1,000 for financing their cars through Al-Tijari, with a loan up to KD 25,000 with flexible repayment terms up to five years. Several CBK booths have been set up in prominent locations and car showrooms where customers learned more about the Bank's special offers. The Bank also cooperated with car dealers who offered discounts up to KD 1440 on selected car brands, exclusive promotions on electric cars and big savings on customers' dream cars. The Campaign aimed to facilitate auto loans and provide customers with exclusive discounts on selected car brands.

- **Al-Najma Account Campaigns**

Al-Najma account is a flagship product that promotes savings and rewards for customers. The Bank launched its latest enhancements on Al-Najma Account where the balance required in the account to be eligible to enter the draws was reduced to KD 200 to encourage customers to embark upon their savings journey. In support of this Campaign, the Bank has set up various booths in several malls across Kuwait, and launched online marketing campaigns on social media platforms to encourage customers to open accounts with the Bank and increase their participation.

In January 2024, the Mega Draw on KD 1,500,000 took place in Murouj where the audience enjoyed the outdoor weather during the event that revolved around the idea of "Kashta", or camping, in celebration of

the camping season in Kuwait. The event covered various activities and was an unforgettable experience for participants. The semi-annual draw took place in Al-Khairan Mall in July. It was featured with spectacular settings that included the biggest 3D screen seen in a kiosk in Kuwait.

By the mid-year, “Al-Najma Summer” Campaign took place to encourage customers to maintain their account balance, or increase it, in preparation for the semi-annual draw in Al-Khairan Mall. In addition, “Al-Najma Eidiya” Campaign celebrated Eid Al-Adha in June where five lucky Al-Najma Account customers were given the chance to win gold stars as a symbol of investment and wealth.

## Campaigns and Promotions for Rewarding Customers

- **Summer Campaign**

As part of its annual events, the Bank launched its 2024 “Frosty Summer” Campaign, which was strategically launched early in May to accommodate customers who would normally book their summer vacation flight tickets and hotel accommodations before the start of the summer vacation. This year, the Campaign, lasting for three months, targeted all Al-Tijari credit card holders and gave them the chance to enter the monthly draw where five winners were selected every month. The first place winner won a trip to Finland, and the four other winners received cashback up to KD 2000 based on their spending. Not only did this Campaign encourage the use of credit cards, but it also coincided with summer travel plans, which led to an increase in customer participation.

- **Al-Tijari Concierge**

During 2024, the Bank expanded the scope of the Concierge services offered to customers travelling to Europe in cooperation with the Peacock Concierge Office in Marbella, Spain. This service is offered to Visa Infinite, Visa Signature, and Visa Platinum cardholders, including British Airways World and Platinum MasterCard cardholders. To further facilitate and enhance customer experience, customers can enjoy the WhatsApp chat feature, which allows them to communicate directly with the Concierge service and apply online without the need for a phone call. As such, to ensure customer comfort, the Concierge service provides an additional exclusive feature that includes free car park service in new car park locations for Visa Infinite and British Airways MasterCard cardholders.

- **Credit Card Campaigns**

The Bank maintained its strategy presenting exclusive offers and involving customers in promotional campaigns in 2024 to enhance credit cards utilization. The Bank has partnered with many famous stores to provide exclusive offers on electronics and smartphones, with special discounts for customers purchasing these products using CBK credit cards. Furthermore, all CBK credit card holders enjoyed cashback promotions up to 10% on stores and supermarket purchases thus increasing credit card transactions during the Holy Month of Ramadan.

- **Digital Services**

To enhance digital experience, the Bank launched the “Push Notifications” Campaign from February to June 2024 to encourage customers to activate CBK Mobile App notifications. This initiative aimed at reducing SMS notification costs where the Bank rewarded 35 winners with KD 50 during the Campaign. As such, an educational program was launched on social media platforms to guide users through the Push Notification activation process, which ultimately led to increased adoption of the Push Notification and enhanced cost efficiency.

In April, “Tijari Send” Campaign offered free money transfer transactions to India, Pakistan, Egypt, and the Philippines for the first 15,000 customers, which led to promoting “Tijari Send” platform as a competitive and reliable money transfer service for international transactions.

The Bank also utilized its digital channels to communicate with and educate customers. It produced a series of digital video clips explaining the features of self-service machines with the aim of attracting CBK and non CBK customers to use the machines placed at specific locations and to avail the Banking services 24/7.

- **Updated Procedures to Better Serve Customers**

During 2024, the Bank took big leaps forward to develop the Premier Banking and leverage its position as a prominent Banking service in the market. As part of our efforts for developing the services to this lofty segment, the Bank sponsored the annual Golf Tournament, and organized a workshop about “Building Model

Future House” for the Premier Banking customers. Further, during the Holy Month of Ramadan, the Bank presented the Eidiya free delivery service, and special gifts for high net worth customers, thus assuring our commitment towards our premier Banking customers.

The Bank also enhanced its distinguished Banking promotions by organizing two exclusive events in cooperation with luxury car dealers. These events were especially organized to give customers exceptional practical experiences in line with the exclusive features for the Premier Banking segment, and our dedication to offer top-notch personal services for our customers.

- **Revamping the YOU Account for Youth**

During 2024, the Bank continued providing a number of exclusive promotional offers and campaigns for the YOU Account customers to encourage them to transfer their student allowance. A key promotion was introduced with cash prize of KD 50 for Kuwaiti customers aged 15 to 25 years who open YOU accounts and transfer their student allowance. This initiative was supported by a draw that doubles the reward to KD 200, spanning over the year. New YOU Account customers were given two chances of winning, while existing customers were given one chance. Three winners were chosen each month.

“You Make the Choice” Campaign, held from October 2023 to June 2024, gave customers the chance to choose between “Talabat Application” or “Oula Service Station” vouchers up to KD 50, in addition to a cash prize of KD 50 for YOU Account customers who transfer their student allowance. This Campaign succeeded in attracting more than 70,000 CBK website visits, and highly encouraged opening the YOU account. Similarly, the Digital Draw campaign, which lasted from January to February 2024, aimed to promote digital payment features, such as Apple Pay. Further, YOU prepaid cardholders who spent KD 10 or more entered the draw for valuable prizes or vouchers of KD 50.

In addition to campaigns, the Bank’s presence in various events, partnerships, and collaborations with leading companies played a significant role in expanding the YOU Account customer base. Furthermore, media coverage, the Bank’s presence at Kuwait University and the Public Authority for Applied Education and Training and other key events led to increased interactions and customers onboarding the YOU Account.

Moreover, a cash prize of KD 50 was offered to the first 20 YOU Account customers who graduated from high school in June, and opened the Account through CBK Mobile App. This enhanced the Bank’s image as an institution that recognizes high school graduates. The Bank also demonstrated its commitment towards youth by sponsoring CBK’s employee Mohammad Al-Turki, the professional Padel player, in the International Padel Tournament in July 2024. This embodied the Bank’s care for presence in various youth events.

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

In line with the Bank’s commitment towards raising awareness and educating customers on Banking and financial practices, the “Let’s Be Aware” Campaign continued to form a significant part of our efforts during 2024. This initiative focuses on enhancing credit, financial, and Banking culture, and ensuring that customers are fully aware of the key aspects of responsible Banking. In 2024, the Bank expanded the scope of the “Let’s Be Aware” Campaign covering and utilizing new channels, such as SMS notifications, short video clips on the Bank’s social media platforms, and printed material displayed in our branches and enhancing the Campaign’s exposure for all customer segments.

For the activities of the “Let’s Be Aware” Campaign, the Bank utilizes various platforms to ensure maximum impact. Weekly messages are sent via email to all customers to provide useful tips and guidance. Weekly notifications and updates are sent via SMS to remind customers of key financial practices and fraud prevention measures. The Bank utilizes all available channels to raise awareness and enhance financial culture thus helping to develop a more informed and responsible customer base.

This comprehensive approach reflects the Bank’s robust efforts for offering the best financial products as well as encouraging customers to make prudent financial decisions.

## 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 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 8% 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. Corporate Banking have also continued to maintain a strong position in the project financing domain with regards to project financing worth approximately KD 1.6 billion further diversifying the Bank's credit portfolio, reaffirming CBK's position as a growing Bank in financing government and private sector projects.

Moreover, CBD have also continued focus its attention towards the importance of investing in 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 effortlessly tries to provide an enhanced digital experience centered around customer market needs maintaining our belief 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

Commercial Bank of Kuwait'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.

The momentum gained by the Division, during the second half of 2023, was continued well in to 2024 riding on the then persistent high interest rates prevailing. The sector and obligor focus of the Division remained as it was in the past wherein Sovereigns, Government Related Entities (GRE), Multi Lateral Development Banks (MDB), other Banks and financial institutions were primarily targeted. From a geographical perspective, the focus largely remained in the MENA region and Far East Asia. The Division concluded additional lending transactions of around KWD 300 million.

Following on winning the mandate from Kuwait Petroleum Corporation on LC advising, the Division's LC income grew significantly during 2024. Oil exports being the most important strategic revenue stream for the country, the Bank demonstrated its undeterred commitment to support such exports.

The Division also continued to support the execution of the strategic Umm Al Hayman PPP (Public Private Partnership) project in Kuwait by providing comprehensive Banking facilities to the Project Company. The Division will continue to actively bid for similar strategic projects in the country to generate stable income in future years.

The Division continued to support Multi-National Corporates (MNC) engaged in execution of various projects in Kuwait by providing these MNCs credit facilities for issuing the project bonds. 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, Airlines, Oil and Gas etc. The total unfunded asset additions recorded by the Division during the year amounted to more than KWD 250 million.

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

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

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 such as leading large syndicated transactions, jointly or individually, in the region and outside as well as focus on continuously improving operational efficiencies within the Division.

## Treasury and Investment Division

The year 2024 was relatively better than the previous year in terms of managing both liquidity as well as cost of funds. Since the interest rates have topped for most of the major currencies, it was relatively easier for the Bank to fetch longer-term funding at a reasonably cheaper spread than previous years. We managed to optimize the balance sheet of the Bank further during the year, which is expected to strengthen the Bank's liquidity and profitability. During the year, we have tapped second and final tranche of Tier-2 subordinated KWD bond worth KWD 50 million under same terms as previous one. With these additional capital supporting bond, the Bank's liquidity as well as capital position are much stronger and is expected to further stimulate an asset growth.

The Bank has added new diversified sources of financing, which further helped in diluting the deposit concentration of the Bank. We are constantly adding new tools to manage more effectively the Bank's liquidity and reduce our overall cost of funds. The customer deposits premium that the Bank used to pay over the screen rate has slumped this year relatively that further reduced the liquidity cost. We have added new liquidity management tools such as evergreen deposits, structured deposit, and evergreen repos, which replaced some of the costlier bilateral loans.

We have increased our HQLA portfolio by adding more short-duration sovereign bonds that have lowest risk weightage and better yield compared to interbank money market placements. Also, our higher yielding bond / sukuk portfolio witnessed a tremendous growth despite significant amount of bond maturities.

The Central Bank's increased open market operations in the form of CBK Bonds and intervention deposits at a higher yield helped the Bank absorb liquidity cost partially, and strengthen the liquidity ratios.

In line with the sustainable development goals linked strategies, the Bank has increased the ESG-backed assets in the book by investing directly or via refinancing in such asset classes. The Bank is presently engaged with many independent consultants to develop a sustainable financing framework, which is expected to further strengthen the Bank's position in diversifying its business scope.

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), structured deposits, evergreen repos, and Term Repo of bonds.

- **Treasury Sales & Investment Desk**

Taking care of corporate clients' requirements offering various types of Treasury & Investment 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. Actively trading in the quoted equity market in line with Equity trading policy.

Growth is witnessed in the non-resident customer deposits, bilateral / syndication loans, evergreen repo, 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 in line with the Bank's strategy.

## Risk Management

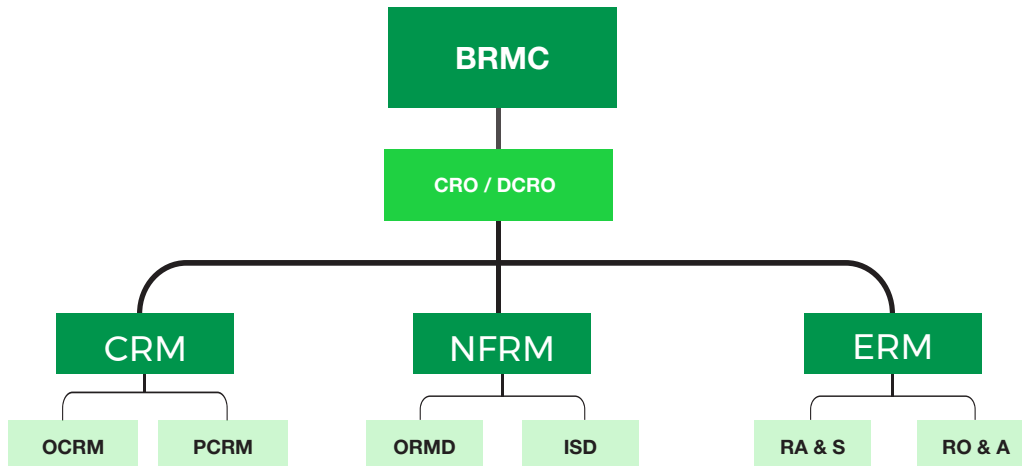
The Bank believes that risk management remains an integral part of ongoing business activity and decision-making process. Hence, the Bank's sustainable and sound performance relies on the ability to successfully identify and manage risk at all levels by adopting prudent risk management approaches, practices,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

In Commercial Bank of Kuwait, Risk Management Division (RMD)'s primary objectives are to anticipate risks through a set of procedures and 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 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) Group, Non Financial Risk Management (NFRM) Group and Enterprise Risk Management (ERM) Group as illustrated below:



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

During 2024, Risk Management Division continued to work with various Departments and functions with its proactive and prudent risk management approach. With a forward looking perspective, 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 early 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) Group

The CRM Group comprises the following 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 Bank's credit and 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) Group

The NFRM Group comprises the following Departments:

**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, new product reviews and reported risk events. 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. 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 Group

ERM Group 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 Group comprises two inter-related Departments namely:

**1. Risk Oversight and Analytics Department (RO&AD)** – with a primary focus to assess new/changes in regulations and accordingly develop/establish risk management policy responses. The Department is also responsible for the timely and proper preparation of risk management reports with narrative based on descriptive analytics.

**2. Risk Analytics and Simulations Department (RA&SD)** - concentrates on predictive (forecasting) and prescriptive (simulation and optimization) analytics, and develops financial models to provide forward-looking and proactive insights.

The ERM Group, 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 Group 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 Group 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 (PD) and Loss Given Defaults (LGD) for Expected Credit Loss (ECL) calculation under IFRS9. The Group 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 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 lending policies established by business divisions and Credit Risk Management Policy lay down the guiding principles for lending activities and the basis of measuring, monitoring and managing credit risks. The lending policies provide guidelines that establish the lending criteria.

The lending policies are 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, purpose of facilities, 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 portfolio levels and selectively at obligor level are conducted to effectively monitor and control the risks in existing credit portfolio.

The 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 99<sup>th</sup> 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 Group's overall investment capacity and individual investments are restricted to stipulated limits and guidelines laid down by the Central Bank of Kuwait.

#### **c. Liquidity Risk**

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

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

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

#### **d. Interest Rate Risk**

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

#### **e. Operational Risk**

Operational risk management is focused on identifying, assessing and minimizing the impact of risk events that may arise through inadequate processes, human errors, system failures as well as external factors by using a range of assessment methods including Risk Control Self Assessments (RCSA) and a comprehensive review of 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 under certain categories.

The scorecard 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 ensure preparedness to emergency unforeseen contingencies. The Bank's Crisis Management Procedure and Business Continuity Plan aims to ensure operational resilience 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 and Emerging 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. Risk Management Division is continuously striving to identify, measure and minimise the impact of emerging risks.

## **Digital Transformation and Innovation Division**

### **Innovative Products And Services**

In line with AI-Tijari digital transformation and innovation strategy, digital products and services continue to ramp up during this year 2024, with a great deal of customers becoming digitally active and adopting new ways of banking. An advanced generation of digital services is introduced, including several enhanced versions with new updates of the Bank's mobile app 'CBK Mobile App'. Other technologically-driven solutions such as Smart Teller Machine-STM, T-Lockers, Business Island -BI, Cash Deposits Machine -CDM, and Bulk Teller Machine-BTM were launched and upgraded to deliver a seamless digital experience.

AI-Tijari has remained steadfast in enhancing our range of services, ensuring we meet the evolving digital expectations of our customers. Our flagship digital channels have undergone major enhancements, providing customers with an intuitive, safe and secure platform for managing their finances.

The Bank has become a pioneer in the field of digital banking services as the first Bank in Kuwait to launch "CBK Vision" application on "Vision Pro" in May 2024. "CBK Vision" is the first banking application in Kuwait designed specifically for "Apple Vision Pro". This innovation serves AI-Tijari and non-AI-Tijari customers equally, which reflects the Bank's commitment to expanding its cutting-edge digital services portfolio and attracting new customers. On that same note, a new bill payment feature has been integrated on CBK Mobile App, which allows customers to pay their phone bills directly through the App. Such innovations align with the Bank's objectives to provide the best digital banking services to its customers.

#### **Key features and services introduced include:**

- WAMD instant payment (ISP).
- CBK has upgraded its inhouse Smart Cash Withdrawal Machines to allow cash withdrawal from Visa and Master credit cards.

- Enhancing and simplifying the onboarding process for the new customers to open their accounts and have instant online access to enjoy various digital services.
- Enhancing virtual card printing from card printer machines through scanning the QR code from the CBK Mobile App, or printing out the QR via the Business Island machine.
- Request digital Bank certificates (liability , IBAN, balance certificate) through the CBK Mobile App, Business Island, and Kiosk- Self-Service machine.
- CBK Mobile App now allows users to add Saudi Riyal (SAR), Qatari Riyal (QR) and Emirati Dirhams (AED) to their multi-currency Mastercard pre-paid card.
- Enhancing “Digital Banking Request” to serve individuals and corporate clients.
- For Individuals: Users can now request to open a term deposit based on their choice.
- For Corporates: Users can load and unload cards and process transfers within CBK accounts and local accounts by following simple and secure steps.
- Quarterly e-statement retrieval through the CBK Mobile App for up to 10 years.
- Improving security aspect for beneficiaries management.
- Accessing the T-Locker through QR code to collect requested service.
- Enhancing access to STM through CBK Mobile App QR authentication.
- WhatsApp chat enhancements for individuals and businesses/corporate.
- Enhancing the Interactive Voice Recorder -IVR to serve missed calls via call-back recognition.
- Enhancing the “Customer Feedback” feature trough the CBK Mobile App in order for the customers to address their concerns and feedback in a smooth automated way.

These advancements reflect our dedication to integrating technology in banking, ensuring that we offer state-of-the-art solutions to our customers.

As we look forward to 2025, Commercial Bank of Kuwait is poised to maintain its trajectory of excellence in delivering exceptional financial services. We are committed to sustaining our innovative edge, and expanding our range of services to cater to our diverse customer base. Our ongoing focus will be on creating value for our stakeholders, pursuing customer-centric solutions, and leveraging technology to enhance our banking services.

## 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 digital banking products and services to their customers and manage information security related risks by monitoring transactions and detecting frauds.

In Commercial Bank of Kuwait, we strive to improve the customer experience and offer wide variety of distinguished products to meet customers’ 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 upgrade in the previous year. It implemented numerous processes, systems and tools, which significantly enhanced customer service helping the Bank in achieving its business objective. Sustaining the technology advancement that we attained in the last year is a challenging task. We have developed systems that are convenient to use, fast and secure. ITD’s commitment to innovation will continue to position the Bank in the forefront of technology in Kuwait.

Self-service banking has not only been implemented but also redefined several times as the system improved in terms of catering to the customers needs and aspirations. New services are added to the self-service application in the branches. With these updates and improvement to our services that resonate with customers, we are equipping the business to promote the Bank to a wide range of prospective customers at the same time retaining what we already have. Authentication processes now incorporate advanced technology, such as facial recognition which enhances security and avoids false positives. In addition, the use of QR codes is now a standard way of accessing the services we offer to our customers. Customers can now access services with ease, knowing their transactions are protected by advanced technology.

We have developed programs that are ready to integrate seamlessly with external platforms whether with our customers' systems or government regulators. Examples of this include the integration with PACI to authenticate our customers using their Mobile App or dipping the Civil ID in the self-service machine. The verification of blacklisted individuals or organizations using established systems in the market are used by our services like account opening, check deposit, managers check issuance and external transfers established systems.

We have updated our infrastructure to ensure optimal performance and security. Security systems are upgraded to the latest version of firmware to address bugs, improve reliability and functionality. New production servers are installed for faster processing. Our Core banking application, operating systems, and databases are upgraded to the latest versions providing access to the latest functionalities and addressing potential bugs. Even our test servers have been upgraded to avoid delays in testing and implementing needed modifications to our business applications.

Upgrading the email communication has been one of the primary project of ITD this year. We have moved to a more robust and secured email platform enhancing user experience with stable email access and a more accurate filtering of unwarranted emails.

To improve our payment systems services with the use of our STMs, we implemented software and hardware updates. We acquired L2 certification from Mastercard and Visa. This certification gives the comfort to customers who are using our STMs, reassuring them of secure EMV chip transactions from the processing machine to the back-end system. In addition, for a sustainable supply of the parts of our STM machines, we have adopted new dispenser hardware. This assures the continuous availability of parts of our STMs to make them always available for the customers. The security module that processes the customers PIN and card information has also been upgraded. With the new hardware, ability to implement new card functionalities is within our control.

Compliance to standards and regulatory requirements is a must for ITD. We acquired an ITSM tool to streamline daily HelpDesk activities, at the same time allowing ITD to generate reports to identify the services requiring improvement. Part of the tool is also the implementation of the change management process which can help ITD prioritize critical system changes requested by the users.

Information Technology Division's projects support the sustainable growth of the Bank by adopting innovative, stable and secure technologies. These efforts not only provide our customers with updated, protected products but also uphold the Bank's commitment to excellence and regulatory compliance.

## Operations Division

The Operation Division in Commercial Bank of Kuwait is the pivotal team responsible for the execution & processing of daily transactions initiated by the customers and other Departments within the Bank. It renders direct and indirect services to customers and ensures that transactions are processed accurately and appropriately within the defined regulatory framework.

2024 was a remarkable year for the Operations Division due to various efficiency, optimization & digital transformation initiatives undertaken to improve processing turnaround times in an environmentally friendly manner.

### Operations Development Department (ODD)

In order to elevate the overall experience for our customers and stakeholders, Operations Division understands the need to embrace innovation and technology, recognizing their transformative power to enhance efficiency and hence introduced, Operations Development Department.

ODD has started re-engineering its current operational processes using Agile Methodology to identify, evaluate, and

optimize business processes aligned with the organization's strategic goals. It will also provide statistical data required by the Operations Management.

The Department is responsible for the detailed study of existing operational activities and suggest the most effective, efficient and compliant processing of the operational activities along with supporting statistical data.

### **Cash Management Center (CMC)**

CMC ensured 24/7 cash availability to customers during peak salary periods, weekends, 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 Management Department (CMD) 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 customers' Banks mail, cards, cheque book, bundled cash etc. in a fast & secure manner with round the clock availability. CMC is also responsible for Branch Mail through TLM. All services are integrated with backend and frontend business systems and leveraging on Quick Response (QR) code and CBK mobile application to process transactions.

CMC is also attending the smart machines at the newly introduced Mini Branches positioned at 7 locations currently.

### **Treasury & Investment Operations Department (TIOD)**

The Treasury & Investment portfolio consist of various products namely money market, foreign exchange, Islamic transactions, Equity, Bonds & Derivatives. Treasury Operations is responsible for processing all transactions entered by Treasury and Investment and International Banking Division (IBD). 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 programme.

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

### **Operations Processing Control Department (OPCD)**

The Department performs transactions related to SWIFT, Salary, Branches Operations, Knet Settlement Reconciliation, Nostro Reconciliation and other operational clean-up process. The Department continues to drive automation of various tasks to ensure straight through processing and bring efficiency in work flow.

The Department has been segregated in three units and is currently working in two shifts to improve turnaround time and enhance customer experience.

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

RCAP acts as a back office for reviewing and processing Retail, Corporate & International Banking loans and their amendments, granted to the applicants as per Central Bank of Kuwait's guidelines & CBK's Credit policies.

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

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

Trade services is a specialized Department supporting our customers in processing their transactions relating to Import & Export, Collections and Guarantees (Local and Foreign). It also provides short term import finance against trade obligations as well as arranges discounting of 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.

The Department has been able to provide superior customer service along with best turnaround times in the industry. It is successfully tracking all customer's request through FX web-based system and has also enhanced the workflow with other related internal Departments.

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

Credit Administration Department is responsible for credit documentation, collateral creation, processing and setting up of facilities and limits in core banking system apart from periodic updating of collateral valuations, is playing a vital role by providing the necessary support to the business units in ensuring that the Bank's interests are legally protected and the

Credit portfolio remains safe by complying with approved credit terms and conditions, Central Bank of Kuwait and internal policy requirements etc.

The Department ensures that the processing and operations of credit facilities for corporate customers are strictly in line with the approved terms and the interests of both the Bank and the client, are safe guarded. The Department has also enhanced the workflow with other related internal Departments via CBK Ticketing system.

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

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

The Department has successfully recovered bad assets in terms of loans and credit cards under Retail Banking, and achieved another exceptional year with double digit collection growth.

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

#### **E-Business Development Department**

E-Business Development Department is a Department which provides various services digitally to customers around the clock through various channels like Call Center, Live Chat, WhatsApp, Branch Island etc., to enhance customers' digital experience in line with Bank's strategy.

The Department has recently initiated processing Letter of Guarantee for Retail Customers received through online portal. The Department also keeps the entire set of packages ready for account opening of Business & Corporate Customers received through WhatsApp or CBK Mobile application, to squeeze the transaction turnaround time.

The Department continually tries to enhance the digital experience for individual & business customers by testing various features on mobile application in co-ordination with Digital Transformation and Innovation Division and Information Technology Division.

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

For Strategic Planning and Follow up Division, 2024 was highly influenced by the trends of sustainability, whereby in addition to the ongoing refinement, streamlining and optimization of structured reporting to maintain a sharp focus on the Bank's intended strategic direction and aspired accomplishments, a significant share of the division's focus was aimed at ESG and Sustainability as the topic of Environment, Social, Governance and Sustainable Finance continues to enjoy very special attention from the Central Bank of Kuwait as derived from the "Kuwait Vision 2035" National Development Plan.

Henceforth, the "ESG and Sustainability" Unit within the Strategic Planning and Follow up Division guided by specialized experts led the way in the compilation and production of Al-Tijari's second publication of the Sustainability Report showcasing the Bank's accomplishments during 2023 that was profoundly enhanced in line with international standards such as GRI, MSCI and industry best practices, enriched with the outcome of quantitative and qualitative analysis translating into key performance indicators. The structured and detailed collaboration resulted in a rich and accelerated learning experience for the entire Bank through exposure and engagement, leading to understanding and establishing measurement mechanisms for concepts like Materiality Assessment, GHG Emissions, and the resulting quantification of the Bank's Carbon Footprint.

Human Capital metrics, ESG related Expenses and Sustainable Finance reporting were significantly refined further reiterating Al-Tijari's commitment towards transparency through embedding ESG and Sustainable finance best practices across all functions and at all levels to ensure monitoring progress through well-defined and regularly measured KPIs.

Strategic projects and initiatives represent another area of high priority, as they are the linchpin that keep an organization firmly anchored on its path of planned progression towards the achievement of its strategic goals and targets. Realizing how pivotal they are, the division is extremely keen on monitoring the developments, in addition to updating the Bank's strategic projects and initiatives portfolio to capitalize on the ever-changing industry landscape through close coordination with the respective owners, and providing periodical reports to the Central Bank of Kuwait accordingly.

2024 was also the year where Al-Tijari assumed the leadership of the Kuwait Banking Association Committees for the upcoming two years, where the ESG and Sustainability newly established committee was introduced for the first time, representing a significant development within the banking sector in terms of the perceived significance of the topic on both the country and industry levels, positioning Al-Tijari to set the pace as the first to lead the committee through the Strategic Planning and Follow up Division, providing the Bank with a unique opportunity to proliferate its zeal in the banking sector in

an effort to instigate synergies between all stakeholders including the government, Banks and various corporations to bring about substantial and swift impact contributing towards the national sustainability goals.

## Human Resources Division

### Talent Acquisition Department

#### **Career Fairs**

During 2024, the Talent Acquisition Department has taken part in various activities in order to fulfil Commercial Bank of Kuwait's aim to offer knowledge and employment opportunities 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 "Watheefi" Career Fair in which Commercial Bank of Kuwait had a large presence. The Talent Acquisition Department, in coordination with various Divisions and Departments across the Bank, was 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 Kuwait University, Gulf University for Science and Technology, American University of Kuwait, American University of the Middle East, Kuwait Technical College, and Australian University.

Additionally, the Talent Acquisition 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 Talent Acquisition 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, ensuring that the job description closely reflects the nature of the required job. One of the aims of the Department is 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 Talent Acquisition Department believes that it is very important for job seekers and fresh Kuwaiti graduates to view the Bank's LinkedIn page and review the jobs posted on this platform. However, the efforts of the Bank and Human Resources Division yielded positive results and success with the increase of national manpower to constitute 85% of total manpower at the Bank.

### Talent Development Department

#### **Internships & Collaborations**

As part of our initiative to hire promising university talent, HRD welcomed students from a number of universities, including AUM, GUST, ACM, and K-TECH. The interns were assigned to different 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 as part of its keenness to encourage youth in making the most of their free time during summer and inspire them to learn and acquire knowledge related to the banking sector, Commercial Bank of Kuwait launched its 2024 Summer Training Program, which was notable for its diversity this year, as it engaged students from various universities and schools in the country.

#### **Memorandum of Understanding with "HULT" International Business School**

As part of Commercial Bank of Kuwait's continuous efforts to provide the highest levels of training and development to its employees, and refine their skills in all banking areas through cooperation with distinguished educational institutions, the Bank signed a Joint Memorandum of Understanding with "HULT" International Business School in Dubai for the purpose of seeking international expertise to develop promising cadres of Bank employees. This cooperation focuses on two major aspects, namely executive programs to develop skills and competencies of Bank staff, in addition to distinguished programs in the English language to address banking work and effective communication skills.

#### **Partnership with Moody's Analytics for the Credit Certification Program**

In lieu of the successful first batch, the Bank launched the 2nd Cohort of the Credit Certification Program in partnership with Moody's Analytics - a world leader in credit and finance expertise.

The specialized in-house program is tailored to provide CBK staff with the most advanced skills and international standards in credit and finance. Participants will go through 3 levels of both in-person and virtual modules, which earn them the globally accredited certification.

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

Employees received Eco-Lunch Bags to encourage them to "Start Fresh" on their nutrition goals by bringing their own healthy food, which serves as a nod to the Bank's sustainability goals by promoting re-usable items in place of plastic disposables.

### **CBK Values Initiative - CREATE**

Through a series of activities incorporating in-person curated programs and resources available on CBK e-learning portal THABER, such as articles and videos to name a few, CBK Values Initiative focuses on six pivotal pillars - Commitment, Resourcefulness, Empowerment, Accountability, Teamwork and Excellence - and how CBK employees can translate these values into spoken language and actionable traits, enabling them to deliver outstanding service to customers at every touchpoint in the value chain.

### **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, enhancing employee morale and reducing absenteeism; thereby improving the overall function of the Bank.

As such, various workshops were conducted, aimed at enhancing employees' wellbeing and fostering a positive workplace environment.

- **"Level up Your Energy:"** "The Power of Positive Habits" focused on individual wellbeing, emphasizing the importance of cultivating positive habits to boost energy and productivity.
- **"Elevate Your Team Spirit:"** "Level up Together" aimed to strengthen team spirit and collective morale, highlighting strategies for building a supportive and collaborative team dynamic.
- **"Mind Your Body - Ergonomics"** focused on the benefits of proper body posture and aimed to educate employees on how good posture can enhance both mind and body, and prevent long-term pains caused by poor posture, in addition to providing training from physiological experts. Participants also enjoyed free personal workspace assessments to optimize their work environment for better health.
- **"Lunch and Learn Nutrition"** focused on teaching employees how to replace unhealthy ingredients with better alternatives to achieve fitness goals and learn to create four easy and healthy lunch meals and nutritious drinks, in addition to receiving a cooking guide with additional nutritious lunch ideas to take home.

In addition, and in observance of Wellness Month, CBK employees received reusable tumblers as a reminder to stay hydrated and take care of their health. Along with this giveaway, resources (videos, tips and articles) were also uploaded on THABER to raise awareness on healthy practices.

### **Al-Tijari Library Initiative - CBK Reads**

Al-Tijari launched "Al-Tijari Library Initiative" branded as "CBK Reads," aligning with SDG 5 – Quality Education, aimed at ensuring inclusive and equitable quality education and promoting learning opportunities for all. This initiative grants employees access to a curated collection of business and self-development books, available in various locations in the Bank.

In addition, customized giveaways were distributed to all staff in observance of "World Book Day". The giveaways served as a reminder of the importance of continuous learning for professional and personal growth.

### **Awards & Recognitions**

Learning and Development Department "L&D" earned the Gold Award in the 2024 Brandon Hall Group HCM Excellence Awards™ for Best Learning in the Flow of Work - Learning and Development Awards, and the Bronze Award for Best Learning Team - Learning and Development Awards.

### **Partnership with Inner Development Goals (IDG)**

Commercial Bank of Kuwait has partnered with the Swedish-based Inner Development Goals (IDG). The partnership aims to utilize IDG's comprehensive leadership framework and resources to build on the Bank's sustainability initiatives towards fostering and developing future leaders and strengthen best business practices into the Bank's corporate values.

The Inner Development Goals (IDG) is a non-profit, open-source initiative committed to fostering inner development towards more sustainable futures. Through research, data collection, and science-based skills and qualities they help leaders live purposeful, sustainable, and productive lives. Initiated in 2023 and inspired by the summoning of the United Nations Sustainability Development Goals (SDG), their mission in working with organisations is to focus on both individual and collective inner development to enable impactful outer change.

## 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.

During 2024, IAD had undergone an external quality assurance review exercise conducted by a leading audit and consultancy firm, where the best result was achieved in terms of following IIA standards, expertise in governance, risk and control and all contributed in maintaining independency and objectivity.

In order to provide theoretical and practical training for IAD staff, several training courses were provided to all staff, both local and in-house trainings focusing on technical and soft skills to enhance their professional and interpersonal skills. "Transfer of Knowledge" sessions are held within IAD in order to exchange knowledge, ideas and expertise among the team. Further, IAD staff are continuously pursuing and earning professional certifications related to internal audit.

IAD have established a "Center of Excellence" team within IAD with the objective of exchanging knowledge and experience, fostering learning and collaboration and creating a learning culture with the aim of adding value to help the Bank accomplish its objectives.

May is the Internal Audit International Awareness Month. On an annual basis, IAD launches awareness campaign in line with the Institute of Internal Auditors (IIA) where a series of awareness messages were published on the Bank's social media networks as well as its internal channels to spread awareness of the profession, its principles and role in the Bank. As CBK is currently the Chair Bank of the Kuwait Banking Association (KBA), IAD hosted a forum where emerging internal audit topics were presented by international firms to all the local Bank's CIA's during the month of May 2024.

## Compliance and Corporate Governance Division

Compliance and Corporate Governance Division ("CCGD") is an independent function with sufficient authority to ensure performing its assigned role at the Bank effectively. CCGD reports directly to the Board Compliance and Corporate Governance Committee and has access to the Board of Directors. The Division plays a pivotal role in monitoring and verifying the extent of the Bank's compliance with local regulatory instructions and requirements pertinent to the Bank's business activities. It helps the Bank to avert noncompliance risks.

CCGD acts as an advisory function within the Bank where it interprets and explains regulatory instructions to ensure the Bank's proper implementation and compliance with such instructions. CCGD strengthens all means of cooperation with all Bank Divisions / Departments, and acts as a liaison point between the Bank and regulators in relation to the instructions and compliance and governance-related issues. CCGD supports the Board of Directors and Executive Management in enhancing compliance and corporate governance environment and culture for all staff members in the Bank. CCGD also undertakes a pivotal role, contributing to the training and awareness of the Bank's staff in all matters related to Compliance and Corporate Governance.

Further, CCGD plays an essential role within the framework of risk governance that comprises of three main lines of defense, where Compliance function plays the role of the second line of defense responsible for verifying the Bank's compliance with the Central Bank's instructions, including Corporate Governance principles.

CCGD prepares and regularly updates the Bank's Compliance Policy, and reviews the policies and procedures of all Bank Divisions and Departments, including 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 including governance rules, bylaws, internal committee regulations, and Corporate Governance policies to ensure their consistency with the Corporate Governance rules as per the local regulatory instructions. CCGD also ensures compliance with disclosure and transparency requirements as per the applicable instructions and regulations of the Central Bank of Kuwait, Capital Markets Authority, and Boursa Kuwait.

In addition, CCGD annually identifies and assesses issues related to the noncompliance risks facing the Bank, and the Bank's 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 and functions assigned to it to ensure the Bank's Compliance with regulatory requirements, and to avert noncompliance risks.

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 Corporate Governance requirements.

During 2024, CCGD, through the analysis of regulatory compliance and disclosure practices, 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, and 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. In 2024, the Bank set out to enhance the banking protection framework by developing a comprehensive system to combat money laundering and financing of terrorism. This endeavor stems from the Bank's firm commitment to achieving the highest standards of compliance with local and international regulations, instructions issued by the Central Bank of Kuwait in the field of anti-money laundering and combating the financing of terrorism and in line with the latest relevant recommendations and international standards. This commitment reflects the Bank's vital role in supporting the soundness and stability of the financial sector as the Bank advocates a highly secure banking environment to combat risks associated with money laundering and financing of terrorism.

Thus, 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 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. The year 2024 witnessed significant progress in strengthening the Bank's regulatory controls. As such, the Bank advanced automatic control systems to combat money laundering and financing of terrorism. This advancement is the result of a meticulous study of technical developments and regulatory requirements in this field, enabling the Bank to improve the efficiency of control systems and make comprehensive improvements on its control scenarios.

- **Clearing Alerts and Reporting**

The Bank's internal statistics demonstrate that an average daily alerts of 220. These alerts are promptly addressed by the Bank's AML team with the objective of swift analysis and follow-up to ensure undertaking the appropriate action regarding any suspicious activity. The specialized team depends on an accurate methodology for sound decision-making. This includes applying advanced due diligence measures to ensure a thorough study of transactions that require examination. Accordingly, such transactions are presented to the relevant Suspicious Transactions Reporting Committee to determine the appropriate course of action, including the reporting of suspected cases to Kuwait Financial Intelligence Unit in accordance with local legislations and regulatory instructions.

- **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 customers transactions. 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 across Bank and the subsidiary company to measure the extent of compliance with implementing all requirements and provisions of the applicable law, ministerial decisions, Central Bank of

Kuwait's instructions, the Bank's Policy on combating money laundering and terrorist financing, and the 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. This cooperation stems from the Bank's keenness to apply a transparent methodology that enhances the level of commitment in accordance with the instructions of the Central Bank of Kuwait, the recommendations of the Financial Action Task Force (FATF), and international standards. As such, the Bank firmly believes that this cooperation represents a cornerstone for the development of an effective system to combat money laundering and financing of terrorism, and contributes directly to building a comprehensive framework to combat financial crimes; thus ensuring financial stability to boost customer and community trust in Kuwait's banking sector.

The Bank seeks to strengthen its 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**

Based on its belief in the importance of developing employee competencies in the field of money laundering and the financing of terrorism, the Bank implemented specialized advanced training programs that included all job levels, including Board members, Executive Management, supervisory positions and all the Bank's employees. These programs have been carefully designed to include real-life cases and practical studies; thus giving employees a deep understanding of practical challenges in this field, and enhancing their ability to make sound decisions when faced with suspected cases. This contributes to the qualification of banking cadres to keep pace with developments in financial crime, and enhances their readiness to address them effectively. This reflects the Bank's commitment to developing competencies and building a highly skilled and qualified team that is able to face complex financial challenges.

## Legal Division

The Bank's Legal Division assumes an effective role in providing the Departments and divisions across the Bank with the professional legal services, to ensure meeting legal requirements that safeguard the interests of the Bank, its shareholders and customers, maintain its corporate image, and help the Bank to compete and outperform its local peers for having a leading edge, 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 2024. 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 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 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, and endeavors to assume this primary and essential role successfully. Additionally, the Division works closely to establish an effective mechanism with a view to rapidly entertain and respond to the Bank diverse Departments' requests to obtain legal services, and provide them with the proper legal opinion and possible solutions, taking 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 in deepening legal knowledge and awareness pertaining to banking business for staff members, particularly the new recruits and provides training regarding Legal knowledge in collaboration with the Human Resources Division.

In summary, the Legal Division serves as a critical backbone for the Bank's operations, blending legal expertise with a proactive approach to support the Bank's growth and resilience. The Legal Division's comprehensive involvement in maintaining compliance with legal requirements, contract administration, staff training using technological advancements to administer client relations from legal perspective, are key factors which ensure that the Bank is well-equipped to navigate the complex legal landscape and sustain its competitive position in the financial sector.

## Corporate Communications Division

### **Social Responsibility and Sustainability**

Commercial Bank of Kuwait "CBK" carried on its ongoing efforts towards sustainability and social responsibility. During the year, the Bank successfully passed on its message to all segments of society by launching several sustainability and social responsibility initiatives, giving care and participation in areas of humanitarian, social and charitable works.

### **A Prominent Role in Sustainable Development**

The Bank's prominent role for sustainable development in environment and social factors continued as part of the Bank's comprehensive strategy. The Bank's contribution to the modernization of Darwazat Al-Abdulrazzaq Tunnel and undertaking full renovation of the garden in front of the Bank's Head Office were just examples of its key achievements in the field of environmental conservation, contributing to greening efforts and greenery expansion in Kuwait and caring for the civilized image of the country.

### **Launching "Tijari Art" Campaign**

The Bank launched "Tijari Art" Campaign, achieving success by delivering a noble message with a focus on integrating sustainability principles into creativity through several art workshops and activities under this Campaign.

### **Governorates Support Program**

The Bank is committed to supporting societal activities as part of its ambitious program with Kuwait's six governorates. It continued to sponsor and support social events organized by the governorates to care for all segments of society and residents of the six governorates of Kuwait.

Through the Governorates Support Program, the Bank has made many contributions to health and sports activities, and participated in sponsoring social events organized by the governorates of Kuwait for their residents.

### **People of Determination**

In solidarity with all segments of society, the Bank, through CCD, has given all care and support for People of Determination by organizing many events and activities intended for this segment. The Bank shared with them joy and celebrations in various occasions including, but not limited to, sponsoring the activities organized by Creative Children International School during National Day celebrations, and hosting students of Sulaibikhat Daycare Centre for the Disabled to celebrate Kuwait National Days with the Bank's Staff.

Further, the Kuwaiti Association for the Blind has honored the Bank in recognition of its pioneering role in supporting the Association's activities and campaigns, as well as the services it offers, particularly to the blind, and the awareness session in sign language. This honor marked a clear manifestation of the Bank's care and support for this segment of society.

### **Double Your Reward with Al-Tijari**

The Bank consistently emphasizes the significance of social solidarity and spirit of giving through various activities and initiatives that serve this cause. The ongoing "Double Your Reward with Al-Tijari" Campaign is one of the most prominent initiatives, reflecting the Bank's strong belief in the importance of humanitarian and charitable work within the framework of its social responsibility. Under this Campaign, the Bank donates an amount equal to the one donated by any of the Bank's customers in favor of charitable societies and organizations participating in the Campaign. The activities and events sponsored and supported by the Bank were diverse to achieve social inclusion, as the Bank continued to distribute food baskets, school bags and uniforms to school students of needy families in cooperation with charitable societies.

### **National and Liberation Days**

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

### **Let's Be Aware**

The Bank 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 amongst all segments of the society. The Bank has diligently posted awareness messages to warn customers against dealing with suspicious parties, and the need to watch out not to disclose their banking information and not to respond to suspicious callers to avoid any fraud attempts. The Bank has also published press releases and informative articles covering various banking aspects using the Bank's website, branches, FAQ Page on the Bank's Portal and Al-Tijari accounts on social media networks (Instagram, Facebook, X, Snapchat, LinkedIn, YouTube, TikTok, and Threads), in addition to media campaigns specifically designed for this purpose.

### **Diverse Social Responsibility Activities**

The Bank's social responsibility activities were so diverse in 2024, which aimed to cover all aspects of humanitarian and charitable work. These activities included several internal events such as health awareness for employees, creating a family atmosphere that reflects the spirit of one family in the Bank, as well as external activities by means of the Bank's presence in social events, visits to hospitals and support for many activities for which there is no room to enlist in this report. As such, CCD has decided to present the Bank's social activities in detail by scanning the below barcode.



## **General Services Division**

The overall success of an organization is fundamentally an outcome of reliable strategies, efficient planning, realizable objectives and ultimately a group effort of both the business and the support divisions engaged in the consistent accomplishment of the organization's vision and goals.

General Services Division-(GSD), being a Support Division reporting directly to the Chief Executive Officer, comprises of Security, Mail, Purchasing and Stationery, Fixed Assets, Construction and Property Management Departments. With our joint team efforts and a hard core insightful work force, we keep navigating realistic means which can be implemented to cater to the Bank-wide requirements. By applying resource optimization, GSD strives to identify, prioritize and utilize the available resources in the most efficient and effective manner possible, and is able to meet the project requirements and quality standards while minimizing waste and redundancies, and this has kept us on track with the environmental and the social governance criteria.

GSD endeavors to streamline its process activities, and during the fiscal year 2024, GSD has once again validated its outstanding achievements by strategizing its procedures to align with its key performance indicators. We perform as a collaborative team to deliver quality and sustainable goods and services.

### **Energy-Efficiency and Sustainability Initiatives by GSD**

The GSD has integrated energy-efficient measures into its construction projects such as:

- **Water Conservation:** Installation of automatic sensor faucets in the Head Office Building and other premises as part of the ongoing drive for sustainability.
- **Energy-Efficient Lighting:** LED lighting has been installed in all branches and buildings to reduce electricity consumption. In addition, motion sensors in offices at the Head Office and Hawalli Beirut Street buildings ensure energy is only used when needed.
- Solar panels installed at the CBK Sixth Ring Road building have already contributed to reduced power consumption, with further installations under study.
- Installation of sustainable solutions such as recycled PVC, toilet doors and water-saving faucets at the Head Office and Hawalli Building demonstrates GSD's focus on sustainable practices.

- Sustainable Carpeting: Installation of fireproof carpets made from recycled materials in various premises.

### **Community and Aesthetic Enhancements**

Greening Initiatives: Landscaping efforts close to the CBK Head Office - 'Blissful Bird Monument' and the Flag memorial at the intersection of routes 40 and 60.

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

Construction and Property Management Department "CPM" has been at the forefront of the Bank's successful expansion efforts, ensuring the timely completion of new branches and upgrades. The Department's role encompasses planning, designing, and constructing new branches while managing the overall execution of projects efficiently, ensuring cost-effectiveness, quality management, and risk mitigation.

CPM is also responsible for the effective management, maintenance, and upgrading of the Bank's various branches and buildings. The Department ensures that all premises are well-maintained, efficient, and environmentally-friendly, enabling the smooth functioning of the Bank's operations. In addition to managing Bank-owned properties, the Department also oversees rental properties and ensures compliance with all government licensing requirement. The Department also ensures that all Bank licenses are valid and in place according to Kuwait authorities requirements.

CPM provides high quality logistic services in construction management, planning and design of new branches, refurbishing and upgrading existing branches and installation of new deposit and withdrawal ATMs whether in or off the Bank's premises.

CPM has not only maintained the Bank's physical infrastructure but has also embraced sustainability, community engagement, and employee welfare, ensuring a safe, eco-friendly, and attractive work environment across all locations.

CPM continues to focus on meeting the Bank's growth and sustainability targets by ensuring efficient, environmentally responsible, and high-quality construction projects across all locations. It also ensures timely and efficient maintenance services provided across all branches to ensure the smooth operation of the Bank's premises.

### **Security Department**

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.

In the 2024, several key achievements were demonstrated by the Security Department such as:

#### **• QR Visitor Attendance System**

A new QR system has been implemented to register the entry/ exit of visitors. This system is linked to the Public Authority for Civil Information (PACI). We are able to know how many visitors entered the Bank on a daily basis and thru the PACI system can verify the Visitor name, CID number, Nationality, Civil ID expiry date, time stamp etc.

#### **• The 'exclusively' designed Security ID cards with mini logos to be worn only by the CBK staff trained in managing crisis situations**

The Security ID cards with the embossed 'mini' logos were distributed to the staff vested with the responsibility of managing emergency and crisis situations. The mini logos on the ID cards allow easy identification which reflects that the concerned staff have been trained in first aid, fire drills, and Sign Language.

#### **• Healthy Practices at Work**

Moreover, keeping the staff health and safety measures in mind, our Security Team evolved with the idea of "Calorie" stickers which were placed on the staircases of the Head Office Building to help staff quantify how much calories they can burn by using staircases instead of elevators.

#### **• Security Enhancements:**

Installation of air-conditioned security cabins to protect personnel from harsh weather at the Head Office, with plans to expand to other branches.

### **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.

The Department team initiated a process to collect empty plastic bottles from all CBK branches and the CBK buildings. These bottles are regularly bundled and sent to a recycling company. By this process, we can help reduce the environmental impact of plastic production and create a more sustainable future.

The Department encouraged the service providers to abide by the ESG guidelines and efforts put in to minimize the carbon footprints. Purchasing Team exerts efforts on the eco-friendly and bio-degradable deliverance of goods and plays a key role in motivating the service providers to produce certificates as an affirmation that the “low carbon footprints factor” is complied.

**Mail Department**

Mail Department applies mail package system for QR verification of the Bank’s internal mail where mail packages are dispatched and received via a QR code. The mail package system has facilitated the 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.

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# Corporate Governance 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, latest of which was dated 10 September 2019 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 with regard to consolidating a culture of accountability, participation, fairness, integrity, innovation and digital transformation and boosting sustainable development factors.

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. This is actually undertaken while observing a balance between applying corporate governance standards and adopting a flexible leadership approach that facilitates agile and innovative decision-making without compromising regulations and laws. 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.

The Bank pays due attention for enhancing sustainable development and sustainable financing 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, maintaining confidentiality of all material information pertaining to the Bank, until the proper disclosure timings, according to the Capital Markets Authority’s instructions and Bursa Kuwait rules. Furthermore, the Bank posts disclosed information and the approved Corporate Governance Manual on the Bank’s website.

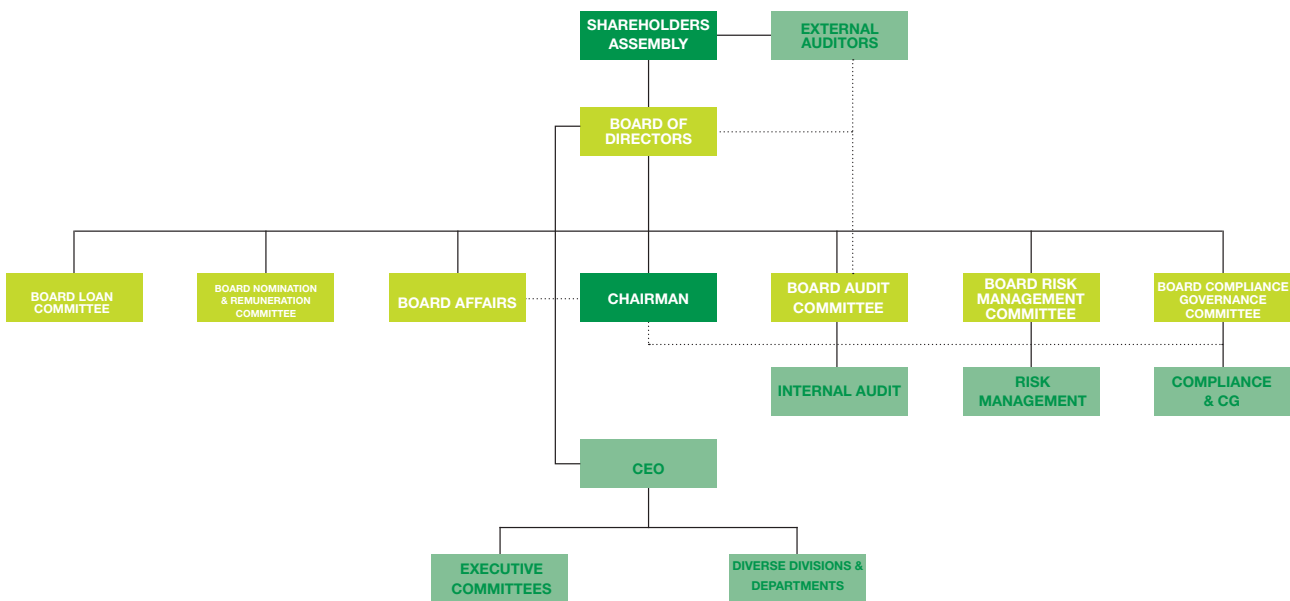
## Major Shareholders

Shareholders with a percentage exceeding 5% of the Bank’s share capital as at the end of 2024 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 2024, a new board of directors has been elected for the period from (2024-2026).

During 2024, the Bank completed Tier 2 bond program post issuance of KD 50 million second tranche bond. The Bonds Issuance aims to diversify the Bank's capital base, support its asset growth, enhance liquidity and capital ratios including capital adequacy ratio as bond issuance will provide the Bank with long-term funding, help 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, focusing on risk management and governance including cybersecurity and information security risks and compliance governance. The Board of Directors also enhances internal control systems, internal and external audits, realizes 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 Duajj 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.
- Chairman of the Board of Directors of Kuwait Banking Association "KBA" from February 2022 till date and was KBA Vice-Chairman of the Board of Directors from 2019 to January 2022.
- 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 2018 to date.
- Member of the Board of Directors of Kuwait Clearing Company, representing Commercial Bank of Kuwait from 2018 to 2019, then reappointed with effect from May 2022.

Sheikh / Ahmad has also worked as:

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

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

### **Mr. Abdulrahman Abdullah Al-Ali – Vice Chairman**

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

Mr. Abdulrahman is an experienced board member having long 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).

### **Mr. Mohamed Abdulrazzaq Al-Kandari**

Mr. Al-Kandari holds a Bachelor of Business Administration - 2000 from the University of Richmond, Virginia. Throughout his career, he served as a member of the board of directors in the following companies:

- Ajyal Real Estate 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 Mohammed Al-Sabah**

Sheikh / Talal holds a Bachelor of Science in Business Administration 2001, American University, Washington, D.C. Sheikh / Talal is currently working as a financial advisor 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).

### **Mr. Manaf Mohammed Al-Muhanna**

Mr. Manaf obtained a Bachelor degree in Architectural Engineering, 1989 from Miami University - USA and Master in Projects Management, 1997 from Kuwait University. Mr. Manaf gained diverse experience 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).

### **Mr. Youssef Yaqoub Al-Awadhi**

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

- Deputy Chief Executive Officer, Investment Funds and Client Portfolios Department at Securities Group Company from 17/07/2016 to date.

- Executive Manager - Investment Department in Securities Group Company from 2014 to 2016.
- Investment Manager in Securities Group Company from 2011 to 2014.
- Assistant Manager - Real Estate Investment Department in Aayan Leasing and Investment Company in 2010.
- Investment Manager - Direct Investment Department in Al-Ahlia Holding Company from 2007 to 2009.
- Accountant at Wafra International Investment Company from 2004 to 2007.

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

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

#### **Mr. Dhari Ali Al-Mudhaf**

He holds a Bachelor's degree in Accounting - 2012 from Kuwait University and Computer Driving Diploma from Communication and Navigation Institute in 2005. He previously graduated from the Military College in 1997 as a Lieutenant and progressed in several positions. He has practical experiences in insurance and brokerage, medical field, 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 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 31/5/2024.
- CEO - Al Raya Healthcare Company from 31/3/2022 to 31/03/2024.
- Chairman of the Board of Directors and Chief Executive Officer of the Arabian Peninsula Insurance Brokerage Company from 1/9/2024 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).

#### **Mr. Tariq Ahmad Abdulaziz Al-Jassim – Independent Member**

He holds a Bachelor's degree in Business Administration – Finance – from Suffolk University, USA, in 1997. He has extensive experience for several years, during which he held the following board memberships and positions:

- Member of the Board of Directors of KFIC Financial Brokerage Company from 2018 to date.
- Member of the Board of Directors of KFIC Financial Services Company from 2022, then Vice Chairman of the Board from April 2024 to August 2024.
- Head of the Executive Sector– Wealth Management Department at KFIC Investment from April 2024 to date, in addition to Head of Asset Management from October 2024 to Date.
- Head of the Executive Sector – Public Relations, Marketing, and Investor Relations at KFIC Investment from 2016 to March 2024.
- Deputy Head of Asset Management at Al-Dhow Investment Company (now Al-Dhow Holding) from 2006 to 2016.

He was elected as an independent member of the Board of Directors of Commercial Bank of Kuwait on 24/04/2024. He is the chairperson the Board Compliance and Governance Committee and is a member of the Board Risk Management Committee.

#### **Mr. Fahad Zuhair Al-Bader - 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 2024.
- 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 Nomination and Remuneration Committee.

#### **Mr. Ahmad Bader Wahedi - Independent Board Member**

Mr. Wahedi holds a Bachelor of Science in Economics, a Bachelor of Science in Electrical Engineering and Computer Engineering, and a Bachelor of Science in Civil Engineering with a Minor in Engineering Design - 2004 from Carnegie Mellon University- United States of America. He also holds a Master of Business Administration in Finance, Real Estate 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 Audit Committee, and a member of the Board Compliance and Governance Committee.

#### **Mr. Hossam Abdulrahman Al-Bassam - Independent Member**

Mr. Hossam 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 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 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.
- Member of the Board of Directors of the Commercial Real Estate Company from 16/10/2024 to date.

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.

#### **Key Achievements of the Board of Directors for the year 2024**

- 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 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 and approve the amendments to the AML” Department procedures .
- Reviewing periodic reports regarding the activities of the Legal Division.
- Approving the Bank's budget for 2025 .
- Approving the Bank's Capital Plan (2024 -2028).
- Reviewing the independent assessment of the Strategic Cyber Security Framework and Information Security Report.
- Approving the re-composition of the Board Committees.
- Approving the updates introduced to the Bank's Risk Management policies and the Environment, Social and Governance “ESG” Risk Management Framework.
- Approving the updates introduced to the Governance Policies and the Bylaws of the Board of Directors, 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 2024 Training Plan for the members of the Board of Directors.
- Reviewing the periodic reports about 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.
- Approving the Corporate Governance Report in the Bank's Annual Report for 2023.
- Reviewing the Sustainability Annual Report for 2023.
- 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, investment and loans portfolios.
- Reviewing and following up the latest updates regarding the Internal Audit Plan for 2024, approving the new Internal Audit Plan for 2025.
- Approving the Strategic Audit Plan (2025-2027).
- 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 2023 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 2024.
- Approving the engagement of external audit firms for auditing the Bank's financial statements and engaging some firms to conduct certain tasks for the Bank. These include for example an 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 issuance of the second tranche at an amount of Kuwaiti Dinars 50 Million of the Subordinated Bonds Issuance Program under Tier 2 capital at total amount not exceeding Kuwaiti Dinars 100 Million maximum.

## The Board Committees, Their Main Roles and Responsibilities and Key Achievements for 2024

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 April 2024, after election of the new Board of Directors, the Board committees were recomposed and approved by the BoD 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>	<p>Mr. Tariq Ahmad Abdulaziz Al-Jassim - Independent Member and Chairman</p> <p>Mr. Ahmad Bader Wahedi - Independent Member</p> <p>Mr. Youssef Yaqoub Al Awadhi</p> <p>Mr. Dhari Ali Al Mudhaf</p>
<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 2023.</li> <li>- Reviewed the annual reports of Compliance and Governance Division for 2023.</li> <li>- Reviewed The Bank's Sustainability Report for 2023.</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 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 Legal Division Policy</li> <li>- Reviewed the updates to the code of ethics.</li> </ul>

<b>Board Audit Committee (BAC)</b>	
<b>Composition</b>	<p>Mr. Ahmad Bader Wahedi - Independent Member and Chairperson            Mr. Mohammed Abdulrazzaq Al Kandari            Mr. Hossam Al-Bassam - Independent Member            Mr. Youssef Yaqoub Al Awadhi</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 2023, and examinations of the consumer and housing loans portfolio for 2024 .</li> <li>- Reviewed the External Auditor's ICR Report and the follow-up reports prepared in this regard.</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>- Objectively reviewed the Annual Report on the evaluation of the external auditors for the year 2024 prepared by the Board Audit Committee.</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 2023/2024.</li> <li>- Reviewed the quality assurance, the internal evaluation process, the extent of employees' satisfaction, and inspection results for the year 2023, and ensured the independence of the Internal Audit Division.</li> <li>- Reviewed the Strategic Audit Plan for the years 2025 -2027 and the Annual Audit Plan for 2024.</li> <li>- Reviewed the register of resolutions issued by the Board Audit Committee and followed them up for implementation.</li> <li>- Reviewing the updates made to the Budgeting Policy and the Guidelines Manual.</li> <li>- Reviewing the updates to the Provisioning Committee Bylaws.</li> </ul>

<b>Board Risk Management Committee (BRMC)</b>	
<b>Composition</b>	<p>Mr. Fahad Zuhair Al-Bader - Independent Member and Chairman</p> <p>Mr. Abdulrahman Abdullah Al-Ali</p> <p>Mr. Tariq Ahmad Abdulaziz Al-Jassim - Independent Member</p> <p>Mr. Mohamed Abdulrazzaq Al Kandari</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 (Risk Appetite) approved for the period from 2020-2024.</li> <li>- Reviewed the updates to Business Continuity Management Policy and Business Continuity 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 updates to the Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing Policy and related methodology.</li> <li>- Reviewed the updates to the Information Security Policy and Information Technology Policy.</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 updates to the Risk Management Framework and the first issue of Environment, Social and Governance "ESG" Risk Management Framework.</li> <li>- Reviewing the first issue of the Provisioning and Loans Write-off Policy.</li> <li>- Reviewing the updates made to the Fraud Risk Management Policy and Framework.</li> <li>- Reviewing the updates to the Interest Rate Risk Management Policy and the Credit Risk Management Policy.</li> <li>- Reviewing the updates to the Strategic Risk Management Policy, Market Risk Management Policy, and Operation Risk Management Policy.</li> <li>- Reviewing the updates to the Signature Verification Policy and the Transaction Approval Limits Policy.</li> </ul>

<b>Board Nomination and Remuneration Committee (BNRC)</b>	
<b>Composition</b>	<p>Mr. Hossam Al-Bassam - Independent Member and Chairman            Mr. Fahad Zuhair Al-Bader - Independent Member            Sheikh / Talal Mohammed Al-Sabah            Mr. Manaf Mohammed Al-Muhanna</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>- 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 2025.</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 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>

Board Loans Committee (BLC)	
<b>Composition</b>	Sheikh / Ahmad Duajj Al-Sabah - Chairman Mr. Manaf Mohammed Ali Al-Muhanna Mr. Abdulrahman Abdullah Al-Ali Sheikh / Talal Mohammed Al-Sabah Mr. Dhari Ali Abdullah Al-Mudhaf
<b>Main Roles &amp; Responsibilities</b>	<ul style="list-style-type: none"> <li>• Review the Credit Policy and the Investment Policy as well as 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 and renewing facilities based on the Credit and Investment Committee's recommendation, 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, amend, and approve all investment proposals falling under the Committee's authority, make necessary decisions regarding them, and escalate those exceeding the Committee's authority to the Board of Directors.</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 and investment proposals within the limits prescribed by the Board of Directors.</li> <li>- Reviewed the second issue of the Bonds Policy.</li> <li>- Reviewed the first issue of the Corporate Banking Credit Policy.</li> <li>- Reviewed the first issue of the Cards Policy.</li> <li>- Reviewed the first issue of the Retail Lending Policy.</li> <li>- Reviewed the updates to the Credit Risk Management 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

The below table presents the number of meetings of the Board of Directors and other related Board Committees during the year 2024, along with an outline of the frequency of participation by the Board Members in the meetings.

Total Number of Meetings Held During 2024	BOD Meetings	BCGC	BRMC	BAC	BNRC	BLC	Total Number of Meetings Attended by Members
	12	3	8	7	7	50	87
Board Members	Number of Meetings Attended by the Board Members						
Sheikh/Ahmad Al-Sabah	12					42	54
Abdulrahmn Al-Ali	10		7			41	58
Sheikh/Talal Al-Sabah	12				5	46	63
Mohamed Al-Kandari	10		6	5			21
Youssef Al-Awadhi	10	1		5	2		18
Dhari Al-Mudhaf	12	2				41	55
Manaf Al-Muhanna	12				7	49	68
Fahad Al-Bader	12	2	8		5		27
Ahmad Wahedi	12	3	3	5			23
Hossam Al-Bassam	12			7	7		26
Tariq Al-Jassim*	8	1	5			1***	15
Dr. Mahmoud Behbehani**	4	2		2			8

**Remarks:**

\*Mr. Tariq Al-Jassim was elected and joined the Board of Directors as an independent member during the Ordinary General Assembly Meeting held on 24 April 2024, as part of the new Board of Directors composition for the session (2024-2026).

\*\* Independent Board Member during the previous Board session (2021-2023).

\*\*\* Mr. Tariq Al-Jassim was called as a temporarily alternate member to attend the Board Loan Committee Meeting No. 28/2024 on 25 July, 2024, to complete the quorum.

During 2024:

- The total number of the Board decisions taken by circulation was (16).
- The total number of BLC's decisions made by circulation was (13).
- The total number of BCGC's decisions made by circulation was (1).
- The total number of BAC's decisions made by circulation was (4).
- The total number of BRMC's decisions made by circulation was (1).
- The total number of BNRC's decisions made by circulation was (0).

## Evaluation of the Board of Directors' Performance

In implementation of the Corporate Governance rules, the Board Nomination and Remuneration Committee "BNRC", 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 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 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 2024, and after obtaining the Central Bank of Kuwait's approval, the Bank engaged an audit firm named "BDO Kuwait AlNisf & Partners" to review the Bank's internal control systems for the year 2023. The Auditor's Report, prepared on 25/6/2024, 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 2023, 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 16/02/2023, the Central Bank of Kuwait's General Guidelines Manual dated 14/11/1996 and Pillar IV of the Corporate Governance Instructions in respect of the Risk Management and Internal Controls issued by the Central Bank of Kuwait on 20 June 2012 and its amendments on 10 September 2019, instructions dated 16 February 2023 concerning Anti-money Laundering and the Combating the Financing of Terrorism, instructions dated 9 February 2012 concerning the Confidentiality of Customer's Information and Financial Securities Activities and instructions regarding Internal Controls with respect to Prevention and Reporting of Fraud and Embezzlement Cases.

Accordingly, the findings raised in the Internal Control Review Report did not have material impact on the Bank's fair presentation of the financial statements for the year ended 31 December 2023. The Report, further, stated that the actions taken by the Bank to address the said findings, including those raised in previous years, were satisfactory. The said Report is shown below.



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**Board of Directors  
 Commercial Bank of Kuwait K.P.S.C  
 State of Kuwait.**

Date: 25 June 2024

Dear Sirs,

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

In accordance with our letter of engagement dated 30 January 2024, we have examined the accounting records and other records and internal control systems of Commercial Bank of Kuwait K.P.S.C ('the Bank') for the year ended 31 December 2023. We covered the following areas of the Bank:

- Corporate Governance
- Retail Banking
- Corporate Banking
- Treasury
- Investments
- International Banking
- Operations
- Risk Management
- Information Technology
- Financial Planning and Control
- Human Resources
- Compliance
- Anti-Money Laundering
- Internal Audit
- Legal Affairs
- General Services
- Corporate Communication
- Customer Complaints and Protection
- Digital Transformation and Innovation
- Strategic Planning and Follow-up
- Anti- Fraud and Embezzlement

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) contained in the Manual of General Directives issued by the CBK on 14 November 1996, IV of corporate governance instructions in respect of risk management and internal controls issued by the CBK on 20 June 2012 and its amendments on 10 September 2019, instructions dated 16 February 2023 concerning Anti-money laundering and combating financing of terrorism, instructions dated 9 February 2012 regarding confidentiality of customer's information, financial securities activities and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases.

As members of the Board of Directors of the Bank, you are responsible for establishing and maintaining adequate accounting and other records and internal control systems, taking into consideration the expected benefits and relative costs of establishing such systems and complying with the requirements contained in the CBK instructions mentioned in the above paragraph.

The objective of this report is to provide reasonable, but not absolute, assurance on the extent to which the adopted procedures and systems are adequate to safeguard the assets against loss from unauthorized use or disposition; that key risks are properly monitored and evaluated; that transactions are executed in accordance with established authorization procedures and are recorded properly; and to enable you to conduct the business in a prudent manner.



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

Having regard to the nature and volumes of the bank's operations, during the year ended 31<sup>st</sup> December 2023, and the materiality and risk rating of our findings, and the exception of matters set out in the report submitted to the Bank, in our opinion:

- a) The accounting and other records and internal control systems of the bank were established and maintained in accordance with the requirements of the Manual of General Directives issued by the CBK on 14<sup>th</sup> November 1996 and all other subsequent instructions and circulars issued by CBK in this regard,
- 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 bank for the year ended 31<sup>st</sup> December 2023, and
- c) The actions taken by the bank to address the findings referred in the report, including previous years' findings, are satisfactory.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Qais M. Al Nisf', written over a horizontal line.

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

## Code of Conduct and Ethical Values

The Bank continues to apply sound Corporate Governance practices, and 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 Interests cases, and the mechanism for addressing and avoiding them. The approved policy sets the procedures that should be applied in cases of non-compliance for both the Executive Management and the members of the Board of Directors.

### Transactions with Related Parties

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

### Disclosure and Transparency

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

### Insider Trading

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

## Banking Secrecy

The Board of Directors, Executive Management and employees endeavor to protect and maintain the confidentiality of information of the Bank, its customers and other stakeholders as per the provisions of laws, rules and instructions issued by the Central Bank of Kuwait and other regulatory authorities. Further, the Bank consistently applies the required controls to ensure maintaining the confidentiality of information as per the policies approved by the Board of Directors in this regard, and the internal control systems stipulating mandates for protecting 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 gives 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 09/10/2024 .

## The Main Objectives of the Remuneration Policy are as Follows:

1. Promoting effective governance and sound practices for the financial remuneration system in consistency with risk strategy.
2. Attracting and retaining highly qualified, skilled and knowledgeable professionals.
3. Ensuring that the financial remuneration is linked to the Bank's performance and Risk Timeline, taking into account the possibility of amending the financial remunerations that may be granted to staff, in case of weak/adverse financial performance of the Bank, to match risks on the long term.

## Important Features of the Remuneration Policy:

1. The Bank adopts a remuneration policy that applies to all the employees of the Bank by having in place appraisal mechanism / job progression, and through an approved structure for salaries and benefits that ensures positioning the employees appropriately in the right positions.
2. Upon determining the salary scale and remuneration in the Bank, the policy takes into account the legal and regulatory requirements, in addition to the rules and laws enforceable in Kuwait, as well as the level and range of salaries and remuneration in the local Banking sector.
3. Remunerations, according to the approved policy, are divided into: fixed remunerations, which include basic salary and fixed/ supplementary allowances, and variable remunerations which are related to the performance and depend on the Bank's financial performance and divisions / Departments' roles and efforts towards this performance, in addition to staff performance appraisal. The variable remunerations are divided into: Due remunerations (Annual Incentive), which may be paid to staff members after the end of each financial year based on the Bank's financial performance and the staff performance appraisal during this year, and Deferred Remunerations, which may be paid to the staff members over a maximum period of 3 years as per the mechanisms, percentages and categories specified by the Board of Directors. According to the regulatory requirements, "Claw back" is applied to the latter type of remunerations that can be adjusted or clawed back in exceptional cases, such as weak/adverse financial performance of the Bank.
4. As per the Bank's Organizational Structure and Corporate Governance rules, Compliance and Corporate Governance

Division, Risk Management Division and Internal Audit Division are reporting to the Board Compliance and Governance Committee, the Board Risk Management Committee and the Board Audit Committee, respectively. However, and from the Management perspective, the three Divisions work with a direct reporting line to the Chairman of the Board who, in turn, 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 2024

### Board of Directors:

The Bank's Chairman and the Board Members' remunerations totaled KD 741 thousand during the year 2024. 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 1,044,761 have been paid during 2024 to the five Top Executives, plus the Chief Executive Officer, Chief Financial Officer, the Chief Internal Auditor and the Chief Risk Officer.

- Remunerations include basic salary and allowances, such as grade allowance, transport allowance, supplementary

### Employees' Categories:

Category	Number	Total Remunerations	Remarks
Top Executive and Supervisory Management	12	KD 1,898,934	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 881,194	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 720,914	Including Chiefs of Financial Planning and Control Division, Internal Audit Division, Risk Management Division, GM - Compliance and Corporate Governance Division and GM - Legal Division.

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 should be noted that the External Auditor's 2023 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. Article No. "49 BIS" of the Bank's Articles of Association stipulates that the election of the Board of Directors shall be adopting the cumulative voting system. It reads as follows: "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 encourages digital transformation, innovation and the introduction of new distinguished services that meet the needs and expectations of customers and the Banking market by adopting modern technologies while observing Banking secrecy and cybersecurity standards.
- 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 40 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 UI-Hassan Khalid** **Chief Financial Officer – Financial Planning and Control Division**

Mr. Masud has been working with the Bank over the last 33 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 Al Aryan** **General Manager – Treasury and Investment Division**

Mr. Hussain has an extensive and long Banking experience 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 Al-Haddad**

#### **General Manager - Strategic Planning and Follow-up**

Ms. Ebtissam has long 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 Division. 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 Hammed Bo Abbas**

#### **Acting General Manager - Corporate Banking Division**

Mr. Ahmad has Banking experience extending over 21 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 21 years across various gamete 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 Abdulrazzaq Al-Zaabi**

#### **General Manager - Retail Banking Division**

Mr. Abdulaziz has Banking experience over 18 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 2024.

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

### **Ahmad Khaled Al-Khader**

#### **General Manager - Operations Division**

Mr. Ahmad has 20- year experience in corporate Banking services, particularly in the small and medium enterprise (SME), investment Banking, retail Banking and Banking operations. His gained expertise through his work at the largest conventional Banks in Kuwait, and Kuwait Credit Bank.

He holds a Certified Credit Manager certificate from the Institute of Banking Studies in 2003. He participated in global programs and courses at prestigious institutions such as Harvard University in the United States and INSEAD in France.

Mr. Ahmad joined Commercial Bank of Kuwait in 2022 as Deputy General Manager in the Operations Division and was promoted to General Manager by the end of 2023.

He holds a Bachelor's degree in Management Sciences from the University of San Diego -US 1999, and a Master's degree in Business Administration from the American University of Beirut in 2011.

**Sarah Mohammad Mansour**  
**General Manager – Legal Division**

Ms. Sarah Mansour obtained a Bachelor of Law in 2006 from Kuwait University. She is a lawyer enrolled to plead before all court types and degrees in Kuwait. 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 progressed in her career path serving as a legal officer then a legal advisor until she joined the Al-Tamimi & Company law firm from 2018 to 2021 as a lawyer in various Departments, covering many law branches. In 2008, she joined the Philadelphia-based Exlon Company, USA through a training program for fresh graduates to enable women in the legal profession.

**Amr Mohamed Samy El Kasaby**  
**Chief Internal Auditor “CIA”- Internal Audit Division**

Mr. Amr has more than 35 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.

**Mr. Tan Tat Thong**  
**Chief Risk Officer- Risk Management Division**

Mr. Tan Tat Thong has over 32 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 Khalid Al Meaan**  
**General Manager – Compliance and Corporate Governance Division**

Mr. Tamim has over 24 years of regulatory and Banking experience 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.

Mr. Tamim joined Commercial Bank of Kuwait in 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 2024. During his tenure, he has made remarkable changes to improve work mechanisms and the level of control by customers, by modern Banking products, as well as monitoring the daily operations.

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

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

Sheikha / Nouf has more than 27 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 Qamhieh****General Manager – Information Technology Division (ITD)**

Mr. Bader Qamhieh has professional experience exceeding 24 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 divisions 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 branches.

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

**Mohamad Bader Ahmad Al-Haid****Head of Digital Transformation and Innovation Division (DTID)**

Mr. Al-Haid has long Banking experience spanning over 17 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.

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. In December 2023, Mr. Al-Haid has become Head of Digital Transformation and Innovation Division.

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 Jaffar Al-Abdullah****General Manager – Human Resources Division**

Mr. Sadeq has over 20 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 Nassar Al-Nassar****Head - General Services Division**

Mr. Talal has Banking experience spanning over 19 years. He joined Commercial Bank of Kuwait in 2015 in the General Services Division, and was promoted to the position of GM- 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.

### **Kholoud Bassam Al-Mousa**

#### **Head of Customer Complaints & Protection Department**

Ms. Kholoud has over 19 years of experience in the Banking sector with focus on customer service and dispute resolution.

She began her professional career in customer service and joined Commercial Bank of Kuwait in 2022 as the Head of Customer Complaints & Protection Department. In this role, she oversees the process of addressing the Bank's contractual complaints, ensures compliance with regulatory standards, and promotes solutions focused on improving the overall quality of service. Her responsibilities include identifying systemic issues and collaborating with other Departments to implement corrective measures.

Ms. Kholoud holds a Master's degree in Business Administration and a Bachelor's degree in International Business from Concordia University in Canada, 2004.

### **Mona Al-Abdulrazzaq**

#### **Board Secretary**

Ms. Mona has over 30 years experience in management and financial affairs, having held several leading and advisory roles in the Banking sector and various government entities, as follows:

- General Manager – Human Resources Division at Commercial Bank of Kuwait from 2015 to 2018.
- Media Advisor to the Minister of Commerce and Industry from 2012 to 2014.
- Human Resources Manager – (Tony Blair Project with the Project Management Office) Kuwait Government, Prime Minister's Office from 2010 to 2012.
- Executive Director – Recruitment and Workforce at Al-Ahli Bank of Kuwait from 2008 to 2010.
- Financial Expert in Budgeting, Human Resources, and Computer Programming at Kuwait Airways from 1986 to 2003.

Currently, Ms. Mona serves as the Board Secretary at Commercial Bank of Kuwait since June 2018. She holds a Bachelor's degree in Computer Science from Kuwait University, 1986.

## **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 2024. All amounts are stated in Kuwaiti Dinars and have been derived from consolidated financial statements.

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

### Financial Objectives

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

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

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

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

## Fundamental Strengths

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

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

- Well-established, flagship Banking business in Kuwait
- Diversified operations well positioned to capture growth opportunities
- Transformative technology architecture, data and digital capabilities delivering customer and business value
- Solid capitalisation and high provisions 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 enhance succession planning.

## Financial Results Overview

The Bank continues to demonstrate strong profitability, underpinned by robust net interest income and sustained growth in fee-based income. Effective cost of funds management has enabled the Bank to maintain a healthy net interest margin despite reductions in policy rates by the Federal Reserve and the Central Bank of Kuwait, alongside significant growth in the loan portfolio. Non-interest income remains a key driver of profitability.

Net profit saw a substantial increase, driven primarily by lower provisions and recoveries resulting from a favourable legal verdict. This highlights the Bank's ability to manage risk and capitalize on operational efficiencies.

The Bank's operating efficiency remains impressive, with a cost-to-income ratio of 34.6% for 2024. This underscores the success of its operational strategies, particularly within corporate and international Banking sectors.

The Bank has strategically expanded its international footprint, particularly in Asia, offering trade finance services to corporate clients and correspondent Banks with ties to Kuwait. Domestically, the focus remains on long-term project finance, targeting government-related entities, large corporates involved in government-driven projects, and mid-sized companies to further diversify the portfolio. In retail Banking, the Bank continues its successful digital transformation, enhancing its digital platforms and offering new customer services to stay ahead in a rapidly evolving market.

To support growth and maintain high capital buffers, the Bank completed a KD 100 million subordinated Tier 2 bond program, following the issuance of a second tranche bond worth KD 50 million. The proceeds from this issuance strengthened the Bank's Tier 2 capital, enhancing its ability to finance larger projects.

## Balance Sheet Strength

The Bank's balance sheet remains strong, with high asset quality, strong liquidity, and solid capital buffers ensuring consistent profitability. The proactive management of excess capital positions the Bank to mitigate potential geopolitical risks, while continuing to invest in key business areas, digital transformation and human development.

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

As of December 31, 2024, the Bank's CET1 ratio stood at 15.44%, comfortably exceeding the Central Bank of Kuwait's regulatory requirement of 10.0%. The total capital ratio was 18.95%, well above the regulatory limit of 13.50%. The Basel III leverage ratio of 11.3% significantly exceeds the regulatory minimum of 3%.

- **Loan Loss Reserve**

The Bank's loan loss reserves amounted to 6.9% of gross loans at year-end 2024, providing a substantial cushion to absorb unexpected losses, if any.

- **Liquidity Coverage Ratio (LCR)**

The Bank's LCR, which measures its ability to meet short-term financial obligations using high-quality liquid assets (HQLA), averaged 277% for the year, well above the regulatory requirement of 100%. This reflects the Bank's robust liquidity position and resilience during periods of financial stress.

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

The NSFR, which assesses the Bank's ability to meet long-term funding needs, ranged between 107.9% and 114.80% during the year, significantly exceeding the regulatory requirement of 100%. This highlights the Bank's stable funding profile and ability to withstand potential disruptions.

Total assets reached KD 4.7 billion, representing a 11.7% increase from the previous year. Loans and advances comprised 60.1% of total assets, while investment securities accounted for 9.1%, compared to 58.2% and 8.0%, respectively, in the previous year. Notably, the Bank has maintained a zero non-performing loan ratio for seven consecutive years.

Total liabilities stood at KD 3.9 billion, with customer deposits comprising KD 2.5 billion (63.5%) and other borrowed funds at KD 0.8 billion (19.4%). Shareholders' equity amounted to KD 745.7 million at year-end 2024, up from KD 660.6 million at year-end 2023.

## Income Statement

The Bank's net profit for 2024 reached KD 157.2 million, marking the highest-ever profit declared by the Bank, a 41.4% increase compared to the previous year. This growth was driven by higher net interest income, increased fee income, stable margins, operational efficiency, lower impairments, and strong recoveries.

Operating income rose by KD 9.8 million (5.8%) to KD 180.02 million. This increase was primarily due to a 4.1% growth in net interest income, which accounted for 65.4% of total operating income, supported by strong growth in loans and investment securities. Fee income also grew by 11.6%, reaching KD 49.7 million (27.6% of operating income), driven by higher volumes in the letter of guarantee (LG) business.

The Bank's net interest margin remained stable at 2.8% for 2024.

During the year, the Bank wrote off KD 22.2 million in loans, while recovering KD 29.3 million on previously written-off loans, along with an additional KD 58.9 million following a favourable court verdict. The Bank's provision reserve at year-end 2024 stood at KD 257.1 million, with precautionary provisions amounting to KD 174.4 million.

Corporate and retail Banking activities remain the primary sources of revenue, with strong expense management contributing to the Bank's continued success. The Bank's cost-to-income ratio of 34.6% is among the lowest in Kuwait's Banking sector.

## Review of the Operating Environment

Key factors that have influenced economic trends have included stubborn inflation, geopolitical risks, and uncertainty regarding future economic policy developments. Furthermore, the global economy has been characterized by substantial differences in growth rates and developments in major economies across differing economic sectors. The rate of global growth in 2024 was primarily driven by momentum in the services sector, whereas industrial manufacturing showed weak development all in all. The divergences can be characterized by the contrasting trends seen in Europe and the US, where US economic growth remained robustly shy of 3%, while in contrast, Germany, known as an industrial manufacturing powerhouse, has experienced two consecutive years of contraction as of end-2024. The contraction can be attributed to global economic influences stemming from lasting effects of volatile energy prices, geo-political events and risks hindering trade flows, a decrease in global demand, and global political uncertainty with regards to the globalization of trade flows and economic relations. All the while, states globally have been working to manage the constraints implied by the effects of high interest rates in the global effort to subdue inflation while also working to manage a balance of supporting growth rates with an eye towards maintaining the economic balances in order to avoid teetering towards higher growth with higher inflation, or combatting inflation too strongly at the expense of subduing the national economic prospects.

At the forefront of considerations relative to the economic operating environment in 2024 has been the rumination of geopolitical strategy and risks relative to the contemporary complex global environment following the onset of the Covid-19 Pandemic where inflation first began to rise, and was further exacerbated by the Russia-Ukraine conflict which continues into the present year. While the effects of the conflict have cooled somewhat as global economies worked to traverse its economic implications arising from supply constraints, the effect on inflation still remain prevalent in the global economy.

Year 2025 has got off to a bumpy start, seen with a flurry of tariff activity, with trade wars being speculated between the European Union and the United States, while tariffs had already been implemented and reversed within short succession as the US implemented tariffs on Canada, Mexico and Columbia, before being removed as the affected states ceded to adjust their policies in line with US requests on immigration and border control. However, the US has implemented a 10% tariff in February 2025 on all Chinese imports, prompting China's response of targeted tariffs on US imports, while also putting several US companies on notice for possible sanctions. Key factors influencing economic trends in 2025 include stubbornly high geopolitical risks and uncertainty regarding future economic policy developments. The political course that the US ultimately charts out, especially with regard to trade policy, will be particularly important. Major geopolitical risk scenarios also remain in the form of Russia's war of aggression in Ukraine and – despite recent positive signals – the conflict in the Middle East, which could escalate again.

In consideration of the global operating environment along with geo-political and economic risks, the growth of the global economic in 2025 is forecasted to roughly match levels seen in 2024. The United States economy has proved its resilience in 2024, beating GDP growth expectations while its partner economies continue to work towards their recovery. Growth in the United States is expected to remain solid yet slightly dip to a growth of 2.5% thanks to an increased momentum of productivity in Europe, while US inflation is expected to continue its battle with elevated price pressures and sticky core inflation, making it unlikely to meet the Federal Reserve's inflation target in the short-term. However, the United States did see moderate cooling of inflation in 2024, leading to consecutive rate cuts by the Federal Reserve, putting the Fed Funds rate at 4.25%-4.5% as of February 2025. However, in consideration of the difference in trade policy from prior years, the Federal Reserve has moved to maintain rates in its last two policy meetings as it weighs the effects of this enhanced policy on the country's inflation metrics. Meanwhile, drastic increases in the tariffs imposed on major trading partners and retaliation by the countries affected could lead to wider trade conflicts.

In the European Union, economic output is predicted to grow at a modest rate of 1% again in 2025 after weak growth in the prior two years. However, divergence in economic growth continues within the Euro area, where countries whose economies are dominated by the services sector, such as Spain, are able to achieve much more dynamic growth, while Germany is expected to post the most sluggish growth again due to pressure from high energy prices while working within an environment in which German companies are becoming less competitive on the international stage. The rate of inflation in the Eurozone is expected to continue to drop year on year and move closer into line with the 2% target set by the European Central Bank (ECB). Financial markets and major forecasters are predicting the ECB to be in line for more rate cuts in 2025, with expectations for the ECB to outpace the US in the easing of monetary policy, with the ECB's deposit facility, main refinancing operations and marginal lending facility sitting at 2.75%, 2.9% and 3.15% as of February 2025.

UK economy is expected to post a moderate growth of 0.9% for 2024 owing to the significant slowdown witnessed in the second half of 2024. The projected growth is down from the previous expectation of 1.1% growth. The forecast for 2025 has also cut down to half at 0.75% by the Bank of England while cutting interest in February 2025 by 25 bps.

China's GDP has remained in line with the government's target for growth of 5% year on year in 2024, surpassing general expectations, as the economy was supported by stimulus measures, strong exports, and high-tech investment, despite challenges like weak domestic demand, a real estate crisis, and demographic pressures. Despite ongoing challenges including external pressures, the Chinese government maintains its target for 5% year on year growth in 2025 as the country reaffirms its commitment to ramping up stimulus measures and providing stronger policy support to navigate hurdles. China has remained the second largest economy in the world, behind the United States, with a GDP of USD 18.28 trillion.

In the Middle East, the GCC's economic growth forecasted is estimated at 1.6% year on year in 2024 with the contractions in the economies of Oman and Kuwait weighing down the collective GCC growth. However, with oil production expected to increase in 2025 as OPEC phases out its production cuts, the collective GDP growth of the GCC is then expected to accelerate to 4.2% in 2025-2026. Inflation in the GCC has remained low at approximately 2.1% during 2024, supported by subsidies, fuel price caps and currency pegs, with the GCC central Banks maintaining its peg to the Federal Reserve relative to monetary easing. GCC market development has remained focused towards economic diversification, especially with the need to expand non-oil revenue based through higher tax collection, which may adversely affect the attractiveness of the GCC as tax havens for international entities, as most recently exemplified by Kuwait's 15% tax on large international corporates in an effort to balance state budget and revenues.

Kuwait has been experiencing a period of economic evolution relative to reforms and developments within the country, enhancing the operating environment as the government works to increase revenues, while also advancing the initiative of projects in the pipeline, providing a growing operating environment for local Banks. The shift in Kuwait's economic direction has, so far, pushed forward USD 26 billion worth of projects, primarily in water, energy and infrastructure to stimulate credit growth and to address recent energy shortages. Kuwait's real GDP growth has continued to post negative figures, and is forecasted to have contracted by 2.8% year on year in 2024, following a contraction of 3.6% in 2023. However, as oil production is planned to pick up in 2025, Kuwait's GDP is projected to grow 2.6% year on year in 2025 with the phasing out of the OPEC+ production cuts. However, Kuwait's non-oil economy has emerged from its negative growth, and is projected to have expanded by 2% year on year in 2024, followed by a projection for growth of 2.6% year on year in 2025.

Kuwait's draft budget for 2025-2026 forecasts a deficit of about KWD 6.3 billion, and total revenues of KWD 18.2 billion. The draft budget for the fiscal year sees oil revenues at approximately KWD 15.3 billion, down 5.7% from 2024-2025, based on an oil price of USD 68 a barrel. The introduction of Corporate Income Tax on foreign entities as well as the possible introduction of VAT, in line with other GCC countries, is likely to add diversification to the Government's revenue sources. Kuwait's total expenditure is projected to fall by 0.1% in 2025-2026, to KWD 24.54 billion.

Inflation in Kuwait has been relatively moderate when compared to the global average, with Kuwait's CPI inflation rate averaging approximately 3% for 2024, reflecting a combination of ongoing strength in consumer demand, rising housing rents and lingering supply chain issues. These dynamics are expected to lessen further in 2025 however, with projections for inflation to be brought down to an average of 2.8% 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 cut the Central Bank Discount Rate to 4%, moving largely in step with the US Federal Reserve. As the Federal Reserve is expected to continue its easing cycle and continue to unwind its efforts of monetary tightening in order to fuel growth in the economy, the Central Bank of Kuwait is expected to lower its key rates in lockstep throughout 2025.

## 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 completed the development of 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.

The global economic landscape continues to face heightened uncertainty, driven by a combination of geopolitical tensions, inflationary pressures, and uneven economic recovery across regions. The lingering effects of the Russia-Ukraine conflict have disrupted global energy markets and exacerbated food insecurity, creating ripple effects across emerging and developed economies. Additionally, the divergent monetary policies in major economies, including the US and Europe, have added pressure on global financial markets. In the GCC region, oil price fluctuations risk remains a critical factor, as global demand is influenced by economic slowdowns and the accelerating energy transition. While high oil prices have supported regional fiscal surpluses in the short term, uncertainties surrounding sustainable demand for hydrocarbons challenge long-term economic strategies. Against this backdrop, the Bank is focused to remain steadfast in adapting our strategies to safeguard growth, focusing on resilience and seizing opportunities in a rapidly changing global environment.

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 local economy, while benefitting from strong oil revenues, faces its share of domestic challenges that disrupt traditional business paradigms. Additionally, the local economy is exposed to the ongoing regional conflicts leading to volatile oil prices that has the potential to disrupt the progress of the local economy and development plans.

#### 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 & Contracting sectors accounted for the highest share of credit portfolio on account of financing of new government sponsored projects, with new road construction tenders released during the year.

On the liabilities side, the Bank has a high proportion of deposits from government and quasi-government entities which is a logical evolution of high liquidity in these entities. However, the deposit concentration is well within the Bank's risk appetite in terms of significant counterparties and significant products.

The Bank 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

While high interest rate environment squeezing borrowers' liquidity positions is expected to ease, the heightened geopolitical risks may put pressure on the supply side with potential of increased input costs. This may lead to narrowed margins for some of the borrowers.

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 cyber security and is committed to implement advanced cyber security mechanisms and controls to minimize the risks resulting from cyber security 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 emergence of fintech is redefining customer expectations with seamless and innovative financial solutions. This shift necessitates ensuring the emerging Cyber-Security challenges and controls are adequately managed.

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 Resources 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, represented by Corporate Communication Division "CCD", always endeavors to enhance the concept of corporate social responsibility and sustainability covering various environmental, social and governance factors and their sub-factors such as 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.

### **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 Go Green Campaign through which the Bank seeks to bring about positive change for environment sustainability and greenery expansion. The Bank has allocated containers in the Bank's branches and headquarters in which the Bank's employees have placed old electronic devices, wires and other unused children toys. A recycling specialized company has sorted out wastes by their type.
- 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.

## B. Activities and Events outside the Bank

- Contributing to national projects and entering into joint ventures to develop Dirwazat Al-Abdulrazzaq "Tunnel" in the Centre of Kuwait City, as well as redesigning and greening the gardens surrounding the Bank's headquarters.
- Launching "Tijari Art" campaign, a highly successful initiative with purposeful message that promotes the integration of sustainability principles within creativity. This aligns with the Bank's broader strategy of fostering both environmental and social sustainability.
- Organizing awareness visits about the negative impact of pollutants on land 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 raise awareness among students, at various grades, of the negative impact of pollutants on land and sea lives and the importance of adhering to positive and sound conservation behaviors.
- Endeavoring to educate all segments of society about the latest developments in financial fraud and money laundering through educational lectures for corporate employees, government entities servants, university students, and people with determination using the Sign Language.

### Social Responsibility

Since its establishment, the Bank has given social responsibility great attention within its business scope and so was the case in 2024. The Bank extended support, sponsorship and participation for events and activities covering wide range of humanitarian and charitable work. The Bank's social responsibility programs included, but were not limited to, the following:

- Supporting and sponsoring social, educational and health events organized by Kuwait six governorates and other civil society institutions for serving the society, 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.
- Sponsoring 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.
- Distributing Suhoor meals throughout the Holy Month of Ramadan as part of the Bank's «Suhoorkom Alaina» campaign as well as Eid gifts to cleaning and construction workers as part of the "Hawwin Alaihom" 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. The Bank has provided educational and awareness lectures to corporate employees, university students and people with determination having hear impairments through using the Sign Language.
- Continuing the 'Go Green' campaign with the adoption of the Recycling Program, aimed at fostering a greener environment by raising society awareness about waste reduction and environment preservation.

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 embedded in Kuwait Vision 2035 "New Kuwait" for realizing sustainable development, the Bank continues its efforts in the areas of sustainability and governance. It is also issuing a separate report for 2024 covering the Bank's achievements in this regard.

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# Financial Review

In 2024, Al Tijari demonstrated the strength of its diversified business model. Our agility and precision in execution enabled the Bank to make substantial progress across all key areas, delivering strong results for our stakeholders. We successfully expanded our customer base and strategically invested in new capabilities that enhanced operational efficiency, further bolstering our competitive edge. The Bank's solid financial performance generated significant value for our shareholders, with a dividend of 52 fils per share and 10% bonus shares for the year 2024, a 40% increase from the 37 fils per share dividend in 2023.

## Statement of Income

- **Net Interest Income**

Net interest income, which reflects earnings from assets like loans and securities minus the interest paid on liabilities such as deposits, reached KD 117.7 million—an increase of KD 4.6 million (4.1%) compared to KD 113.1 million in 2023. This growth was primarily driven by a higher average portfolio of loans and investment securities, which contributed more to offset the negative impact of benchmark rate reductions by the Federal Reserve and the Central Bank of Kuwait. Additionally, effective management of the average cost of funding helped maintain a stable net interest margin.

- **Non-Interest Income**

Non-interest income, which includes all revenues outside of net interest income, totalled KD 62.3 million, marking an increase of KD 5.2 million (9.1%) compared to 2023. Fee income rose by KD 5.1 million (11.6%), while foreign exchange income grew by 3.6%. However, other income saw a slight decline of KD 0.3 million.

- **Non-Interest Expenses**

Staff expenses totalled KD 35.6 million, reflecting an increase of KD 6.7 million (23.4%) compared to 2023. This rise was mainly driven by the reversal of certain accrued expenses in the previous year, along with salary adjustments and higher staff performance incentives for the current year. General and administrative expenses amounted to KD 25.1 million, an increase of KD 3.7 million (17.1%), primarily due to higher costs associated with increased transaction volumes in the card-related business. Additionally, depreciation and amortization expenses rose by KD 1.2 million compared to the previous year.

- **Impairment and Provisions**

The Bank recorded a release of KD 47.7 million for impairment and other provisions, compared to a charge of KD 0.1 million in the previous year. As of year-end 2024, the provision reserve stood at KD 257.1 million, with KD 174.4 million allocated as precautionary provisions including KD 18 million addition during 2024. Notably, non-performing loans remained at zero for the seventh consecutive year.

- **Net Profit**

The net profit attributable to shareholders reached KD 157.2 million, reflecting a 41.4% increase from KD 111.2 million in 2023. This represents the highest net profit reported by the Bank since its inception in 1960.

### Balance Sheet

Total assets amounted to KD 4665.9million, reflecting an increase of KD 489.9 million (11.7%) compared to the previous year. Loans and advances saw a robust growth of KD 376.9 million (15.5%), while investment securities experienced remarkable growth of 26.9%. Effective liquidity management contributed to a reduction in inter-Bank placements. Customer deposits grew by KD 289.4 million (13.2%), and other borrowed funds rose by KD 19.9 million (2.7%). Equity attributable to the shareholders of the Bank reached KD 745.7 million, showing a substantial increase of KD 85.1 million compared to the prior year.

### Dividends and Proposed Appropriations

Subject to approval by the Shareholders at the Annual General Meeting, the Board of Directors has recommended the distribution of the net profit of KD 157.2 million for the year as follows:

1. **Interim Cash Dividend Paid: 12 fils per share, amounting to KD 21.5 million (2023: 12 fils).**
2. **Proposed Final Cash Dividend: 40fils per share, amounting to KD 71.8 million (2023: 25 fils).**
3. **Bonus Shares: 10 shares for every 100 shares held (2023 Nil).**
4. **Transfer to Retained Earnings: KD 44.0 million.**

# Consolidated Financial Statements

and Independent Auditors' Report to the Shareholders for the  
Year Ended 31 December 2024

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# Table Of Contents

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Independent Auditors' Report to the Shareholders	80
Consolidated Statement of Financial Position	85
Consolidated Statement of Income	86
Consolidated Statement of Comprehensive Income	87
Consolidated Statement of Changes in Equity	88
Consolidated Statement of Cash Flows	89
Notes to the Consolidated Financial Statements	90
Consolidated Public Disclosures on Capital Adequacy Standard	125

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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 2024, 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 policy information.

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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS - Accounting Standards") 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.

#### **Credit losses on loans and advances to customers**

As described in Note 6 to the consolidated financial statements, the Bank had loans and advances of KD 2,806,909 thousands as at 31 December 2024 representing 60% of total assets.

The recognition of credit losses on loans and advances to customers is the higher of the 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, or the provision required by the CBK rules based on classification of credit facilities and calculation of their provision (the "CBK instructions") as disclosed in the accounting policies in note 2 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, determined in accordance with the CBK guidelines, is a complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing significant increases 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.

The recognition of a specific provision on an impaired facility under the CBK instructions is based on the rules prescribed by CBK on the minimum provision to be recognized together with any additional provision to be recognised based on management estimate of expected cash flows related to that credit facility.

Due to the significance of credit facilities and the related estimation uncertainty and management's judgement in assessing significant increases in credit risk and classification of credit facilities into various stages and adjustments to ECL models, where applicable, this was considered as a key audit matter.

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

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected a sample of credit facilities outstanding as at the reporting date, and evaluated the Group's determination of significant increases 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, if any, considered by management, in order to determine ECL taking into consideration CBK guidelines. For a sample of credit facilities, we have computed the 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 CBK 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, where applicable, if 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 2024**

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 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 IFRS - Accounting Standards 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 2024 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 2024 that might have had a material effect on the business of the Bank or on its financial position.

A handwritten signature in blue ink, appearing to read 'Bader A. Al-Wazzan', with a horizontal line underneath.

Bader A. Al-Wazzan  
License No. 62A  
Deloitte & Touche - Al-Wazzan & Co.

A handwritten signature in blue ink, appearing to read 'Dr Shuaib A. Shuaib', with a horizontal line underneath.

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

Kuwait  
04 March 2025

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
Year ended 31 December 2024

		2024	2023
	Note	KD 000's	KD 000's
<b>ASSETS</b>			
Cash and short term funds	3	1,024,854	696,647
Treasury and Central Bank bonds	4	86,461	176,887
Due from Banks and other financial institutions	5	227,640	444,674
Loans and advances	6	2,806,909	2,430,041
Investment securities	7	423,166	333,426
Premises and equipment		28,698	29,311
Intangible assets	9	3,506	3,506
Other assets	10	64,667	61,521
<b>TOTAL ASSETS</b>		<b>4,665,901</b>	<b>4,176,013</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to Banks		244,406	161,154
Due to other financial institutions		176,339	190,770
Customer deposits		2,489,763	2,200,336
Other borrowed funds	11	759,960	740,096
Other liabilities	12	249,707	223,079
<b>TOTAL LIABILITIES</b>		<b>3,920,175</b>	<b>3,515,435</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital		199,206	199,206
Proposed bonus shares		19,921	-
Treasury shares		(98,890)	(99,369)
Reserves		279,294	285,515
Retained earnings		274,161	230,157
		673,692	615,509
Proposed dividend		71,755	44,823
		745,447	660,332
<b>Non-controlling interests</b>		<b>279</b>	<b>246</b>
<b>TOTAL EQUITY</b>	13	<b>745,726</b>	<b>660,578</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,665,901</b>	<b>4,176,013</b>



**Sheikh Ahmad Duajj Jaber Al Sabah**  
Chairman



**Elham Yousry Mahfouz**  
Chief Executive Officer

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

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF INCOME**  
Year ended 31 December 2024

	Note	2024 KD 000's	2023 KD 000's
Interest income	14	237,711	217,507
Interest expense		(120,052)	(104,456)
<b>NET INTEREST INCOME</b>		<b>117,659</b>	113,051
Fees and commissions		49,678	44,530
Net gain from dealing in foreign currencies		8,349	8,039
Net gain from investment securities		117	110
Dividend income		3,740	3,752
Other operating income		426	690
<b>OPERATING INCOME</b>		<b>179,969</b>	170,172
Staff expenses		(35,599)	(28,855)
General and administration expenses		(25,091)	(21,423)
Depreciation and amortisation		(1,559)	(2,725)
<b>OPERATING EXPENSES</b>		<b>(62,249)</b>	(53,003)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>117,720</b>	117,169
Net reversal (charge) of impairment and other provisions	15	47,706	(142)
<b>PROFIT BEFORE TAXATION AND DIRECTORS' FEE</b>		<b>165,426</b>	117,027
Taxation and contributions	16	(7,459)	(5,238)
Directors' remuneration	19	(741)	(614)
<b>NET PROFIT FOR THE YEAR</b>		<b>157,226</b>	111,175
<b>Attributable to:</b>			
Shareholders of the Bank		157,195	111,150
Non-controlling interests		31	25
		<b>157,226</b>	111,175
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	17	87.7	59.9

the attached notes 1 to 25 from part of these consolidated financial statements

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 Year ended 31 December 2024

	2024 KD 000's	2023 KD 000's
Net profit for the year	<b>157,226</b>	111,175
<b>OTHER COMPREHENSIVE (LOSS) INCOME</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	<b>(6,321)</b>	6,748
Property revaluation loss	<b>(769)</b>	(373)
<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	<b>831</b>	1,469
Net (loss) gain on disposal transferred to income statement	<b>(9)</b>	178
	<b>(6,268)</b>	8,022
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>150,958</b>	119,197
<b>Attributable to:</b>		
Shareholders of the Bank	<b>150,925</b>	119,267
Non-controlling interests	<b>33</b>	(70)
	<b>150,958</b>	119,197

the attached notes 1 to 25 from part of these consolidated financial statements

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
Year ended 31 December 2024

	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 2023	199,206	-	(49,798)	66,791	115,977	17,927	-	25,242	51,461	277,398	185,901	47,298	660,005	316	660,321
Total comprehensive (loss) 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 (note 13(g))	-	-	-	-	-	-	-	-	-	-	-	(47,298)	(47,298)	-	(47,298)
Interim dividend paid (note 13(g))	-	-	-	-	-	-	-	-	-	-	(22,071)	-	(22,071)	-	(22,071)
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>
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(769)	(5,501)	(6,270)	157,195	-	150,925	33	150,958
Sale of treasury shares	-	-	479	-	-	-	49	-	-	49	-	-	528	-	528
Dividend paid (note 13(g))	-	-	-	-	-	-	-	-	-	-	-	(44,823)	(44,823)	-	(44,823)
Interim dividend paid (note 13(g))	-	-	-	-	-	-	-	-	-	-	(21,515)	-	(21,515)	-	(21,515)
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	(71,755)	71,755	-	-	-
Proposed bonus shares (note 13(g))	-	19,921	-	-	-	-	-	-	-	-	(19,921)	-	-	-	-
<b>Balance as at 31 December 2024</b>	<b>199,206</b>	<b>19,921</b>	<b>(98,890)</b>	<b>(66,791)</b>	<b>115,977</b>	<b>17,927</b>	<b>49</b>	<b>24,100</b>	<b>54,450</b>	<b>279,294</b>	<b>274,161</b>	<b>71,755</b>	<b>745,447</b>	<b>279</b>	<b>745,726</b>

Investment valuation reserve includes a loss of KD 5,530 thousand (2023: loss of KD 5,506 thousand) arising from foreign currency translation of the Bank's investment in its associate.

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

The Commercial Bank of Kuwait Group  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
Year ended 31 December 2024

	Note	2024 KD 000's	2023 KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit before taxation and contributions		165,426	117,027
<b>Adjustments for:</b>			
Net (reversal) charge of impairment and other provisions	15	(47,706)	142
Income from investment securities		(3,857)	(3,862)
Foreign exchange (gain) loss on investment securities		(934)	2,617
Depreciation and amortisation		1,559	2,725
Cash flow before changes in operating assets and liabilities		114,488	118,649
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		90,426	6,668
Due from Banks and other financial institutions		217,144	35,481
Loans and advances		(390,118)	4,570
Other assets		55,846	41,559
Due to Banks		83,252	(63,693)
Due to other financial institutions		(14,431)	(82,973)
Customer deposits		289,427	(139,949)
Other liabilities		18,627	(18,122)
Net cash from (used in) operating activities		464,661	(97,810)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment securities		106,968	135,122
Acquisition of investment securities		(200,854)	(86,377)
Dividend income from investment securities		3,740	3,752
Proceeds from disposal of premises and equipment		-	240
Acquisition of premises and equipment		(403)	(567)
Net cash (used in) from investing activities		(90,549)	52,170
<b>FINANCING ACTIVITIES</b>			
Other borrowed funds		19,864	128,654
Purchase of treasury shares		-	(49,571)
Proceeds from sale of treasury shares		528	-
Dividend paid		(66,338)	(69,369)
Net cash (used) from financing activities		(45,946)	9,714
Net increase (decrease) in cash and short term funds		328,166	(35,926)
Cash and short term funds as at 1 January		696,699	732,625
<b>Cash and short term funds as at 31 December</b>	3	<b>1,024,865</b>	696,699

the attached notes 1 to 25 from part of these consolidated financial statements

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

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## 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 18 February 2025 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 23.

The Board of Directors, at the time of approving the consolidated financial statements have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Group has applied the going concern basis of accounting in preparing the consolidated financial statements.

## 2. 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 IFRS - Accounting Standards 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 the 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 2024 as described below;

### New and amended standards issued and effective

#### i) Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. The amendment is intended to improve the requirements for sale and leaseback transactions in IFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions.

#### ii) Amendments to IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that exists at the end of the reporting period to defer the settlement of liability for at least twelve months from the end of the reporting period, irrespective of whether the entity expects to exercise its right or not. The rights are considered to be in existence if covenants are complied with at the end of the reporting period.

The amendments also clarify that right to defer settlement of liability is not affected by the covenants that are required to be complied after the end of the reporting period. However, additional disclosure requirements apply for such liabilities.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

The amendments did not have an impact on the group's consolidated statement of financial position, which is presented in order of liquidity.

Other amendments which are effective for annual accounting period starting from 1 January 2024 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) Amendments to IAS 21 - Lack of Exchangeability 1 January 2025**

The amendments to IAS 21 specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. Applying the amendments, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for a specified purpose. When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

**ii) Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments 1 January 2026**

The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (FVOCI)

**iii) Amendments to IFRS 18 - Presentation and Disclosures in Financial Statements 1 January 2027**

IFRS 18 replaces IAS 1 Presentation of Financial Statements, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. These include:

- The requirement to classify all income and expense into specified categories and provide specified totals and subtotals in the statement of income.
- Enhanced guidance on the aggregation, location and labeling of items across the primary financial statements and the notes.
- Mandatory disclosures about management-defined performance measures (MPMs - a subset of alternative performance measures).

IFRS 18 also makes consequential amendments to other accounting standards, including IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Statements.

Other standards and amendments which are effective for annual periods beginning on or after 1 January 2025 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 18) as at 31 December each year.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

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

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

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

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

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

### **(c) Associates**

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

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

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

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

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

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

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

Financial instruments comprises of financial assets and financial liabilities. 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.

#### **Classification and measurement**

##### **i) 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 cash flow 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. Accordingly, the Group determines 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.

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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 31 December 2024

- 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 ("SPPI") on the principal amount outstanding

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method (EIR) and are presented net of expected credit losses. 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 statement of comprehensive income and presented in the investment valuation reserve as part of consolidated statement of changes in 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 statement of comprehensive income is reclassified from consolidated statement of changes in 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 statement of comprehensive income and presented in the investment valuation reserve as part of equity. Cumulative gains and losses previously recognised in consolidated statement of comprehensive income are remained in equity 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 statement of comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

**c) Financial assets carried at FVTPL**

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

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

**The Group financial assets are classified and measured as follows:**

**i) Cash and short term funds**

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

**ii) Treasury and Central Bank bonds**

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

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

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

**iv) Loans and advances**

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

**v) Investment securities**

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

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

Equity securities are generally carried at FVTPL except for those specific instruments for which the Group has made an irrevocable election to classify at FVOCI on 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 "at ammortised cost". These are subsequently measured at amortised cost using the effective yield.

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

**iii) Recognition and De-recognition**

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

A financial asset is derecognised

- a) when the contractual rights to the cash flows from the financial asset expire or;

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

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- 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 consolidated statement of income instead of consolidated statement of comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in consolidated statement of 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 consolidated statement of comprehensive income and accumulated in cash flow hedge reserve at that time remains in consolidated statement of changes in equity and is reclassified to consolidated statement of income 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 higher of the:

- a) amount of the loss allowance determined in accordance with IFRS 9 and
- b) amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

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.

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.

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 and described in note 20.

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

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

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

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

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

- a) Loans and advances, financial guarantee, letters of credit, acceptances and loan commitments (credit facilities)
- b) Debt securities measured at amortised cost or at FVOCI
- c) Balances and deposits with Banks and other financial institutions.

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. Furthermore, no ECL is recognised on balances with the Central Bank of Kuwait, treasury bonds and Central Bank of Kuwait bonds as per CBK guidelines.

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

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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

### i) Stage Classification

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

#### Determining the significant increase in credit risk

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 and 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 21(b)(i).

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

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

#### Stage 1: 12-month ECL

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

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

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

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

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

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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 31 December 2024

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. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

**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.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 31 December 2024

#### 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 as per Central Bank of Kuwait guidelines.

#### 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 total of general and specific provision.

##### i) General provision

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

##### ii) Specific provision

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

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

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

#### Write off

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

#### Presentation of allowance for ECL in the consolidated 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 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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 31 December 2024

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

**(f) Premises and equipment**

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

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

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

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

**(g) Leases**

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

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

a) Right of use assets

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

b) Lease liabilities

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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

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

#### **(h) Non-current assets held for sale**

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

#### **(i) Intangible assets**

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

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so much that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **(j) Treasury shares**

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

Any realised losses are charged to a treasury share reserve to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the general reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve. These shares are not entitled to any cash dividend that the Bank may propose. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### **(k) Revenue recognition**

Interest income and expense for all interest bearing financial instruments are recognised using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

liability. When calculating the effective interest rate, all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses.

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

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

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

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

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

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

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

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

#### **(m) 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.

#### **(n) 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.

#### **(o) Fiduciary assets**

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

#### **(p) Securities financing arrangements**

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

## **(q) Significant accounting judgements and estimates**

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

### **Judgments**

#### Classification of financial assets

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

#### **Establishing groups of assets with similar credit risk characteristics:**

When ECL are measured on a collective basis, the financial assets are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether groups of financial assets continue to share similar characteristics. This is required in order to assess the need for re-segmentation of the financial assets, with new portfolios being created or assets moving to an existing portfolio that better reflects their credit risk characteristics. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) such that financial assets move from 12-month to lifetime ECL (or vice versa), but it can also occur within portfolios that continue to be measured on the same basis.

#### **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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

fair value of another instrument that is substantially the same; adjusted net asset value of the investee; or other relative valuation models.

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

#### Impairment of intangible assets

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

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

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

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

### 3- CASH AND SHORT TERM FUNDS

	2024	2023
	KD 000's	KD 000's
Cash and cash items	63,739	199,061
Balances with the CBK	302,746	166,708
Deposits with Banks maturing within seven days	658,380	330,930
	<b>1,024,865</b>	696,699
Less: Provision for impairment (ECL)	(11)	(52)
	<b>1,024,854</b>	696,647

At 31 December 2024 and 2023, deposits with Banks are classified as stage 1. During the year, there were no movement between stages.

### 4- TREASURY AND CENTRAL BANK BONDS

	2024	2023
	KD 000's	KD 000's
Treasury bonds	5,007	15,639
Central Bank bonds	81,454	161,248
	<b>86,461</b>	176,887

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.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

## 5- DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 KD 000's	2023 KD 000's
Placements with Banks	121,067	251,862
Less: Provision for impairment (ECL)	(16)	(88)
	<b>121,051</b>	251,774
Amounts due from other financial institutions	-	48,000
Loans and advances to Banks	108,133	146,693
Less: Provision for impairment	(1,544)	(1,793)
	<b>106,589</b>	192,900
	<b>227,640</b>	444,674

At 31 December 2024 and 2023, due from Banks and other financial institution are classified as stage 1. During the year, there were no movement between stages.

## 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 2024

	KD 000'S				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	535,667	24,089	-	-	559,756
Construction and real estate	765,817	23,293	531	62	789,703
Other financial institutions	29,232	25,455	-	85,702	140,389
Retail customers	544,992	-	-	-	544,992
Others	808,071	134,319	38,819	-	981,209
	<b>2,683,779</b>	<b>207,156</b>	<b>39,350</b>	<b>85,764</b>	<b>3,016,049</b>
Less: Provision for impairment					<b>(209,140)</b>
					<b>2,806,909</b>

### 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>

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

**Movement in provisions for loans and advances**

	2024			2023		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	-	188,560	188,560	-	188,464	188,464
Written-off	(22,197)	-	(22,197)	(20,190)	-	(20,190)
Exchange differences	-	(19)	(19)	-	17	17
Ceded to Central Bank	(7)	-	(7)	-	-	-
Charged to consolidated statement of income	22,204	20,599	42,803	20,190	79	20,269
Provisions 31 December	-	209,140	209,140	-	188,560	188,560

The specific and general provision for cash credit facilities amounting to KD 209,140 thousand (2023: KD 188,560 thousand) includes additional provision amounting to KD 174,350 thousand (2023: KD 156,350 thousand) which is over and above the CBK's minimum general provision requirements.

The available provision on non-cash credit facilities of KD 46,406 thousand (2023: KD 55,523 thousand) is included under other liabilities.

The total available provision for cash and non cash credit facilities in accordance with CBK rules amounted to KD 255,546 thousand as at 31 December 2024 (2023: KD 244,083)

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.

The ECL on cash and non cash credit facilities determined under IFRS 9 amounted to KD 90,844 thousand as at 31 December 2024 (2023: KD 99,327 thousand).

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:

	2024			
	Stage 1	Stage 2	Stage 3	Total
Superior	684,837	11,700	-	696,537
Good	1,124,838	103,636	-	1,228,474
Standard	713,262	255,946	-	969,208
Past due but not impaired	112,027	9,803	-	121,830
Impaired	-	-	-	-
Cash credit facilities	2,634,964	381,085	-	3,016,049
Non cash credit facilities	2,642,261	163,268	37,855	2,843,384
ECL provision for credit facilities	29,318	23,974	37,552	90,844

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

	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	29,515	47,200	99,327

**Movement in ECL for credit facilities:**

	2024			
	KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2024	22,612	29,515	47,200	99,327
Transfer to Stage 1	640	(640)	-	-
Transfer to Stage 2	(100)	100	-	-
Transfer to Stage 3	-	-	-	-
Net charged / (released)	6,160	(5,002)	12,550	13,708
Written-off	-	-	(22,197)	(22,197)
Exchange difference	6	-	-	6
<b>ECL 31 December 2024</b>	<b>29,318</b>	<b>23,973</b>	<b>37,553</b>	<b>90,844</b>

	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 charged / (released)	(1,871)	(2,172)	41,002	36,959
Written-off	-	-	(20,189)	(20,189)
Exchange difference	6	3	-	9
ECL 31 December 2023	22,612	29,515	47,200	99,327

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

### Sensitivity

The weighting of the multiple scenarios will increase Group's reported allowance for credit losses for credit facilities in Stage 1 and Stage 2, relative to our base case scenario, to KD 53,291 thousand from KD 52,238 thousand (2023: KD 52,127 thousand from 49,642 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 9,377 thousand (2023: KD 16,201 thousand) higher than the reported allowance for credit losses as at 31 December 2024. 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.

### Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Relevant macroeconomic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, equity price index, oil prices, discount rate and others, and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

## 7. INVESTMENT SECURITIES

	2024 KD 000's	2023 KD 000's
<b>Financial assets at FVOCI:</b>		
Debt securities -quoted	360,887	264,750
Debt securities -unquoted	10,544	9,791
Equity securities -quoted	30,980	33,411
Equity securities -unquoted	20,755	25,474
	<b>423,166</b>	<b>333,426</b>

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

	2024 KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	257,246	17,414	1,745	276,405
Net movement during the year	100,777	(3,589)	-	97,188
	<b>358,023</b>	<b>13,825</b>	<b>1,745</b>	<b>373,593</b>

### Movement In ECL

	2024 KD 000'S			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January	23	96	1,745	1,864
Charged during the year	60	238	-	298
	<b>83</b>	<b>334</b>	<b>1,745</b>	<b>2,162</b>

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

	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)
	257,246	17,414	1,745	276,405

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)
	23	96	1,745	1,864

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 2024 was KD 292,305 thousand (2023: KD 174,354 thousand). The net loss from change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the year was KD 947 thousand (2023: net loss of KD 3,313 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% (2023: 32.00%) 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 carried at KD 3,506 thousand (2023: KD 3,506 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2024, the carrying value of brokerage license was tested for impairment by estimating the recoverable amount of the cash generating unit to which these items are allocated using value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management over a five-year period and a relevant terminal growth rate of 2.7% (2023: 3.0%). These cash flows were then discounted using a pre-tax discount rate of 10.7% (2023: 11.2%) 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 any impairment is required to be accounted for the brokerage license (2023: KD nil thousand).

## 10-OTHER ASSETS

	2024	2023
	KD 000's	KD 000's
Accrued interest receivable	6,042	6,220
Other receivables	58,625	55,301
	64,667	61,521

Other receivables include unrealised gain related to Interest Rate Swaps amounted to KD 30,492 thousand (2023: KD 33,364 thousand).

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

## 11-OTHER BORROWED FUNDS

Other borrowed funds include securities sold under agreements to repurchase amounting to KD 223,714 thousand (2023: KD 149,229 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 2024, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 252,815 thousand (2023: KD 160,025 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 for the year ended 31 December 2024 amounting to KD 100,000 thousand (2023: 50,000). The bonds issued first tranche in September 2023 amounting to KD 50,000 thousand and second tranche in July 2024 amounting to KD 50,000 thousand with carrying 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

	2024	2023
	KD 000's	KD 000's
Accrued interest payable	35,638	35,750
Deferred income	5,270	5,558
Provision for non-cash facilities and others	57,116	59,313
Staff related accruals	14,053	12,029
Others	137,630	110,429
	<b>249,707</b>	<b>223,079</b>

Others include unrealised loss related to Interest Rate Swaps amounted to KD 27,351 thousand (2023: KD 29,085 thousand).

## 13- EQUITY

### a) Share capital

The authorised share capital of the Bank comprises of 2,500,000,000 (2023: 2,500,000,000) shares of 100 fils each.

The share capital comprises of 1,992,056,445 (2023: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. For detailed qualitative disclosure on capital management, please refer to note II "Capital adequacy" of the Public Disclosures on Capital Adequacy Standard.

### b) Treasury shares

	2024	2023
Number of treasury shares	198,171,829	199,133,674
Percentage of total shares issued	9.95%	10.00%
Cost of shares (KD 000's)	98,890	99,369
Fair value of shares (KD 000's)	120,885	99,965
Weighted average fair value per treasury share (fils)	520	501

Movement in treasury shares are as follows:

	No. of Shares	
	2024	2023
Balance as at 1 January	199,133,674	100,140,469
Purchases	-	98,993,205
Sales	(961,845)	-
Balance as at 31 December	<b>198,171,829</b>	<b>199,133,674</b>

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

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, which was approved in Annual General Assembly meeting on 13 April 2022.

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 2024 and 2023 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 in equity.

**g) Dividend and bonus shares**

Annual General Assembly of the shareholders held on 24 April 2024 approved to distribute final cash dividend of 25 fils per share (2022: 25 fils) for the year 2023 amounting to KD 44,823 thousand (2022: KD 47,298 thousand).

The Board of Directors in their meeting held on 11 July 2024, approved distribution of 12 fils per share (2023: 12 fils) interim cash dividend amounting to KD 21,515 thousand (2023: KD 22,071) which was paid subsequently.

The Board of Directors has proposed a final cash dividend of 40 fils per share (2023: 25 fils) and 10 bonus shares for every 100 shares held (2023: nil) for the year 2024. This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

**14- INTEREST INCOME**

	<b>2024</b>	2023
	<b>KD 000's</b>	KD 000's
Loans and advances to Banks and customers	<b>181,857</b>	158,209
InterBank transactions and placements	<b>33,363</b>	37,554
Debt investment securities	<b>15,701</b>	13,936
Treasury bills and bonds	<b>6,790</b>	7,808
	<b>237,711</b>	217,507

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 31 December 2024

### 15- NET REVERSAL (CHARGE) OF IMPAIRMENT AND OTHER PROVISIONS

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

	<b>2024</b>	2023
	<b>KD 000's</b>	KD 000's
Loans and advances - specific	<b>(22,204)</b>	(20,190)
Loans and advances - recoveries	<b>29,304</b>	36,441
Loans and advances - general	<b>(20,350)</b>	(1,189)
Investment securities	<b>(298)</b>	18
Non cash facilities	<b>9,114</b>	(25,177)
Other provisions	<b>52,140</b>	9,955
	<b>47,706</b>	(142)

The charge for Expected Credit Losses (ECL) on financial assets, excluding loans and advances, for the year ended 31 December 2024 amounted to KD 298 thousand (2023: release of KD 18 thousand).

Additionally, pursuant to an executive order issued by the Execution Department of the Ministry of Justice on 2 September 2024, a portion of Boubyan Bank shares was sold over three consecutive days, commencing 6 October 2024. The proceeds from this sale were initially deposited with the Ministry of Justice. On 19 December 2024, the Execution Department of the Ministry of Justice transferred KD 58,992 thousand of the sale proceeds to the Bank. This transfer has been recognized as a release in other provisions.

### 16- TAXATION AND CONTRIBUTIONS

	<b>2024</b>	2023
	<b>KD 000's</b>	KD 000's
National Labour Support Tax (NLST)	<b>(4,150)</b>	(2,912)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	<b>(1,663)</b>	(1,176)
Zakat	<b>(1,646)</b>	(1,150)
	<b>(7,459)</b>	(5,238)

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.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

	2024	2023
Net profit for the year attributable to shareholders of the Bank (KD 000's)	<b>157,195</b>	111,150
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>(198,981)</b>	(135,887)
	<b>1,793,075</b>	1,856,169
Basic and diluted earnings per share attributable to shareholders of the Bank (fiis)	<b>87.7</b>	59.9

### 18- SUBSIDIARY

Name of Entity	Country of Incorporation	Principal Business	% of Ownership	
			2024	2023
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:

	2024			2023		
	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	<b>2</b>	-	<b>79</b>	3	1	151
Credit cards	<b>3</b>	<b>1</b>	<b>14</b>	4	1	15
Deposits	<b>11</b>	<b>8</b>	<b>1,242</b>	11	12	11,976
Contingent liabilities	<b>4</b>	<b>2</b>	<b>277</b>	5	3	1,448
Directors' remuneration	<b>11</b>	-	<b>741</b>	11	-	614
<b>Executive Management</b>						
Loans	<b>32</b>	<b>5</b>	<b>1,528</b>	44	4	1,674
Credit cards	<b>30</b>	-	<b>49</b>	39	1	82
Deposits	<b>45</b>	<b>40</b>	<b>2,352</b>	59	46	1,873
Contingent liabilities	<b>36</b>	<b>2</b>	<b>115</b>	46	3	108
<b>Associates</b>						
Deposits	<b>1</b>	-	<b>13,669</b>	1	-	13,624
<b>Major Shareholders</b>						
Deposits	<b>1</b>	-	<b>74</b>	1	-	62

Interest income and interest expense include KD 53 thousand (2023: KD 123 thousand) and KD 1,005 thousand (2023: KD 1,251 thousand) respectively on transactions with related parties.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

The detail of compensation for key management personnel included in the consolidated statement of income are as follows:

	<b>2024</b>	2023
	<b>KD 000's</b>	KD 000's
Salaries and other short-term benefits	<b>2,072</b>	1,895
Post employment benefits	<b>33</b>	27
End of service benefits	<b>164</b>	173

Remuneration to directors of the Bank amounting to KD 741 thousand for the year ended 31 December 2024 (2023: KD 614 thousand) is in accordance with local regulations and is subject to approval of shareholders at the Annual General Meeting.

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.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

Valuation techniques include discounted cash flow models, comparison with similar instruments for which market observable process exist, recent transaction information and net asset values. Assumption and inputs used in valuation techniques includes risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bonds and equity prices, foreign currency exchange rates and expected price volatilities and correlations. The objective of valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participant at the measurement date.

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): "Material Accounting Policies".

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

	<b>2024</b>			
	<b>KD 000'S</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Debt securities</b>	<b>360,887</b>	<b>10,544</b>	-	<b>371,431</b>
<b>Equities and other securities</b>	<b>30,980</b>	<b>20,755</b>	-	<b>51,735</b>
	<b>391,867</b>	<b>31,299</b>	-	<b>423,166</b>

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

	2023			
	KD 000'S			
	Level 1	Level 2	Level 3	Total
Debt securities	264,750	9,791	-	274,541
Equities and other securities	33,411	25,474	-	58,885
	298,161	35,265	-	333,426

During the year ended 31 December 2024 and 31 December 2023, there were no transfers between level 1, level 2 and level 3.

## 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.

### (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.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

	2024 KD 000's	2023 KD 000's
<b>Credit exposure relating to on-balance sheet items</b>		
Cash and short term funds (excluding cash in hand)	986,359	648,264
Treasury and Central Bank bonds	86,461	176,887
Due from Banks and OFIs	227,640	444,674
Loans and advances	2,806,909	2,430,041
Debt securities	371,431	274,541
Other assets	64,667	61,521
	<b>4,543,467</b>	<b>4,035,928</b>
<b>Credit exposure relating to off-balance sheet items</b>		
Acceptances	268,224	121,936
Letters of credit	140,027	127,989
Letters of credit	1,698,532	1,588,770
Undrawn lines of credit	690,195	443,346
	<b>2,796,978</b>	<b>2,282,041</b>
	<b>7,340,445</b>	<b>6,317,969</b>

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.

Maximum exposure to credit risk related to derivative financial instruments is given in note 21(f).

**(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.

The Commercial Bank of Kuwait Group

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

31 December 2024

	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 2024</b>							
<b>Banks</b>	<b>40,603</b>	<b>53,426</b>	<b>14,104</b>	-	-	-	-
<b>Corporate</b>	<b>696,537</b>	<b>1,228,265</b>	<b>448,080</b>	<b>98,170</b>	<b>5</b>	-	-
<b>Retail</b>	-	<b>209</b>	<b>521,128</b>	<b>23,576</b>	<b>79</b>	-	-
	<b>737,140</b>	<b>1,281,900</b>	<b>983,312</b>	<b>121,746</b>	<b>84</b>	-	-
<b>As at 31 December 2023</b>							
Banks	46,215	-	100,478	-	-	-	-
Corporate	374,420	1,177,715	465,814	89,007	-	-	-
Retail	-	124	492,609	18,744	168	-	-
	420,635	1,177,839	1,058,901	107,751	168	-	-

The Group's risk grading system is a systematic methodology for analysing risk factors associated with the extension of extending credit.

The Group uses the external ratings of credit rating agencies for the assessment of Banks and financial institution and an internal grading for corporate customers, if external ratings are not available.

Internal grades are further mapped to external credit ratings based on probability of default corresponding to these grades. This mapping is used to categorise credit facilities into investment and non-investment categories

The parameters that are considered for grading the customers include quantitative metrics, which consist of key financial ratios and qualitative metrics which include but not limited to entity specific, management specific, business specific, age and quality of financial information, historical account performance, general economic and political conditions and financial condition and performance, where applicable.

	Internal	External
Superior grade	Grades 1 to 4	Ratings AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-
Good grade	Grades 5 & 6	Rating BB+, BB, BB-, B+
Standard grade	Grades 7 & 8	Rating B, B-, CCC+, CCC, CCC-
Default grade	Grades 9 to 11	Ratings D or equivalent

**(e) Concentration of financial assets and off-balance sheet items**

	2024		2023	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
<b>Geographic sector</b>				
Kuwait	<b>3,394,192</b>	<b>2,127,328</b>	3,071,443	1,729,233
Asia	<b>996,206</b>	<b>419,199</b>	920,076	340,789
Euroupe	<b>132,277</b>	<b>137,021</b>	103,309	111,753
USA	<b>9,838</b>	<b>79,919</b>	13,312	79,839
Others	<b>101,184</b>	<b>33,511</b>	35,056	20,427
	<b>4,633,697</b>	<b>2,796,978</b>	4,143,196	2,282,041

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2024

	2024		2023	
	KD 000's		KD 000's	
	Assets	Off Balance Sheet	Assets	Off Balance Sheet
<b>Industry sector</b>				
Government	367,247	-	204,036	-
Trade and commerce	559,756	406,049	539,472	460,429
Construction and real estate	789,703	1,133,513	820,334	1,108,896
Banks and financial institutions	1,685,505	432,576	1,473,894	353,006
Others	1,231,486	824,840	1,105,460	359,710
	<b>4,633,697</b>	<b>2,796,978</b>	4,143,196	2,282,041

**(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.

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future rate.

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualifies as effective hedging instruments are disclosed as 'held as fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of derivative financial instruments for customers are covered by entering into opposite transactions (back to back) with counterparties or by other risk mitigating transactions.

Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time. In cross currency interest rate swaps, the Group exchanges interest payment in two different currencies on a defined principal amount for a fixed period of time and also exchanges defined principal amounts in two different currencies at inception of the contract and re-exchanges principal amounts on maturity. Profit rate swaps are also included in this category.

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 SOFR.

	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 2024</b>							
Forward Foreign Exchange Contracts	2,293	503	182,250	29,610	12,362	-	224,222
Interest Rate Swaps (held as fair value hedges)	2,300	787	-	41,888	18,332	254,191	314,411
Interest Rate Swaps (others)	28,192	26,564	-	-	-	269,778	269,778
	<b>32,785</b>	<b>27,854</b>	<b>182,250</b>	<b>71,498</b>	<b>30,694</b>	<b>523,969</b>	<b>808,411</b>

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

KD 000's

As at 31 December 2023			Notional amount by term maturity					Total
	Positive fair value	Negative fair value	Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year		
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	
	33,868	29,722	151,860	38,497	35,914	416,374	642,645	

Group's strategy is not to carry interest rate risk for long duration assets. The Group uses interest rate swaps to hedge its exposure to changes in the fair values due to interest rate risk on certain financial assets and liabilities. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria. In fair value hedge relationships, the Group assesses whether the interest rate swaps designated in each hedging relationship is expected to be highly effective in offsetting changes in fair value of the hedged item attributable to interest rate risk using appropriate qualitative and quantitative methods. The Group generally seeks to fully match the critical terms (tenor, notionals, interest rate exposure, currency, interest payments frequency and payment periods) of the hedged item and hedging instrument.

The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

All derivative contracts are fair valued based on observable market data.

## (ii) MARKET RISK

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices. For detailed qualitative disclosure on the market risk please refer to note V(b), "Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

### (A) Interest rate risk

Interest rate risk arises from the difference in repricing maturities of assets and liabilities. The majority of the Group's assets and liabilities reprice within one year. The Group manages the risk by matching the repricing of assets and liabilities by setting up a tolerance limit. The exposure is regularly measured by reviewing the risk to the set tolerance limit. For detailed qualitative disclosure on the interest rate risk please refer to note V(d), "Risk management - Interest rate risk", of the Public Disclosures on Capital Adequacy Standard.

Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact on the consolidated statement of income of the Group over a period of one year as follows:

	Basis Points	KD 000'S	
		2024	2023
Kuwaiti dinar	+25	4,391	3,737
US dollar	+25	47	228
Other currencies	+25	179	(43)
		4,617	3,922

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

### (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	2024		2023	
		KD 000'S		KD 000's	
		Statement of income	Equity	Statement of income	Equity
US Dollar	+5	(213)	-	(13)	-
Sterling Pound	+5	(1)	40	(6)	50
Australian Dollar	+5	-	-	2	-
Saudi Riyal	+5	15	-	17	-
UAE Dirham	+5	65	-	-	-
Qatari Riyal	+5	10	-	9	-
Others	+5	124	-	(9)	-
		-	40	-	50

### (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:

	% Change in equity price	KD 000'S			
		2024		2023	
		Statement of income	Equity	Statement of income	Equity
Boursa Kuwait	+5	-	1,536	-	1,671

### (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.

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

As at 31 December 2024	KD 000'S					
	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	1,024,854	-	-	-	-	1,024,854
Treasury and Central Bank bonds	86,454	-	7	-	-	86,461
Due from Banks and OFIs	33,974	87,818	17,122	19,485	69,241	227,640
Loans and advances	407,078	286,289	476,512	451,858	1,185,172	2,806,909
Investment securities	59,346	26,589	27,032	19,938	290,261	423,166
Premises and equipment	-	-	-	-	28,698	28,698
Intangible assets	-	-	-	-	3,506	3,506
Other assets	52,419	267	-	-	11,981	64,667
	<b>1,664,125</b>	<b>400,963</b>	<b>520,673</b>	<b>491,281</b>	<b>1,588,859</b>	<b>4,665,901</b>
<b>LIABILITIES</b>						
Due to Banks	61,044	23,416	83,331	63,219	13,396	244,406
Due to OFI's	66,922	41,079	12,760	44,478	11,100	176,339
Customer deposits	1,383,736	406,332	310,593	245,282	143,820	2,489,763
Other borrowed funds	-	-	-	94,160	665,800	759,960
Other liabilities	115,476	12,990	14,014	2,999	104,228	249,707
	<b>1,627,178</b>	<b>483,817</b>	<b>420,698</b>	<b>450,138</b>	<b>938,344</b>	<b>3,920,175</b>
<b>Net liquidity gap</b>	<b>36,947</b>	<b>(82,854)</b>	<b>99,975</b>	<b>41,143</b>	<b>650,515</b>	<b>745,726</b>

As at 31 December 2023	KD 000'S					
	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
	<b>1,480,041</b>	<b>284,859</b>	<b>382,063</b>	<b>821,117</b>	<b>1,207,933</b>	<b>4,176,013</b>
<b>LIABILITIES</b>						
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
	<b>1,749,424</b>	<b>256,984</b>	<b>311,211</b>	<b>346,846</b>	<b>850,970</b>	<b>3,515,435</b>
<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>

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

(B) Contractual expiry by maturity.

KD 000'S						
As at 31 December 2024	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
Contingent Liabilities	435,261	645,256	546,182	501,317	668,962	2,796,978
As at 31 December 2023						
Contingent Liabilities	405,544	538,933	396,674	373,739	567,151	2,282,041

(C) Contractual undiscounted repayment obligations by maturity.

KD 000'S						
As at 31 December 2024	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
<b>UNDISCOUNTED LIABILITIES</b>						
Due to Banks	61,187	23,641	84,002	65,077	14,943	248,850
Due to OFI's	67,037	42,136	12,986	45,723	11,287	179,169
Customer deposits	1,384,044	408,429	313,432	248,779	157,907	2,512,591
Other borrowed funds	465	13,569	-	96,586	808,087	918,707
Other liabilities	115,476	12,990	14,014	2,999	104,228	249,707
	<b>1,628,209</b>	<b>500,765</b>	<b>424,434</b>	<b>459,164</b>	<b>1,096,452</b>	<b>4,109,024</b>

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>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>

## 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.

## 23- SEGMENTAL ANALYSIS

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

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

The Commercial Bank of Kuwait Group  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2024**

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	
	2024	2023	2024	2023	2024	2023
Net interest income	<b>94,735</b>	90,986	<b>22,924</b>	22,065	<b>117,659</b>	113,051
Non interest income	<b>49,039</b>	44,452	<b>13,271</b>	12,669	<b>62,310</b>	57,121
Operating income	<b>143,774</b>	135,438	<b>36,195</b>	34,734	<b>179,969</b>	170,172
Impairment and other provisions	<b>(4,402)</b>	(9,873)	<b>52,108</b>	9,731	<b>47,706</b>	(142)
Net profit for the year	<b>106,372</b>	97,613	<b>50,854</b>	13,562	<b>157,226</b>	111,175
Total Assets	<b>2,876,905</b>	2,577,947	<b>1,788,996</b>	1,598,066	<b>4,665,901</b>	4,176,013
Total Liabilities	<b>1,810,831</b>	1,707,411	<b>2,109,344</b>	1,808,024	<b>3,920,175</b>	3,515,435

## 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 4,709 thousand (2023: KD 3,790 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.

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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 (2023: 2,500,000,000) shares of 100 fils each.

Share Capital – Share capital comprises of 1,992,056,445 (31 December 2023: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2024, the Bank held 198,171,829 treasury shares (31 December 2023: 199,133,674 treasury shares).

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

	<b>2024</b>	<b>2023</b>
	<b>KD 000's</b>	<b>KD 000's</b>
<b>a. Tier 1 capital consist of:</b>		
<b>i- Common equity tier 1 (CET1)</b>		
1. Paid-up share capital	<b>199,206</b>	199,206
2. Proposed bonus shares	<b>19,921</b>	-
3. Share premium	<b>66,791</b>	66,791
4. Retained earnings	<b>274,161</b>	233,351
5. Investment valuation reserve	<b>54,450</b>	59,951
6. Property revaluation reserve	<b>24,100</b>	24,869
7. Statutory reserve	<b>115,977</b>	115,977
8. General reserve	<b>17,927</b>	17,927
9. Treasury shares reserve	<b>49</b>	-
10. Other intangibles	<b>(3,506)</b>	(3,506)
11. Treasury shares	<b>(98,890)</b>	(99,369)
12. Non significant investments in banking, financial and insurance entities	-	-
13. Significant investments in banking, financial and insurance entities	-	-
<b>Total</b>	<b>670,186</b>	615,197
<b>ii- Additional tier 1</b>		
1. Non-controlling interests in consolidated subsidiaries	<b>279</b>	246
<b>Total</b>	<b>279</b>	246
<b>Total tier 1 capital</b>	<b>670,465</b>	615,443
<b>b. Tier 2 capital.</b>		
1. Directly issued qualifying Tier 2 instruments	<b>100,000</b>	50,000
2. General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	<b>52,686</b>	47,803
<b>Total tier 2 capital</b>	<b>152,686</b>	97,803
<b>Total eligible capital</b>	<b>823,151</b>	713,246

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

### 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					
	2024			2023		
	Gross exposures	Net risk weighted assets	Capital requirement	Gross exposures	Net risk weighted assets	Capital requirement
a. Credit risk						
1. Claims on sovereigns	579,452	56,987	7,408	446,906	22,934	2,981
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	259,181	110,782	14,402	178,010	6,595	857
4. Claims on MDBs	91,207	30,839	4,009	48,169	24,085	3,131
5. Claims on Banks	1,404,243	509,225	66,199	1,334,615	537,357	69,856
6. Claims on corporates	4,615,422	2,652,732	344,855	3,927,985	2,412,842	313,669
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	38,495	-	-	48,382	-	-
9. Regulatory retail	547,540	544,723	70,814	515,400	512,509	66,626
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	218	-	-	117	49	6
12. Other assets	142,817	142,799	18,564	153,380	157,228	20,442
13. Claims on securitised assets	-	-	-	-	-	-
<b>Total</b>	<b>7,678,575</b>	<b>4,048,087</b>	<b>526,251</b>	<b>6,652,964</b>	<b>3,673,599</b>	<b>477,568</b>

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

	KD 000'S					
	2024			2023		
	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	254	506	66	1	-	-
3. Foreign exchange risk	4,582	4,583	596	1,232	1,233	160
4. Commodities risk	-	-	-	-	-	-
5. Options	-	-	-	-	-	-
<b>Total</b>	<b>4,836</b>	<b>5,089</b>	<b>662</b>	<b>1,233</b>	<b>1,233</b>	<b>160</b>
c. Operational risk	163,242	290,088	37,711	144,508	256,314	33,321
<b>Total</b>	<b>7,846,653</b>	<b>4,343,264</b>	<b>564,624</b>	<b>6,798,705</b>	<b>3,931,146</b>	<b>511,049</b>

**B. Capital ratio**

1 Total capital ratio	18.95%	18.14%
2 Tier 1 capital ratio	15.44%	15.66%
3 CET 1 capital ratio	15.43%	15.65%

**C. Additional capital disclosure**

1. Common disclosure template

	2024	
	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	294,082	r+j
3 Accumulated other comprehensive income (and other reserves)	212,503	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	772,582	
<b>Common Equity Tier 1 Capital: Regulatory Adjustments</b>		
7 Prudential valuation adjustments	-	
8 Goodwill (net of related tax liability)	-	

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

9 Other intangibles other than mortgage-servicing rights (net of related tax liability)	<b>3,506</b>	<b>f</b>
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)	<b>98,890</b>	<b>k</b>
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)	-	<b>d</b>
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>102,396</b>	
29 Common Equity Tier 1 capital (CET1) after regulatory adjustments	<b>670,186</b>	
<b>Additional Tier 1 Capital: Instruments</b>		
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	-	

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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)	<b>279</b>	<b>s</b>
35 of which: instruments issued by subsidiaries subject to phase-out	-	
36 Additional Tier 1 capital before regulatory adjustments	<b>279</b>	

**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)	<b>279</b>	
45 Tier 1 capital (T1 = CET1 + AT1)	<b>670,465</b>	

**Tier 2 Capital: Instruments and Provisions**

46 Directly issued qualifying Tier 2 instruments	<b>100,000</b>	<b>g</b>
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	<b>52,686</b>	<b>c</b>
51 Tier 2 capital before regulatory adjustments	<b>152,686</b>	

**Tier 2 Capital: Regulatory Adjustments**

52 Investments in own Tier 2 instruments	-	
53 Reciprocal cross-holdings in Tier 2 instruments	-	
54 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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>152,686</b>
<b>59 Total capital (TC = T1 + T2)</b>	<b>823,151</b>
<b>60 Total risk weighted assets</b>	<b>4,343,264</b>

### Capital Ratios and Buffers

61 Common Equity Tier 1 (as a percentage of risk weighted assets)	<b>15.43%</b>
62 Tier 1 (as a percentage of risk weighted assets)	<b>15.44%</b>
63 Total capital (as a percentage of risk weighted assets)	<b>18.95%</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>8.43%</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>

### Amounts below the Thresholds for Deduction (before Risk Weighting)

72 Non-significant investments in the capital of financial institutions	-	<b>e</b>
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>219,454</b>	<b>a+b+h</b>
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The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

77 Cap on inclusion of provisions in Tier 2 under standardized approach	<b>52,686</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	-	
	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	
<b>Common Equity Tier 1 Capital: Regulatory Adjustments</b>		
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

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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	102,875
29. Common Equity Tier 1 capital (CET1) after regulatory adjustments	615,197

**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
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)	-

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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	

**Tier 2 Capital: Regulatory Adjustments**

52 Investments in own Tier 2 instruments	-	
53 Reciprocal cross-holdings in Tier 2 instruments	-	
54 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56 National specific regulatory adjustments	-	
57 Total regulatory adjustments to Tier 2 capital	-	
58 Tier 2 capital (T2)	97,803	
<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)	15.65%
62 Tier 1 (as a percentage of risk weighted assets)	15.66%
63 Total capital (as a percentage of risk weighted assets)	18.14%

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

64 Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	10.00%
65 of which: capital conservation buffer requirement	2.50%
66 of which: Bank specific countercyclical buffer requirement	-
67 of which: D-SIB buffer requirement	0.50%
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.65%

**National Minima**

69 National Common Equity Tier 1 minimum ratio	9.50%
70 National Tier 1 minimum ratio	11.00%
71 National total capital minimum ratio excluding CCY and DSIB buffers	13.00%

**Amounts below the Thresholds for Deduction (before Risk Weighting)**

72 Non-significant investments in the capital of 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)	198,416	a+b+h
77 Cap on inclusion of provisions in Tier 2 under standardized approach	47,803	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.

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

Consolidated regulatory financial position are as follows;

	2024		
	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	1,024,854		
Treasury and Central Bank bonds	86,461		
Due from Banks and other financial institutions	227,640	1,544	a
Loans and advances	2,806,909		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		209,140	b
Of which: Cap on inclusion of general provisions in Tier 2		52,686	c
Investment securities	423,166		
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	28,698		
Intangible assets	3,506	3,506	f
Other assets	64,667		
<b>Total assets</b>	<b>4,665,901</b>		
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to Banks	244,406		
Due to other financial institutions	176,339		
Customer deposits	2,489,763		
Other borrowed funds	759,960	100,000	g
Other liabilities	249,707		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		8,770	h
<b>Total liabilities</b>	<b>3,920,175</b>		

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
31 December 2024

	2024		
	KD 000'S		
	Consolidated regulatory financial position	Component used in capital disclosure template	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	19,921	19,921	j
Treasury shares	(98,890)	98,890	k
Reserves	279,294		
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		49	o
of which: property revaluation reserve		24,100	p
of which: investment valuation reserve		54,450	q
Retained earnings	274,161	274,161	r
	673,692		
Proposed dividend	71,755		
	745,447		
<b>Non-controlling interests</b>	279	279	s
<b>Total equity</b>	745,726		
<b>Total liabilities and equity</b>	4,665,901		

	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 other 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>	4,176,013		

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
 31 December 2024

	2023		
	KD 000'S		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
<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>		
<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>	<b>246</b>	<b>246</b>	<b>s</b>
<b>Total equity</b>	<b>660,578</b>		
<b>Total liabilities and equity</b>	<b>4,176,013</b>		

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
 31 December 2024

#### 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	
	2024	2023
1 Total consolidated assets as per published financial statements	4,665,901	4,176,013
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	39,812	39,702
5 Securities Financing Transaction Exposures	-	-
6 Exposures for off-balance sheet items (i.e. credit equivalent amounts)	1,219,123	990,607
7 Other exposures	(3,506)	(3,506)
<b>8 Total exposures in calculation of leverage ratio</b>	<b>5,921,330</b>	5,202,816

**(b) Leverage ratio common disclosure:**

1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,665,901	4,176,013
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>4,662,395</b>	4,172,507
4 Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	32,785	33,868
5 Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	7,027	5,834
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>39,812</b>	39,702
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>	-
17 Off-balance sheet exposure (before application of credit conversion factors)	2,805,748	2,290,104
18 (Adjustments for conversion to credit equivalent amounts)	(1,586,625)	(1,299,497)
<b>19 Total Off-balance sheet exposure</b>	<b>1,219,123</b>	990,607
<b>20 Total exposures</b>	<b>5,921,330</b>	5,202,816
<b>21 Tier I capital</b>	<b>670,465</b>	615,443
<b>22 Leverage ratio (Tier I capital / total exposures)</b>	<b>11.32%</b>	11.83%

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
31 December 2024

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## 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 Oversight and Analytics Department (RO&AD) and Risk Analytics & Simulation Department (RA&SD).

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.

The ERM group through its Risk Analytics and Simulations Department (RA&SD) 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 RA&SD 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 RO&AD 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. This Department of ERM group also focuses on periodic reporting of risk metrics which includes daily, weekly, and monthly risk reports to the Management. The Department also prepares a monthly risk management report comprising of MIS on Credit portfolio, position vis a vis internal limits related to Interest rate risk, Liquidity risk, Market Risk, and Operational risk which is circulated to the ALCO members. The Department also functions as a Treasury middle office where it monitors risk limits related to Treasury on a daily basis.

The risk management framework includes a hierarchy of committees involving the Board of Directors and the executive management for approval and reporting purposes. The Board of Directors through its committees has the overall authority for approval of strategies and policies. The Board Loan Committee (BLC) is the apex credit approving authority of the Group

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The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
31 December 2024

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which is mainly responsible for approving all credit proposals beyond the authority level of the management and also for reviewing and approving the credit related policies 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 Policies of respective business divisions and the Credit Risk Management Policy lay down the guiding principles for lending activities and the basis of measuring, monitoring and managing credit risks. These policies provides guidelines that establish the lending criteria and all credit decisions are made after giving due consideration to the requirements in the respective policies.

The business divisions' policies 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 Bank uses an obligor risk rating model 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 based on calibrating the probability of default. 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.

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
31 December 2024

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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 provided by external credit rating agencies, 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 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 on Banking Supervision.

Investments are classified under pre-defined asset categories and are subject to pre-approved limits for such categories. Further, the Group's overall investment capacity and individual investments are restricted to stipulated limits and guidelines laid down by the Central Bank.

The market risk management policy also addresses the need for hedging under certain circumstances. The policy lays down principles and guidelines for the establishment of hedges.

#### 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

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The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
31 December 2024

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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 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 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

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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(d) (x) "impairment of financial asset".

The CBK rules stipulate two-tier approach for credit loss estimation. The total credit loss to be recognized is the sum of the General and Specific provisions. General provision is computed as 1% of the outstanding cash facility balance and 0.5% of non-cash facility balance after netting of certain restricted categories of collateral. Specific provision calculation is based on the categorization of a credit facility into undermention and past due categories. Credit facilities are classified in the following categories when there is an objective evidence of impairment based on specified criteria, including management judgment of increase in credit risk.

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

However as a prudent and conservative measure, Bank immediately builds 100% provision and write-offs for all credit facilities that are past due more than ninety days. The ECAIs used for capital adequacy computation are in accordance with CBK rules and regulations pertaining to the capital adequacy standard. The permissible ECAIs under the regulations are Moody's, Standard & Poor, and Fitch. The ECAI ratings are translated into specific risk weights in line with the mapping process defined in the same regulations. The mapping process involves the application of stipulated risk weights for different ECAI ratings and in the case of claims on Banks, into short-term and long-term exposures, as laid down in the regulations.

#### a. Gross credit exposures

	2024			2023		
	Total Gross Exposures	Funded Gross Exposures	Unfunded Gross Exposures	Total Gross Exposures	Funded Gross Exposures	Unfunded Gross Exposures
1. Claims on sovereigns	579,452	579,452	-	446,906	446,906	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	259,181	259,181	-	178,010	178,010	-
4. Claims on MDBs	91,207	91,207	-	48,169	48,169	-
5. Claims on Banks	1,404,243	1,131,486	272,757	1,334,615	1,064,899	269,716
6. Claims on corporates	4,615,422	2,083,297	2,532,125	3,927,985	1,908,162	2,019,823
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	38,495	38,495	-	48,382	48,382	-
9. Regulatory retail	547,540	546,892	648	515,400	514,952	448
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	218	-	218	117	-	117
12. Other assets	142,817	142,817	-	153,380	153,380	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>7,678,575</b>	<b>4,872,827</b>	<b>2,805,748</b>	6,652,964	4,362,860	2,290,104

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

**b. Average gross credit exposures**

	2024			2023		
	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	513,177	513,177	-	445,534	445,534	-
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	218,596	218,596	-	178,286	178,286	-
4. Claims on MDBs	69,688	69,688	-	24,085	24,085	-
5. Claims on Banks	1,369,429	1,098,193	271,236	1,439,335	1,146,853	292,482
6. Claims on corporates	4,271,704	1,995,730	2,275,974	4,190,528	1,919,778	2,270,750
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	43,439	43,439	-	50,151	50,151	-
9. Regulatory retail	531,470	530,922	548	511,903	511,451	452
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	168	-	168	118	-	118
12. Other assets	148,099	148,099	-	153,351	153,351	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>7,165,770</b>	<b>4,617,844</b>	<b>2,547,926</b>	<b>6,993,291</b>	<b>4,429,489</b>	<b>2,563,802</b>

**c. Total credit exposures by geographaic sector**

As at 31 December 2024	KD 000'S					
	Kuwait	Asia	Europe	USA	Others	Total
1. Claims on sovereigns	479,589	99,863	-	-	-	579,452
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	129,752	90,610	38,819	-	-	259,181
4. Claims on MDBs	-	29,529	-	-	61,678	91,207
5. Claims on Banks	421,372	743,095	156,921	9,916	72,939	1,404,243
6. Claims on corporates	4,014,411	448,371	72,724	79,841	75	4,615,422
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	38,495	-	-	-	-	38,495
9. Regulatory retail	547,501	6	30	-	3	547,540
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	218	-	-	-	-	218
12. Other assets	138,082	3,931	804	-	-	142,817
13. Claims on securitised assets	-	-	-	-	-	-
	<b>5,769,420</b>	<b>1,415,405</b>	<b>269,298</b>	<b>89,757</b>	<b>134,695</b>	<b>7,678,575</b>
Percentage of credit exposure by geographical sector	<b>75.1%</b>	<b>18.4%</b>	<b>3.5%</b>	<b>1.2%</b>	<b>1.8%</b>	<b>100.0%</b>

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

	KD 000'S					
As at 31 December 2023	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 by geographical sector	75.1%	19.0%	3.2%	1.4%	1.3%	100.0%

**d. Funded credit exposures by geographic sector**

	KD 000'S					
As at 31 December 2024	Kuwait	Asia	Europe	USA	Others	Total
1. Claims on sovereigns	<b>479,589</b>	<b>99,863</b>	-	-	-	<b>579,452</b>
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	<b>129,752</b>	<b>90,610</b>	<b>38,819</b>	-	-	<b>259,181</b>
4. Claims on MDBs	-	<b>29,529</b>	-	-	<b>61,678</b>	<b>91,207</b>
5. Claims on Banks	<b>421,202</b>	<b>568,950</b>	<b>92,103</b>	<b>9,725</b>	<b>39,506</b>	<b>1,131,486</b>
6. Claims on corporates	<b>1,879,314</b>	<b>203,319</b>	<b>551</b>	<b>113</b>	-	<b>2,083,297</b>
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	<b>38,495</b>	-	-	-	-	<b>38,495</b>
9. Regulatory retail	<b>546,888</b>	<b>4</b>	-	-	-	<b>546,892</b>
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	-	-	-	-	-
12. Other assets	<b>138,082</b>	<b>3,931</b>	<b>804</b>	-	-	<b>142,817</b>
13. Claims on securitised assets	-	-	-	-	-	-
	<b>3,633,322</b>	<b>996,206</b>	<b>132,277</b>	<b>9,838</b>	<b>101,184</b>	<b>4,872,827</b>
Percentage of funded credit exposure	<b>74.6%</b>	<b>20.4%</b>	<b>2.7%</b>	<b>0.2%</b>	<b>2.1%</b>	<b>100.0%</b>

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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	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 funded credit exposure	74.7%	21.1%	2.4%	0.3%	1.5%	100.0%

**e. Unfunded credit exposures by geographic sector**

As at 31 December 2024	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	<b>170</b>	<b>174,145</b>	<b>64,818</b>	<b>191</b>	<b>33,433</b>	<b>272,757</b>
6. Claims on corporates	<b>2,135,097</b>	<b>245,052</b>	<b>72,173</b>	<b>79,728</b>	<b>75</b>	<b>2,532,125</b>
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	-	-	-	-	-	-
9. Regulatory retail	<b>613</b>	<b>2</b>	<b>30</b>	-	<b>3</b>	<b>648</b>
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	<b>218</b>	-	-	-	-	<b>218</b>
12. Other assets	-	-	-	-	-	-
13. Claims on securitised assets	-	-	-	-	-	-
	<b>2,136,098</b>	<b>419,199</b>	<b>137,021</b>	<b>79,919</b>	<b>33,511</b>	<b>2,805,748</b>
Percentage of unfunded credit exposure by geographical area	<b>76.2%</b>	<b>14.9%</b>	<b>4.9%</b>	<b>2.8%</b>	<b>1.2%</b>	<b>100%</b>

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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	-	-	-	-	-	-
	1,735,558	341,734	112,045	80,238	20,529	2,290,104
Percentage of unfunded credit exposure by geographical area	75.8%	14.9%	4.9%	3.5%	0.9%	100%

**f. Total credit exposures by residual maturity**

As at 31 December 2024	KD 000'S					
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	Total
1. Claims on sovereigns	316,731	50,666	42,377	12,790	156,888	579,452
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	15	21,632	-	-	237,534	259,181
4. Claims on MDBs	-	-	-	-	91,207	91,207
5. Claims on Banks	811,288	246,632	36,845	55,056	254,422	1,404,243
6. Claims on corporates	794,043	726,040	986,953	914,160	1,194,226	4,615,422
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	38,495	-	-	-	-	38,495
9. Regulatory retail	210	1,006	567	10,340	535,417	547,540
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	9	47	107	17	38	218
12. Other assets	138,595	196	6	235	3,785	142,817
13. Claims on securitised assets	-	-	-	-	-	-
	2,099,386	1,046,219	1,066,855	992,598	2,473,517	7,678,575
Percentage of total credit exposures by residual maturity	27.3%	13.6%	13.9%	12.9%	32.3%	100.0%

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

As at 31 December 2023	KD 000'S					
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	Total
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	26.3%	12.3%	9.8%	14.0%	37.6%	100.0%

**g. Funded credit exposures by residual maturity**

As at 31 December 2024	KD 000'S					
	Up To 1 Month	1 To 3 Months	3 To 6 Months	6 To 12 Months	Over 1 Year	Total
1. Claims on sovereigns	<b>316,731</b>	<b>50,666</b>	<b>42,377</b>	<b>12,790</b>	<b>156,888</b>	<b>579,452</b>
2. Claims on international organisations	-	-	-	-	-	-
3. Claims on PSEs	<b>15</b>	<b>21,632</b>	-	-	<b>237,534</b>	<b>259,181</b>
4. Claims on MDBs	-	-	-	-	<b>91,207</b>	<b>91,207</b>
5. Claims on Banks	<b>720,572</b>	<b>116,606</b>	<b>19,426</b>	<b>31,668</b>	<b>243,214</b>	<b>1,131,486</b>
6. Claims on corporates	<b>449,507</b>	<b>211,505</b>	<b>458,297</b>	<b>436,248</b>	<b>527,740</b>	<b>2,083,297</b>
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	<b>38,495</b>	-	-	-	-	<b>38,495</b>
9. Regulatory retail	<b>210</b>	<b>358</b>	<b>567</b>	<b>10,340</b>	<b>535,417</b>	<b>546,892</b>
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	-	-	-	-	-	-
12. Other assets	<b>138,595</b>	<b>196</b>	<b>6</b>	<b>235</b>	<b>3,785</b>	<b>142,817</b>
13. Claims on securitised assets	-	-	-	-	-	-
	<b>1,664,125</b>	<b>400,963</b>	<b>520,673</b>	<b>491,281</b>	<b>1,795,785</b>	<b>4,872,827</b>
Percentage of funded credit exposures	<b>34.2%</b>	<b>8.2%</b>	<b>10.7%</b>	<b>10.1%</b>	<b>36.8%</b>	<b>100.0%</b>

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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	-	-	-	-	-	-
	1,344,427	282,826	253,712	555,016	1,926,879	4,362,860
Percentage of funded credit exposures	30.8%	6.5%	5.8%	12.7%	44.2%	100.0%

#### h. Unfunded credit exposures by residual maturity

As at 31 December 2024	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	90,716	130,026	17,419	23,388	11,208	272,757
6. Claims on corporates	344,536	514,535	528,656	477,912	666,486	2,532,125
7. Claims on central counter parties	-	-	-	-	-	-
8. Cash items	-	-	-	-	-	-
9. Regulatory retail	-	648	-	-	-	648
10. RHLs eligible for 35% RW	-	-	-	-	-	-
11. Past due exposure	9	47	107	17	38	218
12. Other assets	-	-	-	-	-	-
13. Claims on securitised assets	-	-	-	-	-	-
	435,261	645,256	546,182	501,317	677,732	2,805,748
Percentage of unfunded credit exposures by residual maturity	15.5%	23.0%	19.5%	17.9%	24.1%	100.0%

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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	-	-	-	-	-	-
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	-	-	-	-	-	-
	406,207	538,737	396,569	373,518	575,073	2,290,104
Percentage of unfunded credit exposures by residual maturity	17.7%	23.5%	17.3%	16.3%	25.2%	100.0%

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

	2024		2023	
	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	98,170	5	89,007	-
7. Claims on central counter parties	-	-	-	-
8. Cash items	-	-	-	-
9. Regulatory retail	23,576	79	18,744	168
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	-	-	-	-
12. Other assets	-	-	-	-
13. Claims on securitised assets	-	-	-	-
	121,746	84	107,751	168

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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

	2024		2023	
	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	1,544	(249)	1,793	1,110
6. Claims on corporates	200,104	(1,169)	179,740	(3,555)
7. Claims on central counter parties	-	-	-	-
8. Cash items	-	-	-	-
9. Regulatory retail	7,165	5,554	6,796	2,560
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	-	-	-	-
12. Other assets	1,871	(51,842)	2,024	27
13. Claims on securitised assets	-	-	-	-
	<b>210,684</b>	<b>(47,706)</b>	190,353	142

**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
<b>AS AT 31 DECEMBER 2024</b>				
1. Kuwait	-	-	121,746	84
2. Asia	-	-	-	-
3. Europe	-	-	-	-
4. USA	-	-	-	-
5. Others	-	-	-	-
	-	-	121,746	84

	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

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

### I. Movement in provisions

	2024			2023		
	KD 000'S			KD 000'S		
	Specific	General	Total	Specific	General	Total
Provisions 1 January	-	190,353	190,353	-	189,147	189,147
Write-offs	(22,197)	-	(22,197)	(20,190)	-	(20,190)
Exchange differences	-	(19)	(19)	-	17	17
Ceded to Central Bank	(7)	-	(7)	-	-	-
Statement of income	22,204	20,350	42,554	20,190	1,189	21,379
	-	210,684	210,684	-	190,353	190,353

### m. Credit exposures after CRM and CCF

	2024		2023	
	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	579,555	-	447,021	-
2. Claims on international organisations	-	-	-	-
3. Claims on PSEs	129,429	140,997	-	189,446
4. Claims on MDBs	61,678	-	48,169	-
5. Claims on Banks	949,435	441,104	1,208,817	137,801
6. Claims on corporates	88,139	2,731,827	42,644	2,520,132
7. Claims on central counter parties	-	-	-	-
8. Cash items	-	38,495	-	48,382
9. Regulatory retail	-	545,393	-	513,392
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	-	-	-	59
12. Other assets	-	142,799	-	153,380
13. Claims on securitised assets	-	-	-	-
	1,808,236	4,040,615	1,746,651	3,562,592

### 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.

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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 2024</b>				
1. Claims on sovereigns	579,452	-	-	-
2. Claims on international organisations	-	-	-	-
3. Claims on PSEs	259,181	-	-	-
4. Claims on MDBs	91,207	-	-	-
5. Claims on Banks	1,404,243	-	-	-
6. Claims on corporates	4,615,422	838,791	270,868	-
7. Claims on central counter parties	-	-	-	-
8. Cash items	38,495	-	-	-
9. Regulatory retail	547,540	15,726	1,770	-
10. RHLs eligible for 35% RW	-	-	-	-
11. Past due exposure	218	-	109	-
12. Other assets	142,817	47	18	-
13. Claims on securitised assets	-	-	-	-
	<b>7,678,575</b>	<b>854,564</b>	<b>272,766</b>	<b>-</b>

	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>

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
 31 December 2024

### 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:

	2024	2023
	KD 000'S	KD 000'S
1. Interest rate position risk	-	-
2. Equity position risk	66	-
3. Foreign exchange risk	596	160
4. Commodities risk	-	-
5. Options	-	-
	<b>662</b>	160

### IX- Operational risk

The Group uses the standardized approach for the computation of operational risk capital charge that amounted to KD 37,711 thousand (2023: KD 33,321 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:

	2024	2023
	KD 000'S	KD 000'S
1. Value of investment disclosed in the balance sheet	<b>51,735</b>	58,885
2. Type and nature of investment securities		
Financial assets at FVOCI		
Equity securities -quoted	<b>30,980</b>	33,411
Equity securities -unquoted	<b>20,755</b>	25,474
	<b>51,735</b>	58,885
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>(6,321)</b>	6,748
5. Capital requirements		
Financial assets at FVOCI	<b>6,726</b>	7,655

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

### **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:

	2024		2023	
	Impact On Earnings		Impact On Earnings	
	±@ 1%	±@ 2%	±@ 1%	±@ 2%
	KD 000's	KD 000's	KD 000's	KD 000's
Kuwaiti dinars	17,564	35,128	14,948	29,896
US dollars	188	376	912	1,824
Other currencies	716	1,432	(172)	(344)
	<b>±18,468</b>	<b>±36,936</b>	<b>±15,688</b>	<b>±31,376</b>

### **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. Fahad Al Bader  
 Mr. Manaf Al Muhana

The following are the main roles and responsibilities of BNRC:

1. Prepare this policy and review it on an annual basis at least or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto; such amendments/updates shall be effective only after the BOD approval. This review include evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information to work flow of the remunerations scheme presented by the management to the BNRC, and present the same to the BOD.
2. Oversees the implementation of the remunerations policy and scheme through the information and reports provided by the management to the BNRC quarterly, and present the same to the BOD.
3. Propose the recommendations to the BOD regarding the level and components of the proposed remunerations to the CEO, his deputies and assistants as well as who are at the same level of these executive jobs in the Bank, such recommendations shall be effective only after the BOD approval.
4. Coordinate with the Board Risk Management Committee (BRMC) and/or the CRO to evaluate the proposed incentives in the remunerations policy and scheme.
5. Ensure that the executive management has adopted effective systems, procedures and mechanisms to ensure compliance with this policy, and present the same to BOD.
6. Ensure that the remunerations policies and practices of the Bank's financial subsidiaries' and foreign branches (if any) are in line with this policy as well as CB instructions in this regard.

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
 31 December 2024

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 2024 BNRC was assisted by Internal Audit Division to review Remuneration Policy.

BNRC met 7 times during 2024. Remuneration paid to BNRC members for 2024 cover their memberships in other Board Committees and any other tasks assigned to them by the Board. Total Board of Directors' remuneration KD 741 thousand (2023: KD 614 thousand) is disclosed in Bank's annual report on aggregate level according to CBK's instructions related to Corporate Governance.

### Remuneration Policy

During 2024 remuneration policy was reviewed by BNRC, which submitted the updated remuneration policy to Board on 09 October 2024. The Board approved remuneration policy as submitted. No material changes were made in the last update presented to the Board.

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

The following are the key features and objectives of remuneration policy

#### a. Key features

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

- Fixed Remuneration - It is made up of basic salary ,allowance and related benefits.
- Variable Remuneration - It represents payment linked to the job requirements and performance.

#### b. Objective

1. Promote effective governance and sound practices of the financial remunerations system consistent with risk strategy.
2. Create a combination of fixed and variable remunerations on various organisation levels and nature of jobs.
3. Attract and retain highly qualified, skilled and knowledgeable employees required to perform banking business.
4. Aligning the remunerations with Bank's risk strategies connected to risk levels and financial soundness, along with providing benefits for progressive career and work life balance.
5. Ensure that financial remunerations are linked to the Bank's performance and Risk Timeline, taking into account amending the financial remunerations granted to employees in case of the Bank's weak/negative financial performance and to match risks on the long term.

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

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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 at least 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:

	2024	2023
	KD 000'S	KD 000'S
Amount paid	1,924	1,714
No. of employees	1,276	1,168

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:

	2024		2023	
	No. Of Employees	KD 000'S	No. Of Employees	KD 000'S
Amount paid to:				
Kuwaiti employees	35	623	48	482
Non Kuwaiti employees	74	648	21	962

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

	KD 000'S			
	2024		2023	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed				
Cash-based	2,269	-	2,095	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
Total fixed	2,269	-	2,095	-

There is no variable remuneration was paid during the year.

The Commercial Bank of Kuwait Group  
**PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD**  
**31 December 2024**

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

	KD 000'S			
	2024		2023	
	No. Of Employees	KD 000'S	No. Of Employees	KD 000'S
Senior Management	15	2,269	16	2,095
Material Risk Takers	5	881	5	836
Financial & Control Functions	5	721	5	651



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