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

I Subsidiaries and significant investments

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

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

II Capital structure

The authorised share capital of the Bank comprises of 2,500,000,000 (2021: 2,500,000,000) shares of 100 fils each.

Share Capital – Share capital comprises of 1,992,056,445 (31 December 2021: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. As at 31 December 2022, the Bank held 100,140,469 treasury shares (31 December 2021: 11,138,485 treasury shares).

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

	2022 KD 000's	2021 KD 000's
a. Tier 1 capital consist of:		
i Common equity tier 1 (CET1)		
1. Paid-up share capital	**199,206**	199,206
2. Proposed bonus shares	**-**	-
3. Share premium	**66,791**	66,791
4. Retained earnings	**192,290**	169,198
5. Investment valuation reserve	**51,461**	202,634
6. Property revaluation reserve	**25,242**	24,043
7. Statutory reserve	**115,977**	115,977
8. General reserve	**17,927**	17,927
9. Treasury shares reserve	**-**	-
10. Other intangibles	**(3,506)**	(3,506)
11. Treasury shares	**(49,798)**	(5,233)
12. Non significant investments in banking, financial and insurance entities	**-**	(172,764)
13. Significant investments in banking, financial and insurance entities	**-**	-
Total	**615,590**	614,273
ii Additional tier 1		
1. Non-controlling interests in consolidated subsidiaries	**316**	287
Total	**316**	287
Total tier 1 capital	**615,906**	614,560

		2022 **KD 000's**	2021 KD 000's
b.	Tier 2 capital.		
1.	General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	**45,404**	41,855
	Total tier 2 capital	**45,404**	41,855
	Total eligible capital	**661,310**	656,415

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

	2022 KD 000's			2021 KD 000's		
	Gross exposures	**Net risk weighted assets**	**Capital requirement**	Gross exposures	Net risk weighted assets	Capital requirement
a. Credit risk						
1. Claims on sovereigns	**444,161**	**5,925**	**622**	386,611	-	-
2. Claims on international organisation	**-**	**-**	**-**	-	-	-
3. Claims on PSEs	**178,562**	**2,571**	**270**	181,378	2,582	271
4. Claims on MDBs	**-**	**-**	**-**	-	-	-
5. Claims on banks	**1,544,054**	**564,583**	**59,281**	1,518,249	440,139	46,215
6. Claims on corporates	**4,453,070**	**2,249,810**	**236,230**	4,031,890	2,118,934	222,488
7. Claims on central counter parties	**-**	**-**	**-**	-	-	-
8. Cash items	**51,919**	**-**	**-**	34,337	-	-
9. Regulatory retail	**508,406**	**505,239**	**53,050**	498,320	494,932	51,968
10. RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11. Past due exposure	**118**	**10**	**1**	114	47	5
12. Other assets	**153,322**	**152,574**	**16,021**	144,073	144,610	15,184
13. Claims on securitised assets	**-**	**-**	**-**	-	-	-
Total	**7,333,612**	**3,480,712**	**365,475**	6,794,972	3,201,244	336,131

		2022 KD 000's			2021 KD 000's		
		Gross exposures	**Net risk weighted assets**	**Capital requirement**	Gross exposures	Net risk weighted assets	Capital requirement
b.	Market risk						
	1. Interest rate position risk	**-**	**-**	**-**	-	-	-
	2. Equities position risk	**1**	**-**	**-**	1	-	-
	3. Foreign exchange risk	**5,180**	**5,181**	**544**	9,844	9,845	1,034
	4. Commodities risk	**-**	**-**	**-**	-	-	-
	5. Options	**-**	**-**	**-**	-	-	-
	Total	**5,181**	**5,181**	**544**	9,845	9,845	1,034
c.	Operational risk	**131,416**	**233,533**	**24,521**	136,369	242,924	25,507
	Total	**7,470,209**	**3,719,426**	**390,540**	6,941,186	3,454,013	362,672

B. Capital ratios

		2022	2021
1.	Total capital ratio	**17.78%**	19.00%
2.	Tier 1 capital ratio	**16.56%**	17.79%
3.	CET 1 capital ratio	**16.55%**	17.78%

C. Additional capital disclosure

1. Common disclosure template

	2022 KD 000's	
	Component of capital disclosure template	**Cross reference from consolidated regulatory financial position**
Common Equity Tier 1 capital: Instruments and Reserves		
1 Directly issued qualifying common share capital plus related share premium	**265,997**	**h+k**
2 Retained earnings	**192,290**	**q**
3 Accumulated other comprehensive income (and other reserves)	**210,607**	**l+m+n+o+p**
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	**-**	
5 Common share capital issued by subsidiaries and held by third parties (minority interest)	**-**	
6 Common Equity Tier 1 capital before regulatory adjustments	**668,894**	
Common Equity Tier 1 Capital: Regulatory Adjustments		
7 Prudential valuation adjustments	**-**	
8 Goodwill (net of related tax liability)	**-**	

		2022 KD 000's	
		Component of capital disclosure template	**Cross reference from consolidated regulatory financial position**
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)	**49,798**	**j**
17	Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-	**d**
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	
20	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	**53,304**	
29	Common Equity Tier 1 capital (CET1) after regulatory adjustments	**615,590**	
Additional Tier 1 Capital: Instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**316**	**r**
35	of which: instruments issued by subsidiaries subject to phase-out	-	
36	Additional Tier 1 capital before regulatory adjustments	**316**	
Additional Tier 1 Capital: Regulatory Adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	

	2022 KD 000's	
	Component of capital disclosure template	**Cross reference from consolidated regulatory financial position**
39 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10%of the issued common share capital of the entity (amount above 10% threshold)	-	
40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41 National specific regulatory adjustments	-	
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43 Total regulatory adjustments to Additional Tier 1 capital	-	
44 Additional Tier 1 capital (AT1)	**316**	
45 Tier 1 capital (T1 = CET1 + AT1)	**615,906**	
Tier 2 Capital: Instruments and Provisions		
46 Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47 Directly issued capital instruments subject to phase-out from Tier 2	-	
48 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49 of which: instruments issued by subsidiaries subject to phase-out	-	
50 General Provisions included in Tier 2 capital	**45,404**	**c**
51 Tier 2 capital before regulatory adjustments	**45,404**	
Tier 2 Capital: Regulatory Adjustments		
52 Investments in own Tier 2 instruments	-	
53 Reciprocal cross-holdings in Tier 2 instruments	-	
54 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56 National specific regulatory adjustments	-	
57 Total regulatory adjustments to Tier 2 capital	-	
58 Tier 2 capital (T2)	**45,404**	
59 Total capital (TC = T1 + T2)	**661,310**	
60 Total risk weighted assets	**3,719,426**	

		2022 KD 000's Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Capital Ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	**16.55%**	
62	Tier 1 (as a percentage of risk weighted assets)	**16.56%**	
63	Total capital (as a percentage of risk weighted assets)	**17.78%**	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	**8.50%**	
65	of which: capital conservation buffer requirement	**1%**	
66	of which: bank specific countercyclical buffer requirement	**-**	
67	of which: D-SIB buffer requirement	**0.50%**	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	**9.55%**	
National Minima			
69	National Common Equity Tier 1 minimum ratio	**8.00%**	
70	National Tier 1 minimum ratio	**9.50%**	
71	National total capital minimum ratio excluding CCY and DSIB buffers	**11.50%**	
Amounts below the Thresholds for Deduction (before Risk Weighting)			
72	Non-significant investments in the capital of financials institutions	**-**	**e**
73	Significant investments in the common stock of financials 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)	**197,023**	**a+b+g**
77	Cap on inclusion of provisions in Tier 2 under standardized approach	**45,404**	**c**
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**-**	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**-**	

		2021 KD 000's Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Common Equity Tier 1 capital: Instruments and Reserves			
1	Directly issued qualifying common share capital plus related share premium	265,997	h+k
2	Retained earnings	169,198	q
3	Accumulated other comprehensive income (and other reserves)	360,581	l+m+n+o+p
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	795,776	

	2021 KD 000's Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Common Equity Tier 1 Capital: Regulatory Adjustments		
7 Prudential valuation adjustments	-	
8 Goodwill (net of related tax liability)	-	
9 Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,506	f
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11 Cash-flow hedge reserve	-	
12 Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
	-	
13 Securitization gain on sale	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 Defined-benefit pension fund net assets		
16 Investments in own shares (if not already netted off paid-in capital on reported	-	
balance sheet)	5,233	j
17 Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities		
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold	-	
of bank's CET1 capital)	172,764	d
19 Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	
20 Mortgage servicing rights (amount above 10% threshold of bank's C ET1 capital)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22 Amount exceeding the 15% threshold	-	
23 of which: significant investments in the common stock of financials	-	
24 of which: mortgage servicing rights	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments	-	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28 Total regulatory adjustments to Common equity Tier 1	181,503	
29 Common Equity Tier 1 capital (CET1) after regulatory adjustments	614,273	
Additional Tier 1 Capital: Instruments		
30 Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31 of which: classified as equity under applicable accounting standards	-	
32 of which: classified as liabilities under applicable accounting standards	-	
33 Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34 Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	287	r
35 of which: instruments issued by subsidiaries subject to phase-out	-	
36 Additional Tier 1 capital before regulatory adjustments	287	

	2021 KD 000's Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Additional Tier 1 Capital: Regulatory Adjustments		
37 Investments in own Additional Tier 1 instruments	-	
38 Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10%of the issued common share capital of the entity (amount above 10% threshold)	-	
40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41 National specific regulatory adjustments	-	
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43 Total regulatory adjustments to Additional Tier 1 capital	-	
44 Additional Tier 1 capital (AT1)	287	
45 Tier 1 capital (T1 = CET1 + AT1)	614,560	
Tier 2 Capital: Instruments and Provisions		
46 Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47 Directly issued capital instruments subject to phase-out from Tier 2	-	
48 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49 of which: instruments issued by subsidiaries subject to phase-out	-	
50 General Provisions included in Tier 2 capital	41,855	c
51 Tier 2 capital before regulatory adjustments	41,855	
Tier 2 Capital: Regulatory Adjustments		
52 Investments in own Tier 2 instruments	-	
53 Reciprocal cross-holdings in Tier 2 instruments	-	
54 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56 National specific regulatory adjustments	-	
57 Total regulatory adjustments to Tier 2 capital	-	
58 Tier 2 capital (T2)	41,855	
59 Total capital (TC = T1 + T2)	656,415	
60 Total risk weighted assets	3,454,013	

	2021 KD 000's Component of capital disclosure template	Cross reference from consolidated regulatory financial position
Capital Ratios and Buffers		
61 Common Equity Tier 1 (as a percentage of risk weighted assets)	17.78%	
62 Tier 1 (as a percentage of risk weighted assets)	17.79%	
63 Total capital (as a percentage of risk weighted assets)	19.00%	
64 Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.50%	
65 of which: capital conservation buffer requirement	-	
66 of which: bank specific countercyclical buffer requirement	-	
67 of which: D-SIB buffer requirement	0.50%	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	10.78%	
National Minima		
69 National Common Equity Tier 1 minimum ratio	7.00%	
70 National Tier 1 minimum ratio	8.50%	
71 National total capital minimum ratio excluding CCY and DSIB buffers	10.50%	
Amounts below the Thresholds for Deduction (before Risk Weighting)		
72 Non-significant investments in the capital of financials institutions	-	e
73 Significant investments in the common stock of financials 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)	189,040	a+b+g
77 Cap on inclusion of provisions in Tier 2 under standardized approach	41,855	c
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

2. Consolidated financial position under financial accounting and regulatory scope of consolidation

The basis of consolidation used to prepare consolidated financial position under International Financial Reporting Standards (IFRSs) is consistent with those used for regulatory purpose. The basis of consolidation is explained in note 2(b) of the consolidated financial statement. There is no difference between the consolidated financial position and the consolidated regulatory financial position.

Consolidated regulatory financial position are as follows;

	2022 KD 000's		
	Consolidated regulatory financial position	**Component used in capital disclosure template**	**Cross reference to common disclosure template**
Assets			
Cash and short term funds	**732,555**		
Treasury and Central Bank bonds	**183,555**		
Due from banks and other financial institutions	**480,202**	**683**	**a**
Loans and advances	**2,419,548**		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		**188,464**	**b**
Of which: Cap on inclusion of general provisions in Tier 2		**45,404**	**c**
Investment securities	**372,903**		
of which: non significant investment in capital of financial institutions (amount above the threshold for deduction)		**-**	**d**
Of which: non significant investment in the capital of financial institutions (amounts below the thresholds for deduction)		**-**	**e**
Premises and equipment	**29,414**		
Intangible assets	**3,506**	**3,506**	**f**
Other assets	**88,790**		
Total assets	**4,310,473**		
Liabilities and equity			
Liabilities			
Due to banks	**224,847**		
Due to other financial institutions	**273,743**		
Customer deposits	**2,340,285**		
Other borrowed funds	**611,442**		
Other liabilities	**199,835**		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		**7,876**	**g**
Total liabilities	**3,650,152**		

	2022 KD 000's Consolidated regulatory financial position	2022 KD 000's Component used in capital disclosure template	Cross reference to common disclosure template
Equity			
Equity attributable to shareholders of the Bank			
Share capital	199,206	199,206	h
Proposed bonus shares	-	-	i
Treasury shares	(49,798)	49,798	j
Reserves	277,398		
of which: share premium		66,791	k
of which: statutory reserve		115,977	l
of which: general reserve		17,927	m
of which: treasury share reserve		-	n
of which: property revaluation reserve		25,242	o
of which: investment valuation reserve		51,461	p
Retained earnings	185,901	192,290	q
	612,707		
Proposed dividend	47,298		
	660,005		
Non-controlling interests	316	316	r
Total equity	660,321		
Total liabilities and equity	4,310,473		

	2021 KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Assets			
Cash and short term funds	727,513		
Treasury and Central Bank bonds	177,452		
Due from banks and other financial institutions	482,586	39	a
Loans and advances	2,278,078		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		181,995	b
Of which: Cap on inclusion of general provisions in Tier 2		41,855	c
Investment securities	551,303		
Of which: non significant investment in capital of financial institutions (amount above the threshold for deduction)		172,764	d
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		-	e
Premises and equipment	28,922		
Intangible assets	3,506	3,506	f
Other assets	40,206		
Total assets	4,289,566		
Liabilities and equity			
Liabilities			
Due to banks	360,526		
Due to other financial institutions	245,676		
Customer deposits	2,119,614		
Other borrowed funds	519,459		
Other liabilities	223,427		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		7,006	g
Total liabilities	3,468,702		
Equity			
Equity attributable to shareholders of the Bank			
Share capital	199,206	199,206	h
Proposed bonus shares	-	-	i
Treasury shares	(5,233)	5,233	j
Reserves	427,372		
of which: share premium		66,791	k
of which: statutory reserve		115,977	l
of which: general reserve		17,927	m
of which: treasury share reserve		-	n
of which: property revaluation reserve		24,043	o
of which: investment valuation reserve		202,634	p
Retained earnings	159,614	169,198	q
	780,959		
Proposed dividend	39,618		
	820,577		
Non-controlling interests	287	287	r
Total equity	820,864		
Total liabilities and equity	4,289,566		

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

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:

		2022	2021
		KD 000's	KD 000's
1	Total consolidated assets as per published financial statements	**4,310,473**	4,289,566
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	**48,559**	22,319
5	Securities Financing Transaction Exposures	**-**	-
6	Exposures for off-balance sheet items (i.e. credit equivalent amounts)	**1,031,968**	889,765
7	Other exposures	**(3,506)**	(176,270)
8	**Total exposures in calculation of leverage ratio**	**5,387,494**	5,025,380

(b) Leverage ratio common disclosure:

		2022	2021
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**4,310,473**	4,289,566
2	(Asset amounts deducted in determining Tier 1 capital)	**(3,506)**	(176,270)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4,306,967**	4,113,296
4	Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	**41,752**	13,036
5	Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	**6,807**	9,283
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the bank's operative accounting framework	**-**	-
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	**-**	-
8	(Exempted exposures to Central Counterparties (CCP)	**-**	-
9	Adjusted effective notional amount of written credit derivatives	**-**	-
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	**-**	-
11	**Total derivative exposures**	**48,559**	22,319
12	Gross SFT assets (with no recognition of netting)	**-**	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**-**	-
14	CCR exposures for SFT assets	**-**	-
15	Exposure of the bank in its capacity as gent in the securities finance transaction (SFT)	**-**	-
16	**Total securities financing transaction exposures**	**-**	-
17	Off-balance sheet exposure (before application of credit conversion factors)	**2,837,498**	2,563,643
18	(Adjustments for conversion to credit equivalent amounts)	**(1,805,530)**	(1,673,878)
19	**Total Off-balance sheet exposure**	**1,031,968**	889,765
20	**Total exposures**	**5,387,494**	5,025,380
21	**Tier 1 capital**	**615,906**	614,560
22	**Leverage ratio (Tier 1 capital / total exposures)**	**11.43%**	12.23%

V Risk management

Risk Governance

The Bank believes in undertaking risks associated with its business only after proper identification, assessment, management, and adequate mitigation of potential risk factors. The material risks to which the Bank is exposed to include credit risk and credit concentration risk, market risk and concentration risk, operational risk and residual operational risk, liquidity risk, interest rate risk, reputational risk, and strategic risk and legal risk.

The Risk Management Division of Bank is an independent and dedicated function reporting directly to the Board Risk Management Committee and administratively to the Chairman.The division is responsible for assessing, monitoring, and recommending strategies for control of credit and credit concentration, market and market concentration, liquidity, operational, interest rate, reputational, strategic, and legal risks. Specific personnel are assigned within the Risk Management division for overseeing each of these risks. The absence of any direct or indirect reporting lines or arrangements with other internal divisions, and permanent membership in all of the Group's executive committees are amongst the factors which reflect the independent nature of Risk Management's operations and the central role it maintains within the Group.

The Risk Management Division is subdivided into different units which assess, monitor, and control different risks. The Credit Risk Management Group (CRM) comprises the Obligor Credit Risk Management (OCRM) and Portfolio Credit Risk Management Departments (PCRM) respectively. The Non-Financial Risk Management Group (NFRM) comprises the Operational Risk Management Department which also manages Fraud Risk Management and Information Security Department. The Enterprise Risk Management (ERM) Group comprises of Risk Policies and Secretariat Department (RPSD), Risk Reporting and Middle Office Department (RRMOD), and Analytics & Simulation Department (ASD).

1. Operational Risk Management Department (ORMD) is responsible for monitoring, measuring, and reporting the operational risks the Bank is exposed to, including fraud risks. The department collects operational risk data through Risk & Control Self Assessments (RCSA), Key Risk Indicators (KRIs), procedure reviews, and reported risk events. A risk event database is maintained and reported in the periodic risk management reports. ORMD is also responsible for the Bank-wide insurance management and for coordinating the Bank-wide Business Continuity Plan and ensuring regular testing.

2. Information Security Department (ISD) is responsible for identifying, monitoring, measuring and reporting all the Bank's information security risks including internal and external threats whether deliberate or accidental, on all information assets of the Bank. ISD has established and maintains the related policies and procedures; as well as tests the effectiveness of the controls in order to keep the Bank's information assets secure. ISD provides periodic reports to the BRMC and BOD on the Bank's capability to manage information security and cybersecurity risks in addition to monitoring the implementation of the information security projects. ISD acts as an advisor to provide inputs to follow mandated compliance requirements across the Bank to safeguard its information assets.

In partnership with Human Resource Division, customized Information Security Awareness programs are developed and mandated for all staff in order to embed an information security awareness culture within the Bank. The Bank maintains its compliance with PCI-DSS, ISO 27001, and SWIFT CSP certification requirements, in addition to compliance with the Central Bank of Kuwait's Cyber Security Framework requirements. ISD has upgraded the Security Operations Center (SOC) which monitors all anomalous security events and has developed a cyber incident response plan to ensure timely response to any suspicious cyber activity.

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

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

The Credit & Investment Committee is the executive management decision making body that is empowered to consider all credit & investment related issues within certain limits. The Asset Liability Committee (ALCO) is responsible for the overall asset liability management framework which broadly covers balance sheet structure, maturity profile, interest rate risk, capital adequacy, and foreign currency positions, review of related policies, and approval of exceptions. The ALCO also performs the role of a risk committee whereby it has a high-level oversight over the risk management process. The Provisioning Committee is responsible for the overall evaluation and control of provisions taken by the Group and adherence to the related regulatory requirements.

In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Group has a formal enterprise-wide risk management policy, which provides detailed guidelines for a sound framework for enterprise-wide risk management. The objectives of risk management are supported by various risk policies that are reviewed and updated regularly. The risk policies, in general, cater to detailed planning for various risks based on business strategies, past performance, future expectations, economic conditions and, internal as well as external regulations. The policies also require a comprehensive analysis of a set of pre-determined parameters prior to the introduction of new products or instruments. The policies have put internal limits (nominal and risk-based) in place for continuous monitoring and ensuring that risks are maintained within the Group's risk appetite. Periodical reporting of risks to various authorities including the ALCO and the Board ensures that the executive management and the Board are continuously kept aware of positions thereby enabling informed decision-making.

The Group also conducts enterprise wide stress test in order to analyse the impact of extreme events on the profitability and capital adequacy.

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

a. Credit Risk

The Credit Policy and the Credit Risk Management Policy lay down the guiding principles for lending activities and the basis of measuring, monitoring and managing credit risks. The credit policy provides guidelines that establish the lending criteria and all credit decisions are made after giving due consideration to credit policy requirements. Continuous review and update of the credit policy is carried out to calibrate it with regulatory and business requirements.

The credit policy is supplemented by the credit risk management policy which establishes the framework for credit risk management including tools for risk rating, portfolio analysis, and independent reviews. Internal limits are also established for credit concentration and credit quality. Credit approvals are preceded by detailed due diligence on credit proposals including reviews that are independent from the risk-taking units. The due diligence covers the assessment of the quality of financial information, historical financial performance, future prospects, the structure of facilities, their relevance to the business needs, management expertise, identifiable sources of repayment, available collateral, additional support available, etc. In addition, comprehensive post-approval reviews at the individual and portfolio levels are undertaken to effectively monitor/control the existing credit portfolio and circulated to the Management and the Board Chairman.

The Bank uses an obligor risk rating model based on an advanced algorithm using both financial and non-financial parameters to generate an obligor risk rating. The model grades obligors with performing assets on a scale of 1 to 8 with 1 being the best risk. Ratings of 9 to 11 apply to non-performing assets. The internal risk rating is used to drive the credit approval process. As required by CBK, our internal risk grades have also been mapped to external grades. The probability of default is calibrated to the obligor rating. Non-financial considerations are industry specific and thus allow more fine-tuned risk assessment for different industries. The facility risk rating is also being done. Maximum counterparty/group-wise lending limits are applied to exposures according to regulatory norms for credit concentration.

Appropriate risk analysis ensures that the limits approved are commensurate with the risk profile of the borrower. Apart from individual lending limits, broader portfolio-level exposure limits have been stipulated for perceived higher-risk sectors, and exposure to these segments is continuously monitored. Country limits, based on internal risk assessment and sovereign risk ratings of external credit rating agencies like Moodys, Fitch, and S&P, are in place to ensure adequate portfolio diversification in terms of sovereign ratings and geographical exposures. The Division also implemented a sector risk assessment model allowing more granularity in sector classification.

The Bank also measures economic capital for credit risk including that for name, collateral, sector and geographic concentration under Pillar two of Basel III.

Bank's exposure to derivatives is by way of forex forwards with banks and bank customers and interest rate swaps entered into for hedging fixed rate bonds in the bond portfolio. As the Credit Value Adjustment (CVA) for Counterparty Credit Risk (CCR) is insignificant separate economic capital is not considered necessary. Credit limits for counterparty credit exposures, which are banks, are set up based on the External Credit Assessment Institution (ECAI) ratings and the bank's credit policy and are reviewed periodically. The counterparties in derivative transactions are banks and limits are set up on an unadvised basis and hence the bank holds the control of preventing wrong-way exposures. Obtaining and offering collateral are governed by the respective ISDA agreements entered into.

The bank does not undertake securitisation of its credit exposures.

b. Market Risk

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

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

The Bank also assesses the market risk through internally developed Value at Risk (VaR) measures. VaR is based on historical simulation over the relevant observation period and is computed as the maximum possible loss over the relevant holding period at the 99th percentile. Limits are in place for the maximum permitted VaR for the foreign exchange and equity positions. The VaR models are back-tested annually to confirm their robustness. Economic capital for market risk is calculated using stressed ES (Expected Shortfall) in line with guidance issued by the Basel committee.

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

The market risk policy also addresses the need for hedging under certain circumstances. The measurement of hedge effectiveness is governed by the market risk management policy which lays down guidelines for the establishment of hedges, the method of determining hedge effectiveness at inception and thereafter, and other general rules for hedge transactions.

c. Liquidity Risk

The Bank manages liquidity risks that are evident in maturity mismatches and liability-side concentrations. Limits are in place for the control of liquidity risk and these include the maximum allowable cumulative mismatches and a limit for the maximum amount allowed for lending. Internal alert limits are also laid down to ensure continued adherence to the regulatory limits. Internal limits for liabilities from significant depositors and from sensitive products/instruments are also in place. Limits were also introduced for mismatches in different time buckets to ensure that maturing assets and liabilities remain largely matched. A detailed liability side analysis is conducted periodically to discern rollover patterns, and identify core deposits, behavioral trends in short-term funds, and correlations with macroeconomic variables.

The Bank's liquidity risk management policy also requires that proper liquidity planning is periodically conducted and that stress tests are performed based on scenario analyses. A detailed contingency plan also forms part of the liquidity management framework. Economic capital for liquidity risk under pillar two of Basel III is also measured regularly.

The Basel Committee for Banking Supervision has introduced the Basel III regulations covering, among others, a global framework for liquidity risk management. The Bank has introduced internal limits for the liquidity ratios introduced in Basel III, i.e. the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). These ratios are being measured and monitored regularly against regulatory limits and internal limits.

d. Interest Rate Risk

Interest rate risk is managed as per the guidelines laid down in the interest rate risk management policy. The majority of the assets and liabilities of the Bank mature and/or re-price within one year and hence there is limited exposure to interest rate risk. Interest rate risk is monitored with the help of an interest rate sensitivity monitor (IRSM) in which assets and liabilities are distributed in pre-defined maturity / re-pricing time bands. The Earnings at Risk (EaR) is computed by applying BIS stipulated rate shocks to the IRSM and this is compared against internal limits that define the Bank's appetite for this risk. The changes in EVE based on BIS stipulated rate shocks are also calculated and compared against internal limits. Economic capital under pillar two for interest rate risk is measured regularly using an internally developed methodology.

e. Operational Risk

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

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

Insurance management which is integrated into operational risk facilitates the prudent transfer of risks. Insurance coverage provides partial mitigation for operational risk. The operational risk management policy lays down general guidelines for insurance management including factors to be considered in structuring insurance policies, the definition of policy limits and deductibles, policy reviews, and handling of claims.

f. Other risks

Policies are in place for other risks including legal risk, strategic risk, and reputational risk. These policies establish roles and responsibilities for various stakeholders in managing and controlling these risks. In addition, quantification methodologies have been introduced for measuring the economic capital for these risks.

VI Credit exposures

The credit policy of the Group lays down the general lending standards as well as specific policies pertaining to different lending areas. Among others, the credit policy defines the lending criteria, the approval process for various credit decisions, documentation requirements, margin requirements, etc. The credit policy also includes a formal credit approval hierarchy designed on the basis of amount/tenor and other features of the credit facility(ies) considered is in place for making suitable credit decisions. All credit decisions made at lower levels of the hierarchy are reviewed by the highest approval authority, the BLC.

Provisions for credit losses are recognized on credit facilities based on the Central Bank of Kuwait (CBK) guidelines (The guidelines). As per the guidelines, the provision for credit losses to be recognized is higher of i) Expected credit losses as per CBK's IFRS 9 guidelines and; ii) Provision required by the CBK rules on classification of credit facilities and calculation of their provisions (the CBK rules).

For details on ECL methodology please refer financial statement note 2.i.ix "impairment of financial asset".

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

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

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

a. Gross credit exposures

		2022 KD 000's			2021 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	**444,161**	**444,161**	**-**	386,611	386,611	-
2.	Claims on international organisations	**-**	**-**	**-**	-	-	-
3.	Claims on PSEs	**178,562**	**178,562**	**-**	181,378	181,378	-
4.	Claims on MDBs	**-**	**-**	**-**	-	-	-
5.	Claims on banks	**1,544,054**	**1,228,806**	**315,248**	1,518,249	1,212,390	305,859
6.	Claims on corporates	**4,453,070**	**1,931,394**	**2,521,676**	4,031,890	1,774,649	2,257,241
7.	Claims on central counter parties	**-**	**-**	**-**	-	-	-
8.	Cash items	**51,919**	**51,919**	**-**	34,337	34,337	-
9.	Regulatory retail	**508,406**	**507,950**	**456**	498,320	497,891	429
10.	RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11.	Past due exposure	**118**	**-**	**118**	114	-	114
12.	Other assets	**153,322**	**153,322**	**-**	144,073	144,073	-
13.	Claims on securitised assets	**-**	**-**	**-**	-	-	-
		7,333,612	**4,496,114**	**2,837,498**	6,794,972	4,231,329	2,563,643

b. Average gross credit exposures

		2022 KD 000's			2021 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	**415,386**	**415,386**	**-**	378,629	378,629	-
2.	Claims on international organisations	**-**	**-**	**-**	-	-	-
3.	Claims on PSEs	**179,970**	**179,970**	**-**	162,229	162,229	-
4.	Claims on MDBs	**-**	**-**	**-**	-	-	-
5.	Claims on banks	**1,531,151**	**1,220,597**	**310,553**	1,632,256	1,307,919	324,338
6.	Claims on corporates	**4,242,480**	**1,853,022**	**2,389,459**	4,030,401	1,791,973	2,238,428
7.	Claims on central counter parties	**-**	**-**	**-**	-	-	-
8.	Cash items	**43,128**	**43,128**	**-**	37,367	37,367	-
9.	Regulatory retail	**503,363**	**502,921**	**443**	476,868	476,343	525
10.	RHLs eligible for 35% RW	**-**	**-**	**-**	-	-	-
11.	Past due exposure	**116**	**-**	**116**	57	-	57
12.	Other assets	**148,698**	**148,698**	**-**	141,936	141,936	-
13.	Claims on securitised assets	**-**	**-**	**-**	-	-	-
		7,064,292	**4,363,722**	**2,700,571**	6,859,741	4,296,393	2,563,348

c. Total credit exposures by geographic sector

		KD 000's					
As at 31 December 2022		**Kuwait**	**Asia**	**Europe**	**USA**	**Others**	**Total**
1.	Claims on sovereigns	**396,368**	**47,793**	**-**	**-**	**-**	**444,161**
2.	Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
3.	Claims on PSEs	**178,562**	**-**	**-**	**-**	**-**	**178,562**
4.	Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
5.	Claims on banks	**291,470**	**915,141**	**266,484**	**13,051**	**57,908**	**1,544,054**
6.	Claims on corporates	**4,025,219**	**238,352**	**51,027**	**67,042**	**71,430**	**4,453,070**
7.	Claims on central counter parties	**-**	**-**	**-**	**-**	**-**	**-**
8.	Cash items	**51,919**	**-**	**-**	**-**	**-**	**51,919**
9.	Regulatory retail	**508,384**	**22**	**-**	**-**	**-**	**508,406**
10.	RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11.	Past due exposure	**118**	**-**	**-**	**-**	**-**	**118**
12.	Other assets	**151,317**	**988**	**1,011**	**-**	**6**	**153,322**
13.	Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
		5,603,357	**1,202,296**	**318,522**	**80,093**	**129,344**	**7,333,612**
	Percentage of credit exposure by geographical sector	**76.4%**	**16.4%**	**4.3%**	**1.1%**	**1.8%**	**100.0%**

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

d. Funded credit exposures by geographic sector

		KD 000's					
		Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2022							
1.	Claims on sovereigns	**396,368**	**47,793**	**-**	**-**	**-**	**444,161**
2.	Claims on international organisations	**-**	**-**	**-**	**-**	**-**	**-**
3.	Claims on PSEs	**178,562**	**-**	**-**	**-**	**-**	**178,562**
4.	Claims on MDBs	**-**	**-**	**-**	**-**	**-**	**-**
5.	Claims on banks	**291,470**	**706,205**	**185,020**	**12,886**	**33,225**	**1,228,806**
6.	Claims on corporates	**1,755,036**	**162,453**	**4,668**	**-**	**9,237**	**1,931,394**
7.	Claims on central counter parties	**-**	**-**	**-**	**-**	**-**	**-**
8.	Cash items	**51,919**	**-**	**-**	**-**	**-**	**51,919**
9.	Regulatory retail	**507,928**	**22**	**-**	**-**	**-**	**507,950**
10.	RHLs eligible for 35% RW	**-**	**-**	**-**	**-**	**-**	**-**
11.	Past due exposure	**-**	**-**	**-**	**-**	**-**	**-**
12.	Other assets	**151,317**	**988**	**1,011**	**-**	**6**	**153,322**
13.	Claims on securitised assets	**-**	**-**	**-**	**-**	**-**	**-**
		3,332,600	**917,461**	**190,699**	**12,886**	**42,468**	**4,496,114**
	Percentage of funded credit exposure	**74.1%**	**20.3%**	**4.2%**	**0.3%**	**0.9%**	**100.0%**

		KD 000's					
		Kuwait	Asia	Europe	USA	Others	Total
As at 31 December 2021							
1.	Claims on sovereigns	378,364	8,247	-	-	-	386,611
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	181,378	-	-	-	-	181,378
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	506,495	586,162	86,694	10,166	22,873	1,212,390
6.	Claims on corporates	1,671,282	92,205	2,053	14	9,095	1,774,649
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	34,337	-	-	-	-	34,337
9.	Regulatory retail	497,832	41	-	-	18	497,891
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	-	-	-	-	-
12.	Other assets	141,015	206	2,848	-	4	144,073
13.	Claims on securitised assets	-	-	-	-	-	-
		3,410,703	686,861	91,595	10,180	31,990	4,231,329
	Percentage of funded credit exposure	80.6%	16.2%	2.2%	0.2%	0.8%	100.0%

e. Unfunded credit exposures by geographic sector

		KD 000's					
		Kuwait	**Asia**	**Europe**	**USA**	**Others**	**Total**
As at 31 December 2022							
1.	Claims on sovereigns	-	-	-	-	-	-
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	-	-	-	-	-	-
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	-	**208,936**	**81,464**	**165**	**24,683**	**315,248**
6.	Claims on corporates	**2,270,183**	**75,899**	**46,359**	**67,042**	**62,193**	**2,521,676**
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	-	-	-	-	-	-
9.	Regulatory retail	**456**	-	-	-	-	**456**
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	**118**	-	-	-	-	**118**
12.	Other assets	-	-	-	-	-	-
13.	Claims on securitised assets	-	-	-	-	-	-
		2,270,757	**284,835**	**127,823**	**67,207**	**86,876**	**2,837,498**
	Percentage of unfunded credit exposure by geographical sector	**80.0%**	**10.0%**	**4.5%**	**2.4%**	**3.1%**	**100.0%**

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

f. Total credit exposures by residual maturity

		KD 000's					
As at 31 December 2022		**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
1.	Claims on sovereigns	**185,742**	**91,333**	**76,124**	**18,382**	**72,580**	**444,161**
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	-	-	-	-	**178,562**	**178,562**
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	**623,152**	**473,973**	**128,230**	**118,891**	**199,808**	**1,544,054**
6.	Claims on corporates	**453,609**	**692,548**	**618,121**	**660,937**	**2,027,855**	**4,453,070**
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	**51,919**	-	-	-	-	**51,919**
9.	Regulatory retail	**20,095**	**565**	**1,043**	**2,299**	**484,404**	**508,406**
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	**47**	**16**	**11**	**44**	**118**
12.	Other assets	**151,950**	**467**	**833**	**40**	**32**	**153,322**
13.	Claims on securitised assets	-	-	-	-	-	-
		1,486,467	**1,258,933**	**824,367**	**800,560**	**2,963,285**	**7,333,612**
	Percentage of total credit exposures by residual maturity	**20.3%**	**17.2%**	**11.2%**	**10.9%**	**40.3%**	**100.0%**

		KD 000's					
As at 31 December 2021		Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1.	Claims on sovereigns	191,097	81,864	55,235	10,083	48,332	386,611
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	2	-	-	-	181,376	181,378
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	641,154	306,937	196,794	210,933	162,431	1,518,249
6.	Claims on corporates	792,595	428,836	437,809	536,845	1,835,805	4,031,890
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	34,337	-	-	-	-	34,337
9.	Regulatory retail	18,532	505	1,502	2,785	474,996	498,320
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	49	17	8	40	114
12.	Other assets	127,712	228	1	2	16,130	144,073
13.	Claims on securitised assets	-	-	-	-	-	-
		1,805,429	818,419	691,358	760,656	2,719,110	6,794,972
	Percentage of total credit exposures by residual maturity	26.6%	12.0%	10.2%	11.2%	40.0%	100.0%

g. Funded credit exposures by residual maturity

		KD 000's					
As at 31 December 2022		**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
1.	Claims on sovereigns	185,742	91,333	76,124	18,382	72,580	444,161
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	-	-	-	-	178,562	178,562
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	550,554	323,004	84,677	89,610	180,961	1,228,806
6.	Claims on corporates	179,833	273,480	205,275	150,176	1,122,630	1,931,394
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	51,919	-	-	-	-	51,919
9.	Regulatory retail	20,063	538	968	2,240	484,141	507,950
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	-	-	-	-	-
12.	Other assets	151,950	467	833	40	32	153,322
13.	Claims on securitised assets	-	-	-	-	-	-
		1,140,061	688,822	367,877	260,448	2,038,906	4,496,114
	Percentage of funded credit exposures	25.4%	15.3%	8.2%	5.8%	45.2%	100.0%

		KD 000's					
As at 31 December 2021		Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1.	Claims on sovereigns	191,097	81,864	55,235	10,083	48,332	386,611
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	2	-	-	-	181,376	181,378
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	558,549	176,522	166,884	185,799	124,636	1,212,390
6.	Claims on corporates	347,443	136,434	141,262	155,578	993,932	1,774,649
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	34,337	-	-	-	-	34,337
9.	Regulatory retail	18,505	436	1,412	2,717	474,821	497,891
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	-	-	-	-	-
12.	Other assets	127,712	228	1	2	16,130	144,073
13.	Claims on securitised assets	-	-	-	-	-	-
		1,277,645	395,484	364,794	354,179	1,839,227	4,231,329
	Percentage of funded credit exposures	30.2%	9.3%	8.6%	8.4%	43.5%	100.0%

h. Unfunded credit exposures by residual maturity

		KD 000's					
As at 31 December 2022		**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
1.	Claims on sovereigns	-	-	-	-	-	-
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	-	-	-	-	-	-
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	**72,598**	**150,969**	**43,553**	**29,281**	**18,847**	**315,248**
6.	Claims on corporates	**273,776**	**419,068**	**412,846**	**510,761**	**905,225**	**2,521,676**
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	-	-	-	-	-	-
9.	Regulatory retail	**32**	**27**	**75**	**59**	**263**	**456**
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	**47**	**16**	**11**	**44**	**118**
12.	Other assets	-	-	-	-	-	-
13.	Claims on securitised assets	-	-	-	-	-	-
		346,406	**570,111**	**456,490**	**540,112**	**924,379**	**2,837,498**
	Percentage of unfunded credit exposures by residual maturity	**12.2%**	**20.1%**	**16.1%**	**19.0%**	**32.6%**	**100.0%**

		KD 000's					
As at 31 December 2021		Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
1.	Claims on sovereigns	-	-	-	-	-	-
2.	Claims on international organisations	-	-	-	-	-	-
3.	Claims on PSEs	-	-	-	-	-	-
4.	Claims on MDBs	-	-	-	-	-	-
5.	Claims on banks	82,605	130,415	29,910	25,134	37,795	305,859
6.	Claims on corporates	445,135	292,402	296,548	381,268	841,888	2,257,241
7.	Claims on central counter parties	-	-	-	-	-	-
8.	Cash items	-	-	-	-	-	-
9.	Regulatory retail	27	69	90	68	175	429
10.	RHLs eligible for 35% RW	-	-	-	-	-	-
11.	Past due exposure	-	49	17	8	40	114
12.	Other assets	-	-	-	-	-	-
13.	Claims on securitised assets	-	-	-	-	-	-
		527,767	422,935	326,565	406,478	879,898	2,563,643
	Percentage of unfunded credit exposures by residual maturity	20.6%	16.5%	12.7%	15.9%	34.3%	100.0%

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

		2022 KD 000's		2021 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	**115,110**	**87**	51,060	292
7.	Claims on central counter parties	**-**	**-**	-	-
8.	Cash items	**-**	**-**	-	-
9.	Regulatory retail	**17,322**	**-**	15,376	-
10.	RHLs eligible for 35% RW	**-**	**-**	-	-
11.	Past due exposure	**-**	**-**	-	-
12.	Other assets	**-**	**-**	-	-
13.	Claims on securitised assets	**-**	**-**	-	-
		132,432	**87**	66,436	292

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

		2022 KD 000's		2021 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	**683**	**644**	39	(783)
6.	Claims on corporates	**180,099**	**(6,863)**	173,844	22,467
7.	Claims on central counter parties	**-**	**-**	-	-
8.	Cash items	**-**	**-**	-	-
9.	Regulatory retail	**6,426**	**1,819**	6,322	824
10.	RHLs eligible for 35% RW	**-**	**-**	-	-
11.	Past due exposure	**-**	**-**	-	-
12.	Other assets	**1,940**	**30,189**	1,829	1,639
13.	Claims on securitised assets	**-**	**-**	-	-
		189,147	**25,789**	182,034	24,147

k. Impaired loans and provisions by geographic sector

	KD 000's			
	Gross Debt	**Specific Provision**	**Past due but not impaired**	
			0-60 days	**61-90 days**
As at 31 December 2022				
Kuwait	**-**	**-**	**132,432**	**87**
Asia	**-**	**-**	**-**	**-**
Europe	**-**	**-**	**-**	**-**
USA	**-**	**-**	**-**	**-**
Others	**-**	**-**	**-**	**-**
	-	**-**	**132,432**	**87**

	KD 000's			
	Gross Debt	Specific Provision	Past due but not impaired	
			0-60 days	61-90 days
As at 31 December 2021				
Kuwait	-	-	66,436	292
Asia	-	-	-	-
Europe	-	-	-	-
USA	-	-	-	-
Others	-	-	-	-
	-	-	66,436	292

l. Movement in provisions

	2022 KD 000's			2021 KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**-**	**182,034**	**182,034**	-	136,534	136,534
Write-offs	**(16,325)**	**-**	**(16,325)**	(11,927)	-	(11,927)
Exchange differences	**-**	**22**	**22**	-	(38)	(38)
Ceded to Central Bank	**-**	**-**	**-**	-	-	-
Statement of income	**16,325**	**7,091**	**23,416**	11,927	45,538	57,465
	-	**189,147**	**189,147**	-	182,034	182,034

m. Credit exposures after CRM and CCF

		2022 KD 000's Credit Exposures after CRM		2021 KD 000's Credit Exposures after CRM	
		Rated Exposures	**Unrated Exposures**	Rated Exposures	Unrated Exposures
1.	Claims on sovereigns	**444,308**	**-**	386,751	-
2.	Claims on international organisations	**-**	**-**	-	-
3.	Claims on PSEs	**-**	**191,417**	-	194,289
4.	Claims on MDBs	**-**	**-**	-	-
5.	Claims on banks	**1,278,299**	**309,998**	907,851	515,134
6.	Claims on corporates	**830**	**2,400,395**	1,074	2,264,531
7.	Claims on central counter parties	**-**	**-**	-	-
8.	Cash items	**-**	**51,919**	-	34,337
9.	Regulatory retail	**-**	**506,215**	-	495,874
10.	RHLs eligible for 35% RW	**-**	**-**	-	-
11.	Past due exposure	**-**	**20**	-	57
12.	Other assets	**-**	**152,575**	-	138,943
13.	Claims on securitised assets	**-**	**-**	-	-
		1,723,438	**3,612,539**	1,295,676	3,643,165

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 adequacystandardsd. 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 collateralised credit exposure with eligible collateral by standard portfolio are as follows:

		KD 000's			
		Total gross exposures	**Collateralised Exposures**	**Financial Collaterals**	**Bank Guarantees**
As at 31 December 2022					
1.	Claims on sovereigns	**444,161**	**-**	**-**	**-**
2.	Claims on international organisations	**-**	**-**	**-**	**-**
3.	Claims on PSEs	**178,562**	**-**	**-**	**-**
4.	Claims on MDBs	**-**	**-**	**-**	**-**
5.	Claims on banks	**1,544,054**	**-**	**-**	**-**
6.	Claims on corporates	**4,453,070**	**770,160**	**242,474**	**-**
7.	Claims on central counter parties	**-**	**-**	**-**	**-**
8.	Cash items	**51,919**	**-**	**-**	**-**
9.	Regulatory retail	**508,406**	**18,474**	**1,963**	**-**
10.	RHLs eligible for 35% RW	**-**	**-**	**-**	**-**
11.	Past due exposure	**118**	**-**	**39**	**-**
12.	Other assets	**153,322**	**748**	**747**	**-**
13.	Claims on securitised assets	**-**	**-**	**-**	**-**
		7,333,612	**789,382**	**245,224**	**-**

		KD 000's			
		Total gross exposures	Collateralised Exposures	Financial Collaterals	Bank Guarantees
As at 31 December 2021					
1.	Claims on sovereigns	386,611	-	-	-
2.	Claims on international organisations	-	-	-	-
3.	Claims on PSEs	181,378	-	-	-
4.	Claims on MDBs	-	-	-	-
5.	Claims on banks	1,518,249	-	-	-
6.	Claims on corporates	4,031,890	698,206	154,438	-
7.	Claims on central counter parties	-	-	-	-
8.	Cash items	34,337	-	-	-
9.	Regulatory retail	498,320	16,240	2,272	-
10.	RHLs eligible for 35% RW	-	-	-	-
11.	Past due exposure	114	-	-	-
12.	Other assets	144,073	16,246	5,130	-
13.	Claims on securitised assets	-	-	-	-
		6,794,972	730,692	161,840	-

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:

	2022 **KD 000's**	2021 KD 000's
1. Interest rate position risk	**-**	-
2. Equity position risk	**-**	-
3. Foreign exchange risk	**544**	1,034
4. Commodities risk	**-**	-
5. Options	**-**	-
	544	1,034

IX Operational risk

The Group uses the standardized approach for the computation of operational risk capital charge that amounted to KD 24,521 thousand 2021: KD 25,507 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:

	2022	2021
	KD 000's	KD 000's
1. Value of investment disclosed in the balance sheet	**50,026**	307,096
2. Type and nature of investment securities		
Financial assets at FVOCI		
Equity securities -quoted	**37,316**	282,799
Equity securities -unquoted	**12,710**	24,297
	50,026	307,096
3. Cumulative realised gain (net) arising from sales of investment securities	**-**	-
4. Total unrealised (loss)/gain recognised in the balance sheet but not through profit and loss account	**(144,925)**	73,217
5. Capital requirements		
Financial assets at FVOCI	**5,253**	59,455

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:

	2022		2021	
	Impact on earnings		Impact on earnings	
	+ -- @ 1%	**+ -- @ 2%**	+ -- @ 1%	+ -- @ 2%
	KD 000's	**KD 000's**	KD 000's	KD 000's
Kuwaiti dinars	**15,728**	**31,456**	7,492	14,984
US dollars	**(1,964)**	**(3,928)**	(168)	(336)
Other currencies	**1,096**	**2,192**	1,608	3,216
	+ -- 14,860	**+ -- 29,720**	+ -- 8,932	+ -- 17,864

XII 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. Fahad Al-Jarallah
Sh. Talal Al-Sabah
Mr. Yousef Al-Awadi
Mr. Manaf Al Muhana

The following are the main roles and responsibilities of BNRC:

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

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

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

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

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

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

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

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

BNRC may seek assistance for Internal Audit department or an external consultant in order to effectively accomplish its responsibilities. During the year 2022 BNRC was assisted by Internal Audit Division to review Remuneration Policy.

BNRC met 4 times during 2022. Remuneration paid to BNRC members for 2022 cover their memberships in other Board Committees and any other tasks assigned to them by the Board. Total remuneration KD 483 thousand (2021: KD 465 thousand) paid to members of BOD is disclosed in Bank's annual report on aggregate level according to CBK’s instructions related to Corporate Governance.

Remuneration Policy

During 2022 remuneration policy was reviewed by BNRC, which submitted the updated remuneration policy to Board on 15 November 2022. The Board approved remuneration policy as submitted. No material changes were made in the last update presented to the Board.

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

The following are the key features and objectives of remuneration policy

a. Key features

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

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

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

b. objective

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

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

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

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

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

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

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

Performance appraisal

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

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

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

The annual incentive paid to employees is as follows:

	2022 KD 000's	2021 KD 000's
Amount paid	**1,517**	1,440
No. of employees	**1,035**	1,081

There is no sign on awards made during the year.

During the year, Bank has paid in respect of end of service benefit are as follows:

	2022		2021	
	No. of Employees	**KD 000's**	No. of Employees	KD 000's
Amount paid to:				
Kuwaiti employees	**153**	**790**	119	1,047
Non Kuwaiti employees	**131**	**721**	148	471

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

	KD 000's			
	2022		2021	
	Unrestricted	**Deferred**	Unrestricted	Deferred
Fixed				
Cash-based	**2,081**	**-**	1,775	-
Shares and share-linked instruments	**-**	**-**	-	-
Other	**-**	**-**	-	-
Total fixed	**2,081**	**-**	1,775	-

There is no variable remuneration was paid during the year.

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

	2022		2021	
	No. of Employees	**KD 000's**	No. of Employees	KD 000's
Senior Management	**15**	**2,081**	15	1,775
Material Risk Takers	**5**	**814**	5	719
Financial & Control Functions	**5**	**642**	5	518