

ANNUAL 20 REPORT 21

A BETTER
SOLUTION IS HERE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**AND SAY, "DO (RIGHT DEEDS); SO ALLAH WILL SOON SEE YOUR DOING,
AND HIS MESSENGER AND THE BELIEVERS (WILL SEE) . AND YOU WILL SOON BE TURNED BACK
TO THE KNOWER OF THE UNSEEN AND THE WITNESSED; THEN HE WILL FULLY INFORM YOU OF
WHATEVER YOU WERE DOING."**

True are the words of Allah the Almighty
{Surat Al Tawbah Verse105}



H.H. SHEIKH
NAWAF AL AHMAD AL JABER AL SABAH
THE AMIR OF THE STATE OF KUWAIT



H.H. SHEIKH
MESHAL AL AHMAD AL JABER AL SABAH
THE CROWN PRINCE OF THE STATE OF KUWAIT



H.H. SHEIKH
SABAH AL KHALED AL HAMAD AL SABAH
THE PRIME MINISTER



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PROFILE, VISION & MISSION



PROFILE

Warba Bank was established on February 17th, 2010 by virtue of the Amiri Decree No. 289/2009, and was officially enrolled in the Central Bank of Kuwait's Register of Islamic Banks on April 7th, 2010. The State of Kuwait, represented by Kuwait Investment Authority (KIA), owns 25.908% (Direct and Indirect), The Public Institution for Social Security (PIFSS) at 9.344% (Indirect), Al Sayer Group Holding Company at 10.242% (Direct), and Mr. Abdullah Saleh Abdullah Al Shalfan at 9.823% (Direct)

VISION

Become the leading digital-first Islamic Corporate and Retail bank in Kuwait

MISSION

- Provide innovative financial solutions and outstanding digital experiences to help our customers fulfill their life ambitions
- Provide our staff with a rewarding work environment and nurture high-quality talent
- Deliver sustainable profitability for our shareholders

VALUES

CAN DO

We get things done. Fast. And we don't let obstacles stand in our way.

WINNING TEAM SPIRIT

We work with our clients and team member to deliver the right solution.

AMBITION

We have the drive and enthusiasm to always go one better.





CHAIRMAN'S MESSAGE

In the name of Allah, the Most Graceful, the Most Merciful

**Dear Shareholders,
Peace, mercy and blessings of God be upon you.**

Over the past year, Warba Bank has showed an exceptional resilience in the face of the COVID-19 pandemic, weathering the crisis and successfully defeating countered challenges, including the increasing adoption of electronic channels that require an appropriate infrastructure, the advent of nonbank competitors, and an acceleration in bank digitalization. Amid this new reality, I am proud to tell you that together, with God's unremitting grace and your unceasing support, we have seized every opportunity to boost our position, as we relied on our high level of adaptability and speedy responses.

As the pandemic and its uncertainties started to abate, Warba Bank continued to focus on its customers' needs by planning ahead and implementing adaptive strategies. Today, I have the utmost honor, on behalf of myself, my brothers, members of the board of directors and the executive body of the Bank, to present you the Warba Bank annual report, which sheds light on the unremitting accomplishments we managed to achieve this year. Moreover, the report provides an overview of our goals and areas of focus for the year ahead. Customers' and shareholders' expectations are higher than ever before, and we have a duty to fulfill them all.

Achieving New Strategic Milestones

Since its initiation, Warba Bank has achieved various strategic milestones placing us in the competitive position where we are today. In 2021, Warba Bank has listed a \$250m Tier-1 sukuk on Nasdaq Dubai. The new listing brings the total outstanding value of the Bank's sukuk on the exchange to \$898m following the listing of a \$250m and a \$500m instrument in March 2017 and October 2019 respectively.

The move further strengthened ties between the capital markets of Kuwait and the UAE. It succeeded in attracting both local and international investors, which clearly demonstrates their confidence in Warba Bank's expansion strategy in diverse business activities such as investment as well as corporate and retail banking.



**WARBA...CONTINUOUS GROWTH
AND DIGITAL TRANSFORMATION**

Fulfilling Ambitious Plans

In its meeting dated 27 June 2021, the Bank's Board of Directors recommended increasing the Bank's authorized, issued, and paid-up capital by 26.984% by offering new shares for public subscription, hence raising the capital from KD157,500,000 to KD200,000,000 by issuing and allocating 425,000,000 shares at 195 fils per share (including share premium).

Thanks to God the Almighty, the subscription process was completed successfully to increase the capital with a coverage ratio of 1164% and a total value of KD964 million. The capital increase proceeds will be used to support the Bank's core operational activities and further enhance its financial position. It is worth noting that the subscription process has witnessed an unprecedented large turnout where demand exceeded the number of issued shares.

Accomplishing Groundbreaking Achievements

The Investment Banking Group was relatively active during 2021. Warba Bank acted as Joint Lead Arranger and Joint Book-runner on three successfully placed Sukuk issuances. The first one was for Arabian Centres Company (ACC), rated Ba2/BB+ by Moody's and Fitch. The five and a half year USD650 million was issued with a fixed coupon rate of 5.625 percent. Warba Bank was appointed alongside other regional and international financial institutions to manage the issuance listed on the International Stock Exchange and the Channel Islands.

The second Sukuk issuance stood at a total value of USD1,000 million to the Khazanah Nasional Berhad (the sovereign wealth fund of the Government of Malaysia). As for the third one, Warba Bank acted as Joint Lead Arranger and Joint Book-runner to the largest Sustainability Sukuk ever, issued by the Islamic Development Bank (IsDB), which raised USD2.5 billion, its biggest USD public issuance to date. As at September 30, 2020, according to Bloomberg's International Sukuk Issuance league tables, the Bank had a market share of 1.54 per cent of the global sukuk issuance market and was ranked 15 out of 53 underwriters.

Moreover, the Bank launched the first Warba Ijara Fund I (Cayman) Ltd. The product aims to offer investors stable quarterly income for a period of 6 years by investing in low obsolescence equipment, leased to Fortune 1000 companies in the USA. The Fund's investments are reviewed and approved by the Bank's Sharia Supervisory Board.

On the other hand, the Corporate Banking Group has succeeded in building a solid base of customers. Furthermore, the Group continued to diversify its products in 2021 and invest into various economic sectors, such as the contracting and retail sector. Several electronic services have been developed for customers, the most important of which was the online issuance of letters of guarantee, in addition to the development of the Group's own online policies and procedures. In fact, going digital helped the Bank overcome several productivity roadblocks while enhancing the quality of banking services provided to customers and eliminating outdated paper processes that require an array of extra tools and expenses.

Adopting an Accelerated Digitalization Journey

With digital at its essence, Warba Bank continued to harness throughout past year relevant technology advancements to expand its digital capabilities. Aspiring to maintain its position as a leading digital-first Islamic Bank in investment banking, further to corporate and retail services in Kuwait, Warba Bank paved its way towards next-generation banking systems that relied on restructuring concept, technology, and methodology to act as business partner with all units and drive technological and digital capabilities supporting its profitability, productivity, sustainability, further to its market expansion.

Stemming from its belief in the importance of customer-centricity lying at the core of every digital initiative, Warba Bank successfully completed several projects during 2021, including but not limited to online customer onboarding and accounts opening, online financing origination, new investment banking services and solutions, in addition to digital payment services such as Fitbit, Garmin, and Samsung Pay services enabling. Moreover, we have worked on enhancing and updating the Bank's cyber security systems to safeguard our information assets and avert associated risks that may arise.

Raising the Bar to Meet Customers' Expectations

Seeking to fulfill its customers' ambitions, Warba Bank provided them in 2021 with innovative and reliable financial solutions, offering a one-of-a-kind digital experience while delivering sustainable profit for shareholders.

Among the state-of-the-art digital products and services, Warba Bank launched SiDi Wallet, the first digital wallet in Kuwait, aiming to target a new segment of customers. Furthermore, the Bank launched a digital service called Warba Auto allowing customers to buy or test drive their dream car, in addition to Postshipper that offers Warba customers a free shipping subscription for international purchases to be delivered to Kuwait through different couriers at competitive rates.

Building A Team for The Future

Believing in the importance of qualifying national cadres in the banking industry, Warba Bank continued to improve the nationalization rates according to global standards and best practices. The Bank also continued to coordinate with multiple entities such as the Institute of Banking Studies and the Kuwait Foundation for the Advancement of Sciences to provide our employees with different types of interactive training to improve their personal and leadership skills through the Warba Learning Gate. This year, the Group organized several workshops on the methods of coaching to increase awareness and help managers and employees apply them effectively in various aspects of work.

The efforts towards training extended even further to cover a first aid certification program and fire drills to ensure that our employees are prepared for what might happen in the future. Warba Bank continued to measure the institutional health index and to draw a roadmap for continuous improvements and initiatives to increase productivity and improve the work environment, by initiating the "Employee Experience" team.

Positively Impacting Our Society

Warba Bank has always been keen on leaving a positive impact on the society through its social responsibility initiatives marked by ethical and social goals benefiting individuals, the local community, and the environment.

At Warba Bank, CSR has always been part of our business strategy and principles, which guide the way we operate. To deliver on that mission, we have extended our support to small and medium-sized enterprises by highlighting their businesses through a dedicated marketing program launched on the Bank's social media channels. Additionally, Warba Bank started offering special banking services for persons with specific needs. This year, we partnered with the Kuwait Banking Association (KBA) and effectively participated in the banking awareness campaign "Diraya" aimed at raising IT-security awareness, customer financial knowledge and rights, and many other topics as mandated by the Central Bank of Kuwait in this regard.

Heartfelt Thanks and Gratitude

At the end, I wish to pay tribute to our dear shareholders, all members of the Board of Directors, and the Executive Management of Warba Bank, and to all CBK officials led by His Excellency the Governor Dr. Muhammad Yusef Al-Hashel. Besides, I wish to express my sincerest gratitude to Warba Bank's employees and their families for their assiduous work, continuous support, and dedicated efforts. Your cooperation and collaboration have always been the cornerstone of our accomplishments. It is on you that we rely to achieve ever-greater results in the coming year. We ask God the Almighty to guide our footsteps towards accomplishing further success.

May the peace, mercy and blessings of God be upon you.



Abdulwahab Abdullah Al Houti
Chairman of Board of Directors

BOARD OF DIRECTORS





MR. ABDULWAHAB ABDULLAH AL HOUTI
CHAIRMAN (ELECTED)



MR. HAMAD MUSAED AL SAYER
VICE CHAIRMAN (ELECTED)



MR. BADER KHALID AL SHALFAN
BOARD MEMBER (ELECTED)



MR. ABDULAZIZ ABDULLAH AL JABER
BOARD MEMBER (ELECTED)



MR. BADER ABDULLAH AL SUMAIT
BOARD MEMBER (INDEPENDENT-ELECTED)



MR. MOHAMED RIYAD AL MUTAWA
BOARD MEMBER (ELECTED)



MR. MOHAMED HAMED AL SHALFAN
BOARD MEMBER (ELECTED)



MR. MOHAMMAD ABDULREDHA SALEEM
BOARD MEMBER (ELECTED)



MR. MUSAAB OMAR AL FULAIJ
BOARD MEMBER (ELECTED)



MR. HISHAM ABDULRAZZAQ AL RAZZUQI
BOARD MEMBER (INDEPENDENT-ELECTED)



MR. YOUSEF IBRAHIM AL GHANIM
BOARD MEMBER (ELECTED)

FATWA & SHARIA SUOERVISORY BOARD MEMBERS



SHEIKH DR. ISAM KHALAF AL ENAZI
CHAIRMAN OF FSSB

Prof. Isam Khalaf Al-Enazi holds a PhD in Islamic Feqh from the University of Jordan and a master's degree in Islamic Sharia from Kuwait University. He is working as a faculty member at the College of Sharia and Islamic Studies at Kuwait University.

He is a member of several prominent Sharia Supervisory Boards such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain Islamic Bank, Warba Bank, Boubyan Bank and Ahli United Bank.

Prof. Al Enazi is also one of the regular speakers in conferences and seminars focusing on both Islamic finance and Islamic Feqh. He has published numerous papers handling Islamic banking and finance related issues.



SHEIKH DR. MOHAMMAD OUD ALFUZAIE
MEMBER OF FSSB

Dr. Mohammad Oud Al-Fuzaie holds a PhD in Comparative Feqh from the Faculty of Sharia and Law at Al-Azhar University. He is working as a faculty member at the College of Sharia and Islamic Studies at Kuwait University.

He is a member of several prominent Sharia Boards, such as the Zakat House Authority, the General Secretariat of Endowments (Awqaf), the Economic Committee of the Fatwa Board of the Ministry of Awqaf and Islamic Affairs, Warba Bank and Boubyan Bank.

Dr. Al Fuzaie is also one of the regular speakers in conferences and seminars focusing on both Islamic finance and Islamic Feqh. He has published numerous papers handling Islamic banking and finance related issues.



SHEIKH DR. ALI IBRAHIM AL RASHED
MEMBER OF FSSB

Prof. Ali Ibrahim Al-Rashed holds a PhD in Sharia (Cairo University - Arab Republic of Egypt). He is working as a faculty member at the College of Sharia and Islamic Studies at Kuwait University.

He is a member of several prominent Sharia Boards such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Warba Bank, Boubyan Bank and Ahli United Bank.

Prof. Al Rashed is also one of the regular speakers in conferences and seminars focusing on both Islamic finance and Islamic Feqh. He has published numerous papers handling Islamic banking and finance related issues.

FATWA & SHARIA SUPERVISORY BOARD REPORT

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REPORT OF FATWA & SHARIA SUPERVISORY BOARD

For the fiscal year ending on 31/12/2021

In the name of Allah, the Most Gracious, the Most Merciful
Praise be to Allah the Lord of the universe, and all blessings and peace on our Master Muhammad, his family, and companions

Valued Warba Shareholders,

Peace, Mercy and Blessings of Allah be upon you

According to the General Assembly's resolution to appoint Sharia Supervisory Board (SSB) for Warba Bank; a responsibility that has been entrusted to us, we present to you the following report:

At SSB of Warba Bank, we have examined and reviewed the Bank's principles and contracts relevant to the products offered by the Bank during the fiscal year ending on 31/12/2021. We applied due diligence in conducting our examination and review to express our opinion on whether or not the Bank is in compliance with the provisions and principles of the Islamic Sharia, as well as the Fatwas, resolutions, principles and guidelines issued by SSB.

We undertook reasonable examination and review that included checking the contracts and procedures used by the Bank, on test basis for each type of transactions. In addition, we have obtained all the information and explanations required to express an opinion on the extent of Bank activities' compliance with the provisions of the Islamic Sharia, We have ensured that the bank has paid the non- Sharia compliant income in charity proceedings.

It is noteworthy that the responsibility for executing such provisions, principles and Fatwas and purifying any non-sharia compliant income lies with the Bank's Management, while our responsibility is to express an independent opinion based on the relevant information that has been presented to us which we reviewed.

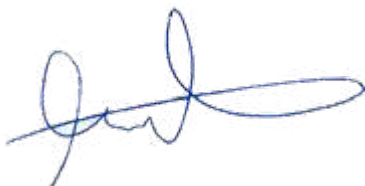
We believe that the contracts, documents and transactions introduced by the Bank during the fiscal year ending on 31/12/2021, which we have reviewed, have been concluded in compliance with the provisions and principles of the Islamic Sharia.

It is important to note that Warba Bank does not pay Zakat on behalf of shareholders, and the SSB's responsibility is limited to calculation of the amount of due Zakat per share.

During the fiscal year ending on 31/12/2021, SSB held 24 meetings attended by all members.

Finally, we supplicate to Allah, the Almighty, to support the Bank's management endeavors in serving our holy religion and beloved country, and to guide and support us all.

Peace, Mercy and blessings of Allah be upon you



Sheikh Dr. Ali Ibrahim Al Rashed
Member of FSSB



Sheikh Dr. Isam Khalaf Al Enazi
Chairman of FSSB



Sheikh Dr. Mohammad Oud AlFuzaiia
Member of FSSB

EXECUTIVE MANAGEMENT





MR. SHAHEEN HAMAD AL GHANEM
CHIEF EXECUTIVE OFFICER "CEO"



MR. ANWAR BADER AL GHAITH
DEPUTY CHIEF EXECUTIVE OFFICER
SUPPORT SERVICES & TREASURY "DCEO"



MR. THUWAINI KHALID AL THUWAINI
CHIEF INVESTMENT BANKING OFFICER "CIBO"



MR. AHMED SADEK
ACTING CHIEF FINANCIAL OFFICER "ACFO"



MR. SIMON LARBY CLEMENTS
CHIEF OPERATIONS OFFICER "COO"



MR. MOHAMED IQBAL
CHIEF TREASURY OFFICER "CTO"



MR. FAISAL A. AL NASSAR
CHIEF CORPORATE BANKING OFFICER "CCBO"



MR. MOHAMED ATIF EL SHAREEF
CHIEF DIGITAL OFFICER "CDO"



MR. DHARAR AL DAKHEL
CHIEF RISK OFFICER "CRO"



MR. HAMAD AL FOUZAN
ACTING CHIEF STRATEGIC PLANNING OFFICER "ACSPO"



MR. MUSAED MAZYAD AL MAZYAD
ACTING CHIEF RETAIL BANKING OFFICER "ACRBO"



MS. MAALI AL RASHEED
CHIEF HUMAN RESOURCES & GENERAL SERVICES OFFICER
"CHRGSO"



MR. WAEL SHAWAREB
ACTING CHIEF TECHNOLOGY OFFICER "ACTO"



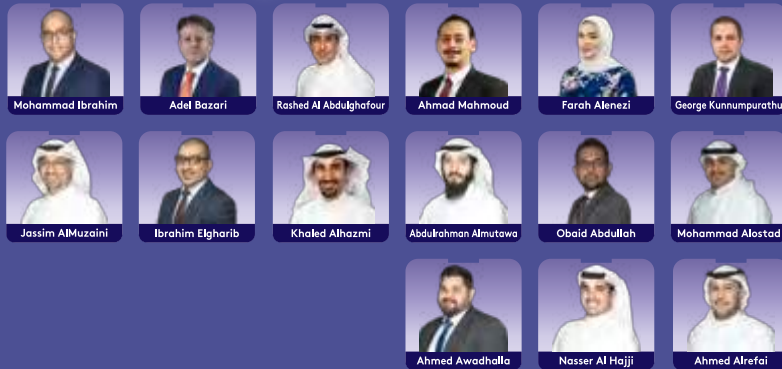
MR. ERDAW BEYENE ALUMA
ACTING CHIEF INTERNAL AUDITOR "ACIA"

Warba's Elite for Q1 2021

The Doers



The Team Players



The Ambitious





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KEY INDICATORS

INTRODUCTION

The challenges of banking risks are comprehensively addressed by Warba Bank through an Enterprise-Wide Risk Management Framework, based on leading industry best

practices, and supported by the Board of Directors who provide an effective oversight of all risks that impact the Bank's activities. Board Committees are set-up specifically for Risk, Governance and Audit to assist the Board of Directors in discharging its responsibility. Independent assessment by both external rating agencies Moody's and Fitch has recognized the robust risk and controls framework within the Bank as a positive factor. The Bank is also regularly inspected by the Central Bank of Kuwait.

RISK MANAGEMENT PHILOSOPHY

Warba Bank considers sound risk management to be the foundation of a long-lasting financial institution. The Bank adopts a holistic and integrated approach to risk management by proactively assessing risks in order to ensure effective mitigation strategies are employed to the extent possible, thereby enabling the Bank to protect the interests of the stakeholders while maximizing its capability to realize its objectives, within the risk appetite framework approved by the Board of Directors. The Risk Management framework is geared to raise risk awareness throughout the organization.

RISK FRAMEWORK

The primary purpose of Risk Management at Warba Bank is to ensure the long-term financial sustainability and operational resilience of the Bank by endeavoring to implement international best banking practices while fostering a sound and prudent risk culture across all its business lines.

Warba Bank has established a comprehensive risk management framework to manage all material risks identified under Basel guidelines, including Credit, Market, Operational, and Information Security Risks. The risk management function operates within the regulatory framework set out by the Central Bank of Kuwait. Risk policies and processes for each type of risk are integrated into the business decision-making process.

Risk Management Group (RMG), reporting to the Board Risk Committee (BRC), is headed by the Chief Risk Officer (CRO) and operates independent of all business lines to provide oversight on Enterprise-wide Risk Management and Internal Controls. RMG is viewed as a strategic partner in achieving appropriate balance between risks and growth objectives.

The Board of Directors, through the Board Risk Committee, is responsible for the overall risk oversight of the Bank. This includes reviewing and approving risk management policies, risk appetite statements, risk exposures and limits, while ensuring the necessary infrastructure and resources are in place.

RMG adopts a proactive approach in managing risks by employing a number of tools and professional talents, to identify, classify, measure, and limit risks. This approach helps in analyzing macro-economic environments, early detection of emerging risks and conducting stress tests of associated risks encountered by the Bank. RMG optimizes and promotes the risk governance framework with comprehensive policies wherein the roles and responsibilities of all relevant parties are defined, while also promoting a culture of managing risks by providing guidance and balance to business activities, informing the Executive Management, the Board Committees and the Board of Directors on the Bank's position and performance in relation with the approved risk parameters and providing recommendations to fine-tune the risk profile of the Bank if the need arises, due to ever-changing business, macro-economic and geo-political factors.

INTERNAL AUDIT GROUP

The objective of the Internal Audit Group (IAG) 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 Groups, Divisions and Departments. These reports provide evidence to support the annual evaluation of the overall operating effectiveness of the internal control environment. However, any internal

control system can only provide reasonable, but not absolute assurance that the objectives of that control system are met. Further, the design of a control system must reflect the fact that there are resources' constraints, and that the benefits of controls must be considered relative to their costs.

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

RETAIL BANKING GROUP

The Retail Banking Group has witnessed remarkable growth during the year 2021 in all measures, as the Group achieved the required goals, executing the branch network expansion strategy and the launch of new services in line with the strategic plans of Warba Bank. Despite all the economic challenges, the Group achieved excellent growth in the deposits' portfolio by greater than 29% and the financing portfolio grew by more than 14% while maintaining a low percentage of nonperforming financing. Additionally, the Point of Sale (POS) business grew by more than 24%

The Group has increased the number of branches in residential areas, in line with its strategic plan, which aims to increase the Bank's presence in residential areas. Three new branches were opened during 2021 in Al-Adiliya, Jaber Al-Ahmad and Jaber Al-Ali, bringing the total number of the Bank's branches to 17. The Fahheel branch has been moved to a new vital location, with the aim of providing a faster and closer banking experience to customers and offering banking services in various regions of the country, with a focus in 2022 on opening a few new branches in vital residential areas. In light of the expansion of the Bank's presence and the enhancement of its channels for customer service, the Bank has increased the number of ATMs to more than 110 ATMs located in vigorous places distributed on 24 ATMs in the branches and 87 in offsite locations. Additionally, new cash deposit machines were installed in Al-Raya and Sharq branches for non-individual customers to enable them to perform cash deposit transactions 24/7.

The Bank's vision is to be the leading bank in the retail banking sector by providing new and exclusive products in addition to providing an exceptional and unique experience with distinguished digital services to customers. The Bank has launched many digital banking products and services for customers through Warba Bank mobile App such as MasterSend & Western Union which offer seamless & quick international fund transfers to our customers. Additionally, we offered to our customers partnership with Post Shipper where they can enjoy numerous benefits such as obtaining a postal address in the United States and the United Kingdom to facilitate their international shipments. Furthermore, the Bank offered to customers the ability to update their Know Your Customer (KYC) through the mobile App to provide seamless experience & ensure up-to-date data. Moreover, the "Warba Auto" service, which is a car catalog that is provided via the application in partnership with the "Motery Application", displays detailed car models that help Warba and non-Warba customers to view all cars details and offers. The Group also launched the leasing product, which provides distinctive solutions to customers in cooperation with major car agencies in Kuwait, to benefit from the operating lease offers of cars by providing them with financing deals at competitive prices and distinguished services. In terms of payment services, the Bank launched the first in the world MasterCard World Elite with dual chip as a credit card and debit card simultaneously. Garmin Pay and Fitbit Pay services have also been made available, allowing customers to enjoy a convenient payment experience through the smart watch via NFC-compatible POS devices locally and globally.

Private Banking " Al-Massi"

The "Al-Massi" segment is a special segment for high-net-worth clients, which witnessed a remarkable growth by increasing the number of clients by 35% during the year 2021. Based on the Group's strategic plan to expand the Al-Massi network, a new special section has been allocated for Al-Massi clients in Al-Adiliya branch in addition to the Al-Shuhada branch and Al-Raya branch to provide an exceptional banking experience to the segment's customers by allocating highly experienced relationship managers in the banking sector, in addition to the launch of the first Warba Ijara Fund limited product, where the fund is targeting capital commitments from qualified investors that seek a Sharia-compliant opportunity to invest in the U.S. leasing market, with a potential for periodic and regular income distribution.

CORPORATE BANKING GROUP

The Corporate Banking Group has succeeded in building a good base of small and medium enterprise customers by providing the necessary banking services to finance their activities, in addition to attracting more non-cash operations, which had a clear positive impact in increasing commission income on these products. During the year 2021, the Group continued to diversify its products into various economic sectors such as the contracting and retail sectors.

Despite the continuation of health precautions during 2021, the Corporate Banking Group in Warba Bank was able to reduce the irregular debts resulting from the closings of businesses due to the Corona pandemic in the year 2020 to 1% of the total financing portfolio, which contributed to enhancing the quality of the Bank's credit portfolio besides the increase in the segment of new customers during the same period.

A number of electronic services have been developed for the customers of the Corporate Banking Group via the Internet, the most important of which is the issuance of a cheque book, sending the password via the Internet, and the issuance of letters of guarantee, this is in addition to developing the Group's own policies and procedures, which would enhance the quality of banking service for the Bank's customers and reduce the documentary cycle in completing customers' requirements and responding to them as soon as possible. And God willing, the corporate online banking services website will witness further development during 2022.

The Corporate Banking Group also intends to enter into multiple expansion opportunities in additional financing areas according to well-studied and balanced strategies to be implemented during the coming periods.

INVESTMENT BANKING GROUP

The Investment Banking Group ("IBG") continued to demonstrate resilient performance beyond 2020 and into 2021 in the aftermath of the 2020 novel coronavirus global pandemic ("COVID-19"). With the rollout of vaccine shots worldwide and the progressive return to normalcy, markets improved marginally; but the optimism that propelled markets earlier in the year faded with growing concerns over the strength of the global recovery, ongoing supply chain disruptions and rising inflation in addition to a third and fourth wave of infections across the world as well as the discovery of new variants like Delta and Omicron. Signs of stretched asset valuations in some market segments persist, and pockets of vulnerabilities remain in the non-bank financial sector, with recovery being uneven in the corporate sector. Nevertheless, IBG prudently navigated the financial waters, focusing on quality credit and investment transactions in the midst of the economic and financial turbulence.

International Banking Division

The International Banking Division ("IBD") covers the debt capital market as well as the structured and cross-border financing business for the Bank by developing and maintaining local and international financial institution relationships, as well as ensuring the overall efficiency, synergy and alignment of business lines under IBD. The Structured and Syndicated Finance Department ("SSF"), the Debt Capital Markets Department ("DCM") and the Financial Institutions Department ("FID") form part of IBD. Despite markets recovering in the first half of 2021, market disruptions and challenges stemming from COVID-19 on the local & international business and operating environment continued impacting industries and businesses especially in the non-banking financial sector as many corporates remained fragile for a prolonged period. Nevertheless, by the good grace of Allah, IBD was successful in executing a few noteworthy transactions.

DCM possesses significant experience in the origination, structuring, pricing and distribution of Islamic debt capital market (sukuk) securities. It was relatively active during the first half of 2021 with three appointments as a joint lead manager and bookrunner on the following primary sukuk issuances: U.S.\$2,500 million for Islamic Development Bank, U.S.\$650 million for Arabian Centres Company and two sukuk totalling U.S.\$1,000 million for Khazanah Nasional Berhad. As at 30 September 2021, according to Bloomberg's International Sukuk league tables, the Bank had a market share of 1.54 per cent of the international sukuk issuance market and was ranked 15 out of 53 underwriters.

SSF specialises in a wide array of corporate financing segments including aviation, projects, structured, syndicated and M&A financing. In the structured and syndicated finance market, Warba Bank seized opportunities to be appointed as Mandated Lead Arranger ("MLA") and Bookrunner on various transactions which include notable facilities such as: acting as the sole MLA and investment agent on a KD 75 million senior financing facility for National Industries Group in Kuwait; acting as MLA and

bookrunner on a U.S.\$200 million syndicated financing facility for Daewoo Engineering & Construction Co., Ltd.; and acting as MLA and Istisna'a-ijara facility agent on a U.S.\$541 million senior secured project financing facility for DEWA V Solar IPP Project in Dubai.

In addition to the aforementioned transactions, SSF was successful in participating in various other cross-border financing and investment opportunities with existing and newly established relationships.

FID is a dedicated function within IBD to support the Bank's institutional brand awareness and standing in the local and international banking industry. Despite COVID-19 pandemic's heavily disruptive impacts on almost all aspects of life with a global scale in particular public health and economics in 2020, salient signals of global economic recovery have begun to arise from the beginning of 2021 which are continuing even as the pandemic resurges. While noting the tensions on global supply chains and pressure on the inflation rates, the easings on preventive COVID measures largely enabled the mobility within the markets which is supporting gradual recovery back to pre-pandemic levels of credit risk appetite and liquidity opportunities. During this term, with an effective monitoring on local and international markets, FID focused on increasing the business lines both with its current correspondent banking network along with the new counterparties with whom FID established new business relationships. Throughout the year, FID expanded its correspondent banking network on a reciprocal basis in targeted regions and countries by establishing 20 new correspondent relationships from 18 different countries. FID increased the business volumes on both cash and non-cash business lines from its correspondent banking network across different countries. Moreover, FID supported the growth of the Bank's various business lines and new Sharia-compliant trade finance products.

Principal Investment Division

Principal Investment Division («PID») manages the Bank's strategic investments and proprietary investments across multiple asset classes. PID followed a disciplined approach in managing the Bank's proprietary investment portfolio. A risk budget for the portfolio was developed periodically based on goals, time horizon and tolerance for volatility. Furthermore, IBG framed a Strategic Asset Allocation ("SAA") framework that helps in maximizing risk adjusted return through asset class diversification. This allows for better risk management for the portfolio with the aim of maximizing the Bank's return on assets.

PID operates through two departments: The Real Estate Investment Department and The Direct Investment Department.

Real Estate Investment Department

Despite the continuing impact of COVID-19, 2021 was a successful year for the Real Estate Investment Department ("REID") generating record income for Warba Bank through realization of lucrative exits from 5 (five) investment properties, strong operational performance and increase in the value of the investments.

As on 31 December 2021, the Bank owns properties in USA, UK, Ireland and GCC, mostly through joint venture investment structure. Most of the properties in USA are well diversified across numerous states and high growth cities namely, Atlanta, Denver, North Carolina, Florida, Pittsburgh, Dallas, Houston, Philadelphia and Virginia Beach. The properties are strategically located in "core" and "core plus" submarkets, high growth business parks and high growth suburban markets, all of which are supported by robust economic and demographic fundamentals. Prior to 2021, the Real Estate Department had also invested in 5 flagship real estate funds with highly reputable globally operating asset managers, diversified across various sub-sectors of real estate and geographical locations. Despite COVID challenges, the Bank has successfully exited several real estate investments during 2021 generating exceptional return.

1. A multifamily property located in Atlanta USA called Jefferson Lakeside acquired in Oct-2018 jointly with a JV partner was sold in July 2021 generating an 16.75% after tax IRR for Warba Bank.

2. A TESCO supermarket located in Greater London; UK acquired in Dec-2019 jointly with a JV partner was sold in May-2021 generating an at 22.5% IRR for Warba Bank.

3. A wholly owned KIA Motors Export Import Facility in UK acquired in Mar-2017 was sold in Sep-2021 generating over 16.2% IRR for Warba Bank.

4. A multifamily property located in Phoenix called District Mountain Vista (DMV) acquired in Oct-2018 jointly with a JV Partner was sold in Sep-2021 generating 27.9% IRR for Warba Bank.

5. Manpower HQ Building a Class-A LEED Gold Certified office property located in Downtown Milwaukee USA acquired in June of 2017 jointly with a JV partner was sold in Oct-2021 generating 9.96% IRR for Warba Bank.

Furthermore, the Real Estate Investment Department has acquired the following new properties in 2021:

1. A Core Plus Class A brand new multi-family real estate property located in Tampa Florida, USA in Q1 2021 with an expectation to generate over 8% Cash on Cash return and over 14% IRR.
2. A Core Plus Class A brand new multi-family real estate property located in Jacksonville Florida, USA with an expectation to generate over 7% Cash on Cash return and over 14% IRR.
3. An under construction Built to Rent ("BtR") high rise high-end residential property located in Manchester City Centre, UK is acquired under Forward Purchase Agreement (FPA) jointly with the JV partner with an expectation to generate over 7% Cash on Cash return and over 15% IRR.

Direct Investment Department

The Direct Investment Department ("DID") follows the Strategic Asset Allocation framework set by the Group in order to make and manage investments in multiple asset classes.

A risk budget for the portfolio is monitored periodically based on the Bank's goals and tolerance for risk and volatility. This allows for a more methodical investment process from an asset-liability management perspective and enables more efficient harvesting of risk premia.

The department's investment activity has progressed in 2021 with approximately U.S.\$120 million in new commitments being made to private equity and infrastructure funds. As at 31 December 2021, the department oversees aggregate commitments of U.S.\$535 million across various strategies

Our investments have been resilient throughout the pandemic, with mark-ups in valuation and cash distributions.

The infrastructure portfolio is primarily a global core/core+ focused with contractual revenues at the asset level and an average distribution rate of +5% p.a. The private equity portfolio is diversified across multiple strategies including primaries, secondaries, co-investments, fund of funds, growth equity and venture capital. The listed equity portfolio is globally diversified with a balance of value and growth exposures, investing primarily in developed markets.

TREASURY GROUP

For the financial year 2021, the Treasury Group continued its growth in alignment with the Bank's strategic plans and despite the ongoing COVID-19 pandemic. The strong response by Kuwait Government and Ministry of Health in the deployment of vaccines and imposing effective control measures saw Kuwait's Covid-19 situation stabilize by mid-year and progressively improve through the rest of 2021.

The Central Bank of Kuwait maintained its prudent approach to ensure stability in the domestic financial system by maintaining its Discount Rate at 1.50% through the year. It also extended its Covid-19 relief measures that were introduced in 2020 to the end of 2021. The Dinar traded within a narrow range of between 0.30330 and 0.30025 during the year while oil prices rebounded sharply from the lows of 2020. The price of Kuwait Crude touched a high of \$ 85.77 per barrel in October, mirroring the high of \$ 86.70 per barrel for Brent Crude.

Higher oil prices translated directly into a stronger government fiscal position. Based on preliminary data released by the Ministry of Finance, Kuwait registered a smaller cumulative deficit of KWD 1.2 billion for the first seven months of the current financial year (April '21 to October '21), compared to a deficit of KWD 3.8 billion recorded during the corresponding period last year. Total revenues increased by 80% year-on-year and have already achieved 88% of the full-year budget estimate.

The Treasury Group undertook numerous activities during the year with the most notable being the successful issuance of a second Basel III compliant perpetual Additional Tier-1 (AT1) sukuk for the Bank. The sukuk amounted to \$ 250.0 million with a coupon rate of 4.0% and is callable after five years. The sukuk was issued to replace the Bank's existing 6.5% AT1 sukuk which will be recalled in March 2022. The Bank's cost-of-funds continued to decline while income from foreign exchange trading increased by more than 20% as compared to last year. The Bank's deposit concentration ratio continued to show improvement, with the dependence on ten largest depositors declining by almost 10% during the year.

INFORMATION TECHNOLOGY GROUP

Our digital journey was moved drastically during 2021 to witness first steps towards next-generation banking systems that relied on restructuring concept, architecture, technology, and methodology to act as business partner with all units and drive technological capabilities supporting its profitability, productivity, sustainability, as well as market expansion.

We have focused on multiple dimensions:

1. Use of microservices and APIs to enable faster integration and increase re-use of capabilities.
2. Introduce third-part ecosystems to leverage best of breed solutions with mitigation of third-party control risks.
3. Implementation of agile project management.
4. Improving capacity and capability management.

We have completed several projects during 2021 including but not limited to:

- Customer 360 view for both retail and corporate
- Dual Chip Card implementation
- Online customer onboarding and accounts opening
- Online retail loan origination
- Online corporate banking
- Online LG origination for trade finance operations
- Investment banking solution
- Treasury operations
- Electronic Payment enhancements including new services through SWIFT, WU, and MasterCard
- Fitbit, Garmin, and Samsung Pay Services Enabling
- Robotic process automation
- Workflow automation for supporting activities
- AML/CFT System

In addition to the business challenges faced as a support function, we have learned and invoked our technological expertise for Business Continuity. Moreover, we have developed a strong Integrated Cybersecurity Framework to enhance & update cybersecurity systems safeguarding the Bank's information assets and avert risks through coping with the latest developments and practices.

The Information Technology Group strove to enhance overall IT Governance to optimize the effectiveness and efficiency of Business Technology services to provide the required compliance and assurance of adequacy and effectiveness of the internal control environment. In addition to the day-to-day challenges in supporting the business applications and systems, the underlying IT infrastructure and implementing business projects and requirements, ITG was able to comply with Central Bank of Kuwait's directives on PCI-DSS and ISO 27001 certifications, passing thereby the stringent requirement of both standards.

As a step into the future, we have developed dynamic strategy for the coming three years which would focus on revamping the core banking system, introducing the concept of open banking to support Fintech's entrepreneurs, automating most of the Bank's functions and processes, introducing hyper-parameterized solutions, adopting cloud-native architecture, developing latest technological remote channels to improve customer experience through self-services machines and digital branches, supporting data fabric, machine learning and artificial intelligence tools, and implementing latest techniques for blockchain whether with governmental bodies, financial institutions and other concerned parties.

DIGITAL GROUP

Digital Group's Mission

In light of the Bank's strategy and CBK's regulations for shaping the future of the Kuwaiti banking industry, a new function "Digital Group" was established in the Bank during 2020. This function is responsible for overseeing all Digital, Innovation and Transformation initiatives across the Bank. The drivers behind these initiatives include business process improvement, new digital products, and services, introducing new strategic partnerships with external parties, and ensuring that the overall digital capabilities are aligned with the Bank's long-term strategies. The Digital Group is comprised of 4 core functions, namely the Digital Transformation Division, the Digital Factory (Al-Wateen), the Business Excellence, and the Digital Marketing and Advertisement.

Digital Transformation Division

As technology continues to disrupt business models across all industries, the Digital Transformation Division's main objective is to identify how relevant technology advancements can be harnessed to expand the Bank's digital capabilities. These technology shifts offer opportunities for the Bank across multiple avenues, such as creating new business verticals, launching new products and services, increasing internal collaboration, increasing efficiency, and becoming more agile from a software development perspective as well as an operating efficiency perspective. The Digital Transformation Division is divided into two key functions: Innovation and Partnerships and the Transformation Program Office. The Innovation and Partnerships Department's mandate is to research and advise on emerging trends in technology and financial services innovations that could further the Bank's objectives. Approved opportunities are then passed to the Transformation Program Office for project implementation. Innovation and Partnerships and Transformation Program Office work together synergistically to ensure that projects are aligned with the Bank's digital strategy.

Digital Factory (Al-Wateen)

The Digital Factory is the Bank's in-house mobile platform development lab that comprises expert product owners, developers, designers, scrum masters, and strategists, all of whom combine their efforts to innovate new features and services, with customer centricity lying at the core of every digital experience. The Digital Factory is divided into "Squads" with various key focuses, such as consumer financing, loyalty, platform optimization, and third-party integrations. The teams are multidisciplinary and work together using Agile as their main software development methodology to define and address their various initiatives. The Digital Factory also includes a team dubbed "Al-Wateen Shield", which tracks and manages all customer issues and suggestions related to all Warba Bank mobile applications.

Business Excellence

The Business Excellence Department oversees the development of new products and also tracks the Bank's various customer segments via its MIS & Research Unit, which harnesses next-generation technology in machine-learning and data mining to offer advanced statistical analysis. Business Excellence determines effective methods to boost customer engagement in specific segments, provides actionable insights, and measures product performance.

Digital Marketing and Advertisement

Digital Marketing and Advertisement is focused on developing innovative digital marketing strategies and manages the Bank's digital and social media platforms and related maintenance, error-reporting, and analysis of results. Marketing campaigns across all digital networks and platforms are developed in alignment with the Bank's positioning strategy. The Advertisement function manages the production of creative concepts and advertising campaigns for launching new products or services, or marketing existing products or services. The two functions work together to oversee marketing content creation, budget allocation, and marketing campaign management and optimization.

OPERATIONS GROUP

Over the course of the year with the impact of the pandemic subsiding, the Group returned to the traditional operating model. Transaction volumes have steadily recovered to exceed pre-pandemic levels.

The Group successfully participated in the comprehensive testing and subsequent launch of the Kuwait National Payment System (KNPS). This will also be the steppingstone for the GCC Real Time Gross Settlement system scheduled for 2022. In addition, the Bank has successfully implemented the SWIFT Global Payments Innovation (GPI) allowing our customers to benefit from faster, more efficient payment processing with the ability to track their payments through each stage of the payment life cycle.

In co-ordination with the Technology Group, further application of Robotic Process Automation enabled us to continue to streamline the Group's internal processes. These initiatives will continue as we strive to reduce volume sensitivity and control and reduce our processing costs.

During the year, the Group established the "Operational Excellence" function which will develop, monitor, and manage our operational quality objectives. As part of their activities, a comprehensive cross training and upskilling program has been initiated as we build a multi-skilled work force, the longer-term objective being to deliver quality across the Group in a consistent and sustainable way that can be verified by external certification.

REGULATORY DIVISION

The Regulatory Division undertakes the task of assisting the Bank in achieving its objectives in accordance with the applicable regulations and instructions in the State of Kuwait to protect the Bank from any violations, and financial or non-financial penalties. This is clearly demonstrated in our slogan "We comply to protect our growth." The Regulatory Division is the second line of defence, with duties that cover monitoring compliance with laws, regulatory instructions, and corporate governance rules and systems. The year 2021 witnessed multiple accomplishments for the Regulatory Division in terms of enhancing Bank-wide levels of compliance with regulatory instructions and applicable laws, along with updating the Bank's policies and procedures which ensures employees' compliance and supports their implementation. The Division has also raised the level of all Bank staff compliance during 2021, through conducting awareness programs related to regulatory authorities' requirements that cover all the Bank's activities.

HUMAN RESOURCES AND GENERAL SERVICES GROUP

With the continuation of Covid-19, the Human Resources and General Services Group continued to improve the nationalization rates according to its standards in attracting qualified national cadres, exceeding the specified minimum, in our belief in the importance of qualifying national cadres in the banking industry.

The group also continued to coordinate with multiple entities such as the Institute of Banking Association and the Kuwait Foundation for the Advancement of Sciences to provide our employees with different types of training to improve their personal and leadership skills. The group organized this year several workshops specialized in methods of coaching to increase awareness and help managers and employees to apply them effectively on various aspects of work; the group also continued throughout this year to provide all training requirements for the regulatory authorities in their electronic version through the Warba Learning Gate and to ensure that employees complete these trainings. The group efforts towards training extended even further to cover other types including first aid certification program and conducting fire drills to ensure that our employees are prepared for what might happen in the future.

The Human Resources and General Services Group continued to measure the institutional health index and to draw a roadmap for continuous improvements and initiatives to increase productivity and improve the work environment, by initiating the "Employee Experience" team, where the team consisting of a group of employees in various departments proposed an action plan aimed at improving this indicator and the follow-up of the implementation mechanism throughout the year, where the work plan encompassed many programs, including: Warba Elite Program, the "Employee Meeting", and the "Idea Box Tool".

Given the importance of the health and psychological aspect of the employees, the group launched its health campaign under the title "For a Better Healthy Life", where the campaign aims to support the mental, physical, and occupational health of its employees, in cooperation with many experts and specialists in these fields, to benefit from their experience in these matters relating to the health of employees in general. The launch of the "For a Better Healthy Life" campaign comes within the framework of the Bank's management's keenness on one of the Bank's most important values, which is employee care and ensuring the safety and health of its employees in all aspects. The campaign included awareness programs and training courses that would raise awareness and improve employee habits for a better and healthier life.

In order to achieve the Banks' vision toward digitization, the General Services department launched its portal, which will enable them to receive, track and complete all requests in an efficient manner. The department also continued to provide its services at all levels of the Bank, which included the facility management and maintenance of all floors and branches to offer the best comfort to our employees.

The department continues its expansion plan this year by opening three new branches in Jaber Al-Ali, Jaber Al-Ahmad, and Adaliya, in addition to the plan of opening a new branch in Abu-Fatira by the beginning of the new year to reach 18 branches of Warba Bank in total.

THE ANTI-MONEY LAUNDERING (AML), COMBATING TERRORIST FINANCING (CFT) AND TAX COMPLIANCE DEPARTMENT

The Anti-Money Laundering (AML), Combating Terrorist Financing (CFT) and Tax Compliance Department is coordinating with all business groups in Warba Bank with the instructions of Senior Management to implement the relevant guidelines, rules and instructions issued by the Central Bank of Kuwait in the field of AML/CFT in Kuwait, along with applying the relevant international standards, i.e., the recommendations of Financial Action Task Force (FATF) and Basel Committee Banking Supervision.

The Bank implemented the AML & CFT policies, procedures and internal controls that keep a level on the ongoing local, regional, and international stages of development to maintain resilient AML/CFT systems and practices within Warba Bank. The risk-based approach that the banking operations undertook at Warba Bank includes de-risking measures which, with the improvement of the monitoring systems and the development in the internal control systems, have enabled the Bank to ensure effective and adequate AML & CFT measures are taken before processing the transactions. Moreover, as per the Risk Assessment Policy, the Bank takes all necessary measures to investigate suspicious and high-risk transactions that would require intensive attention. The Bank ensures to match the transactions relating to parties against the Kuwaiti local sanctioned and international sanctioned lists of AML & CFT before processing these transactions to prevent providing any banking services or products to sanctioned blacklisted names on the sanctioned lists.

Warba Bank has been continuously developing automated systems to tighten control over anti-money laundering and terrorist financing to strengthen the internal control system. The Bank launched an enhanced AML & CFT system called "Siron" during last year to cover CBK AML & CFT requirements on monitoring customers' transactions based on risk-based evaluation and to determine the required due diligence levels, enabling AML & CFT department to detect and report suspicious transactions and reduce the risks of these transactions, assessing risks and applying the principle of due diligence based on transactions risks rating levels. The new system will help AML & CFT and tax compliance department to identify and report suspicious transactions.

Warba Bank organizes quarterly awareness AML & CFT training and awareness sessions for their new and existing staff and top management with coordination with Human Resources and General Services Group at Warba Bank. These training sessions help them identify the risks of money laundering and financing terrorism, along with gaining awareness on the CBK AML & CFT instructions and regulations, and related laws and legislatures. These training sessions are conducted through an E-learning system and presented by a specialized external organization, in addition to an organized AML & CFT training session to Warba Bank's board of directors presented by a specialized training firm in AML & CFT. It's important to mention that the attendance of these trainings for all staff members of the Bank is compulsory.

Annually, an independent audit is carried out by the internal audit department of Warba Bank to review the Bank's compliance with the instructions of the Central Bank of Kuwait. Furthermore, an international audit firm analyses AML & CFT internal control systems within Warba Bank.

Warba Bank is complying with the terms of requirements of the USA Federal Tax Compliance Act (FATCA) and the related ministerial decisions. These include modifying the account opening forms, "Know Your Customer" and self-certificate forms, and other related onboarding policies and procedures in place. A certified audit firm acts as a consultant to verify the execution of the requirements of the laws and review the FATCA report to check the Bank's compliance and validity of the report. Warba Bank has submitted the FATCA report through the Ministry of Finance Portal successfully within the deadline set by the Ministry of Finance.

Warba Bank has also complied with implementing the Common Reporting Standards (CRS), signed by the State of Kuwait on 19th August 2016, where ministerial decisions were issued in this regard. As a result, the Bank has made the required amendments to its relevant procedures, policies, and self-certificate forms to generate the final annual reports required to be submitted to authorities. A certified external audit firm has been hired to assess the Bank's readiness and to identify any of the requirements of the Common Reporting Standards (CRS). Warba Bank was ready to submit the CRS report by the scheduled date set by authorities, and the CRS report has been successfully submitted through the Ministry of Finance Portal within the deadline.

2022 FUTURE OUTLOOKS

Global Economy

As we move towards 2022, the pandemic of Covid-19 is being contained. We see restrictions on traveling and other Covid-19 measures are being lifted, thanks to the availability of vaccine. However, this does not mean that the pandemic is over as we still see new alarming risen cases, similar to what is happening in Europe. Global Growth is bouncing back as we see the IMF forecasts world GDP growth at 5.9% in 2021 easing to 4.9% in 2022. Developing countries full recovery to their pre-pandemic economic status will take longer than the advanced economies which are estimated to return to their pre-pandemic output paths by 2022. It is worth mentioning that based on a conducted survey done by Oxford Economics, it is shown that climate change scored the highest in terms of global economic risk, which should give an indicator of how to proceed in the future.

GCC Economy

The increase in the prices of oil offered a boost to the GCC countries to emerge from the Covid-19 pandemic. In addition to this, a combination of spending restraint and other consolidation measures are set to cut the aggregate fiscal deficit sharply in 2021 to just 2.6% of GDP from 10.4% in 2020. Rising oil production will help uplift GDP growth to 3.6% on average in 2022-24 from 2.1% of 2021. The real GDP of 2021 was set to be 2.1% and it is forecasted to be 4.5% in 2022.

Kuwait Economy

Kuwait has removed most of the social restrictions which were imposed during the Covid-19 pandemic. This step towards normality for vaccinated individuals provided a boost to the non-oil sector, which after a 3.4% drop in 2020, gained a growth of 3.1% during 2021 during the close of the year. Overall GDP is still seen growing in 2021 after a massive drop of 8.9% during 2020. The growth of 2021 was 2.5% and it is projected to also increase by 3.4% in 2022 as reported by Oxford Economics. From the oil sector point of view, there was a major drop of 10% in oil output in 2020 from 2.68 million barrels per day to 2.43 million barrels per day due to OPEC+ quotas. However, as economic recovery is picking up and global demand resumes, we saw a recovery in oil prices with Brent crude forecast at about \$71 per barrel in 2021. It is still expected that oil production will rise marginally to 2.46 million barrels per day in 2022 from an estimated 2.45 million barrels per day in 2021. With such limited recovery in the oil sector, which is still dominant in the economy, this is hampering recovery in overall growth.

Kuwait Banking Sector

The local banks aggregate balance sheets witnessed a rise of KWD 1,122.7 million, a rate of 1.5% reaching a total value of KWD 73,896.7 million at the end of FY 2020 / 2021. For the aggregate assets of local banks, the balance of the claims on the private sector reached KWD 42,215.5 million at the end of FY 2020 / 2021 which is increased by KWD 1,250.8 million, an increase at a rate of 3.1% compared to KWD 40,959.6 million the previous year. The balance of the claims on the Central Bank of Kuwait witnessed an increase at a rate of 14.9% calculated for KWD 1,003.4 million to reach KWD 7,720.6 million at the end of FY 2020 / 2021, compared to the previous year, which was KWD 6,717.2 million. The balance of interbank deposits dropped as well, reaching KWD 2,895.2 million at the end of FY 2020 / 2021. Compared to the previous one which was KWD 3,350.7, the drop amount is calculated to be KWD 455.5 million which is a rate of 13.6%. On the other hand, the balance of the claims on the government sector witnessed a 32.8% drop which calculates for KWD 656.7 million to reach KWD 1,345.7 million at the end of FY 2020 / 2021 compared to the previous year which was KWD 2,002.5 million. The balance of foreign assets also decreased by KWD 5.9 million, reaching KWD 17,283.4 million at the end of FY 2020 / 2021, in comparison to the previous year which was KWD 17,290.3 million. As for deposits, the private sector deposits for residents witnessed an increase of KWD 699 million, a rate of 1.9% to reach KWD 36,596.1 million at the end of FY 2020 / 2021 in comparison to the previous year which was KWD 35,897.1 million. The government sector deposits witnessed a drop of KWD 272.2 million, a rate of 3.6% to reach KWD 7,288 million at the end of FY 2020 / 2021 in comparison to the previous year which was KWD 7,560.3 million. Interbank deposits also witnessed a decrease by KWD 417.0 million, a rate of 12.8% to reach KWD 2,831.7 million at the end of FY 2020 / 2021, in comparison to the previous year which was KWD 3,248.8 million. The discount rate still stands at 1.5% since the previous drop from 2.75%.

Warba Bank

Warba Bank achieved various strategic milestones during the year 2021. Most notable are the issuance of Tier 1 Sukuk of USD 250 million as well as the capital increase of Warba and the launch of Ijara fund. From the expansion perspective, we have opened 4 new branches. As for digital products and services. Warba launched SiDi Wallet, the first digital wallet in Kuwait, aiming to target a new segment. Moreover, we have launched multiple strategic partnerships such as Motery, aiming to create an end-to-end auto marketplace & financing digital service called Warba Auto, in addition to Postshipper, that offers Warba customers a free shipping subscription for international purchases to be delivered to Kuwait through different couriers at competitive rates. Three prestigious awards were won by Warba Bank which are, most innovative digital banking application in Kuwait from International Finance Magazine, best customer service provider in Kuwait as well as best innovation in retail banking in Kuwait from International Banker. As for the credit rating, Warba's credit rating is at A+ as per FitchRatings and Baa2 as per Moody's.

We are very optimistic towards the year 2022, hoping it will be a very prosperous and blessed year for us. Warba is sending a clear message that it is strengthening its position in the market which pours into its core vision of becoming the leading digital-first Islamic corporate and retail bank in Kuwait. With digital as its essence, Warba is advancing towards its main purpose which is helping customers in fulfilling their ambitions by providing them with the most innovative financial solutions, and one of a kind digital experience while delivering sustainable profit for our shareholders. To further support our vision, we are very agile in offering the latest innovative and digital solutions in order to provide our customers with only the most reliable, compliant, and secure solutions while following all regulatory measures.

Source: Central Bank of Kuwait, Oxford Economics, IMF, World Bank.

SOCIAL RESPONSIBILITY

AN ESSENTIAL PART OF WARBA'S METHODOLOGY AND CONTRIBUTIONS

Warba Bank's social responsibility lies on clear pillars that focus on different social segments to achieve the best results from these activities and events organized, which reflect positively on society and achieve sustainable development.

Warba Bank has succeeded in taking the concept of responsibility to a new level of innovation, inclusiveness, and sustainability to contribute and service society in all its categories and aspects, and to develop the form of community institutional work.

Social responsibility activities and sustainability programs have become particularly important to the Bank in recent years, and the circumstances that Kuwait and the world have experienced as a result of the Covid-19 epidemic have not prevented the Bank from establishing its position in the field of social responsibility, care, and participation in various fields of humanitarian, social, charitable and health work.

Coordinated efforts of all sectors

The Bank has begun to work together with all sectors and departments to deal with the pandemic professionally, from informing employees of the health requirements to be followed in the Bank's buildings and branches, placing signs, distributing sterilizers, and ensuring the safety of employees working in the front lines, to following all health precautionary guidelines, and social spacing to maintain the safety of employees and customers alike.

2021 marks a milestone in Warba Bank's continued social role, with the Bank's social responsibility program characterized by diverse and comprehensive social initiatives and contributions during one of the exceptional years, 2021, which alternated partial and full closure due to Covid-19 virus. The Bank's efforts culminated in the launch of many qualitative initiatives, events, and activities at the banking sector level.

Social responsibility and the implementation of its programs are not limited to one department, but all departments and branches of the Bank are socially responsible and key participants in community building, so the Bank's employees are a key partner in the service of the community, and all partake in the social responsibility.

Achievements

Warba Bank, as per media and people testimony, has been the most visible in its social services during the current year and previous years by adopting completely new initiatives on the Kuwaiti market targeting all segments, especially young people.

Keeping up with and meeting the needs and interests of society is an essential part of Warba's methodology and contributions, characterized by diversity and involving various sectors and aspects, ranging from concern for the environment, health, youth, education, and the dissemination of financial and banking culture, to interest in initiatives and other community groups such as people with special needs and others.

The sustainability component has been strongly present in the CSR (Corporate Social Responsibility) program through partnerships and programs launched by the Bank in collaboration with local and international sides.

In 2021, young people occupied a large part of Warba's interest, as the Bank launched several quality initiatives and activities that meet the aspirations and interests of young people.

Breast cancer awareness campaign

Warba Bank raises awareness of breast cancer on a yearly basis to encourage women to detect and treat cancer early. In this context, the Bank launched its annual breast cancer awareness campaign on the international occasion of breast cancer awareness month in October 2021, to combat and prevent the disease and to educate the community on the importance of early detection and regular screening.

Special services for the special needs' category

In the first quarter of 2021, Warba Bank, in collaboration with Seincom (the first visual application in the world and the Arab world that provides banking services for the deaf and mute), provided special banking services to its deaf and mute customers in recognition of this category. Such a collaboration ensures that all banking services are implemented smoothly and easily in an atmosphere of confidentiality and privacy. Such services include account opening, credit cards issuance, and many more.

Great support for the "Diraya" campaign

Believing in the importance of strengthening the financial culture of different segments of society and making the best use of banking services for their diversity and comprehensiveness, Warba Bank was one of the most prominent supporters and contributors to the "Diraya" campaign launched by the Central Bank of Kuwait early last year in collaboration with the Kuwait Banking Union.

Warba's contribution to the awareness campaign has been active by publishing educational materials and awareness leaflets on social media platforms and all the Bank's online channels.

In an effort to ensure that the "Diraya" campaign spreads through social media and achieves its desired goals, Warba has allocated a budget for paid advertising in addition to using all the features and services provided by social media platforms to promote the spread of the campaign, as well as competitions and interactive questions to the public.

Awareness of the "Diraya" campaign is not only exclusive to Warba's customers but is also inclusive of all banking teams to educate employees by publishing campaign materials through an internal communication platform as well as an employees' Instagram account.

Honoring the frontliners

Within the framework of social responsibility and appreciation of the efforts of the frontliners, Warba Bank honored vaccination teams in some vaccination centers and praised their great role in organizing and assisting people in receiving vaccination against the Covid-19 virus. Warba sent a team from the Bank to visit some vaccination centers to offer our gratitude to the staff and to show appreciation for the joint national efforts of various sectors, which include but are not limited to medical staff, Ministry of Interior staff, the General Directorate of Civil Defense, the Fire Force, the Red Crescent, medical emergencies, and other involved sectors.

Continuous communication through social media channels

The corporate communication division worked to activate all media outlets to reach customers and the public through social media sites (Instagram, Facebook, Twitter, Snapchat, LinkedIn, and YouTube) during the Covid-19 crisis. The Bank has also broadcasted many awareness messages on the fight against the virus and ways to prevent it. Warba Bank, as a prestigious financial institution, emphasizes social work and is keen to establish successful partnerships with various sectors to service the nation and its citizens, as well as support social work institutions and civil society institutions, stemming from its belief in the importance of joined efforts to achieve sustainable development by encouraging the concept of CSR in a way that serves all segments of society.

INSTITUTIONAL CAPABILITIES

The year 2021 had started armed with experiences gained by our human resources in facing the repercussions of the Corona Pandemic (Covid-19), as our Bank has proven its ability to overcome crises and emergency events at the local and global levels, thanks to God Almighty and the efforts of our employees that were characterized by their flexibility in adapting to new work methods centred around working remotely, whereas the Human Resources and General Services Group reviewed and amended its policies related to attendance to facilitate procedures, in addition to introducing a system that allows employees to work remotely in order to ensure the continuity of work to the fullest.

The group also made all the efforts to ensure that the return to work is in accordance with health requirements as per the directives of the official authorities in Kuwait. The Bank encouraged employees to vaccinate by conducting a vaccination campaign that included all employees and their families in cooperation with the Ministry of Health and furthermore invited the companies within our building to participate in this vaccination campaign to preserve safety and public health.

To complement its interest in developing and qualifying its employees, our Bank has cooperated with Udeemy Educational Platform to provide the opportunity for employees to explore many training programs in various fields to enable them to perform their job duties perfectly, in addition to conducting multiple training sessions about coaching techniques to provide our management with the best tools and practices to implement in the workplace. Our Bank took an extended approach this year by offering different types of training programs that included first aid certifications and conducting fire drills as a step towards qualifying our staff to deal with emergencies and protecting the life of our employees. We also continued our efforts by providing all mandatory trainings through Warba Learning Gate in the following areas: Regulatory, Sharia Awareness, Risk Management, and Information Security.

Our Bank has continued to provide job opportunities for national cadres without interruption throughout the year at various administrative levels, with a focus on the importance of attracting qualified national cadres to assume leadership positions, which resulted in the increase of the Nationalization Rate to reach 77.778% at the level of our Bank.

Since the human element is one of the most important pillars of our Bank, we have continued this year with interest in measuring the Organizational Health Index (OHI) for the fourth year in a row, through which organizational elements and administrative practices are identified along with the way to develop them. This year, we have taken a new approach represented in establishing a work team called the "Employee Experience Team" that is responsible for developing the roadmap and work mechanism to improve the work environment according to the results of the indicators, the team also carried out the task of spreading the institutional culture and educating employees on the importance of these practices, where this year witnessed a remarkable development in the indicators that were focused on, which include and are not limited to the establishment of an "Employee Meeting" to enhance the culture of information dissemination and keep employees informed of the most important developments carried out by our Bank. We have also launched an internal communication channel aimed at disseminating information and transferring experiences among employees in various fields and specializations; this is in addition to the launch of the "Idea Box Tool", through which we seek to collect and study the creative ideas of employees to try to implement them on the ground. Given the importance of motivation in advancing development, our Bank has designed new rewards programs for employees that contribute to enhancing the culture of appreciation and encouraging employees to make more effort to achieve the desired goals. Our Bank will also continue to invest in this team to study the results of the new indicators and discuss plans for the new year to increase the rate of progress in these indicators.

LEADING DIGITAL INNOVATION

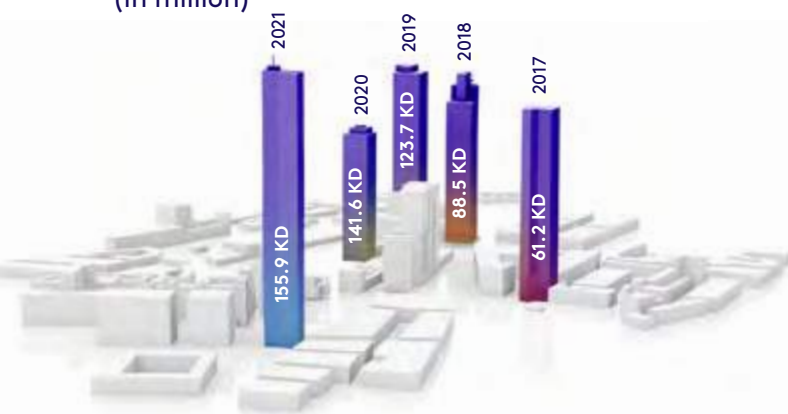
2021



KEY INDICATORS

155.9 KD

Total revenues
(in million)



3,580.2 KD

Total assets
(in million)



2,437.5 KD

Financing to customers
(in million)



2,801.5 KD

Customer deposits
(in million)



Warba's Elite for Q2 2021

The Doers



The Team Players



The Ambitious



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INTRODUCTION

Warba Bank is committed to applying the best practices in governance within the framework of the Central Bank of Kuwait's instructions, issued in June 2012, on Corporate Governance Rules and Regulations at Kuwaiti banks. The Bank has fully complied with these regulations in terms of designing the systems, organizational structures and functions that ensure institutional control. In addition, the Bank pays due diligence to full commitment in the implementation of the nine key pillars of the governance rules and regulations at Kuwaiti banks, a compliance with regulations that has become a deeply rooted culture across the Bank. In addition, the Central Bank of Kuwait issued an update in September 2019 to its instructions concerning corporate governance rules and regulations at Kuwaiti banks. Warba Bank has come a long way in meeting the new requirements since the issuance of the last instructions; board and board committees charters have been updated to satisfy the new requirements and work is in progress to meet the remaining requirements for the appointment of independent members in the board of directors and other new requirements, as mandated by the instructions within the prescribed deadline.

The commitment to corporate governance rules and regulations ensures that Warba Bank has the ability to balance risk-related activities appropriately, maximizing protection of shareholders' returns. In addition, Warba Bank believes that having robust corporate governance principles safeguards the interests of all key stakeholders, and also serves as a shield against all forms of mismanagement and fraud activities, enhancing the accountability and transparency at the Bank.

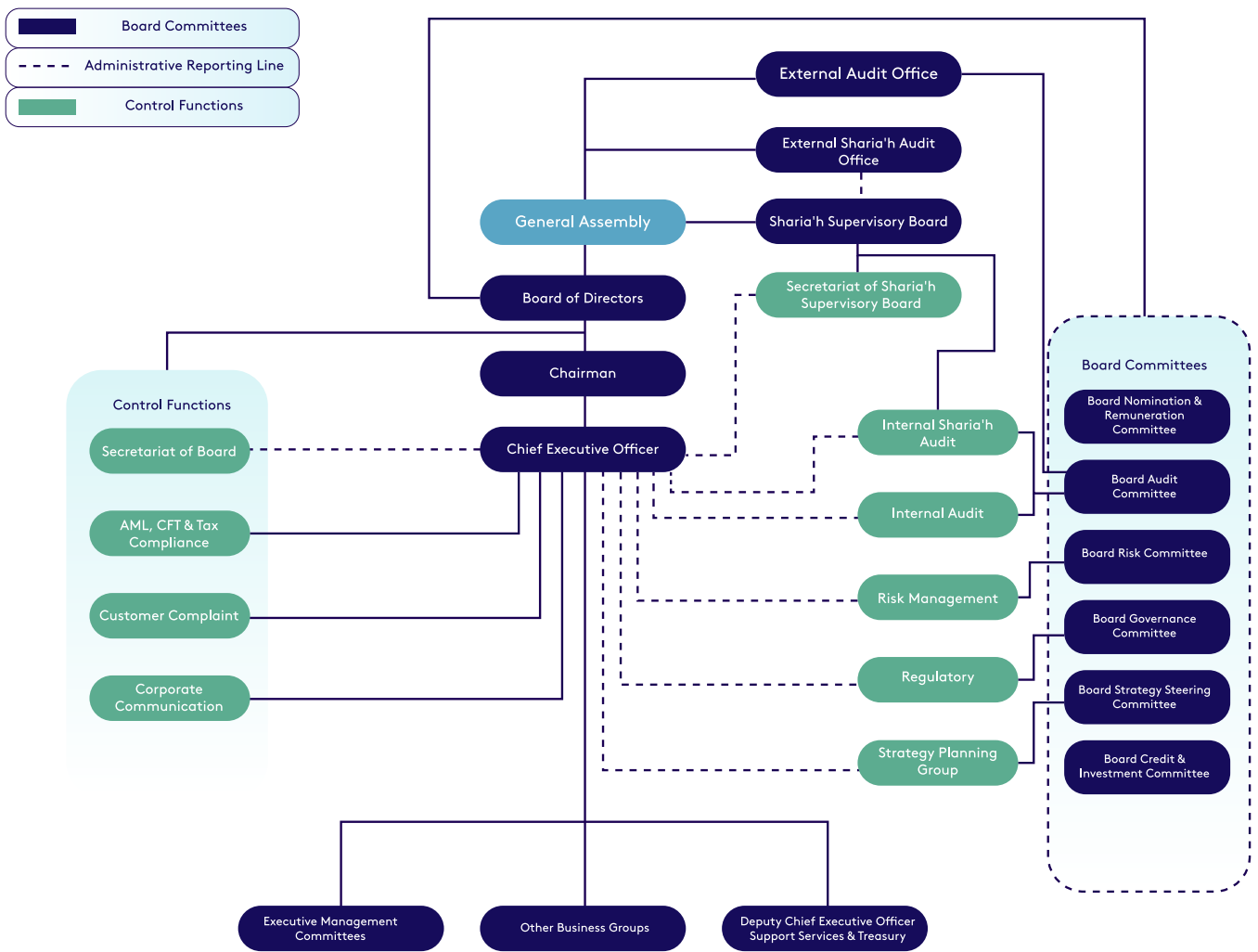
Therefore, Warba Bank prides itself on having a robust and sound governance framework, based on regulatory instructions, that helps to apply best practices of sound governance.

WARBA BANK'S KEY SHAREHOLDERS (5% AND ABOVE)

Name	Shareholding Percentage
Kuwait Investment Authority (KIA)	24% Direct – 1.908% Indirect
The Public Institution for Social Security (PIFSS)	9.344% Indirect
Al Sayer Group Holding Company	10.242% Direct
Abdullah Saleh Al Shalfan	9.823% Direct

ORGANIZATIONAL STRUCTURE

The Bank’s organizational structure has been designed with maintaining transparency and clarity to facilitate decision in mind – taking process, achievement of sound corporate governance and ability to define authority limits that clearly set key responsibilities and duties of the board of directors, executive management, and heads of supervisory and control functions in the Bank. The Bank’s organizational structure has been updated to cover all CBK requirements. The last update was made on 27/05/2021.



BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The board of directors continues to assume full responsibilities stipulated in the Articles of Association and Corporate Governance instructions, as issued by the Central Bank of Kuwait on 20/6/2012, as well as the updates to these instructions by CBK on 10/9/2019. These generally focus on preserving the interests of depositors, shareholders, creditors and employees. As part of compliance with the corporate governance rules and instructions, the board of directors has approved all corporate governance policies, set new ones, and ensured putting them into practice, in addition to approving the Corporate Governance Manual and uploading it to the Bank's website.

The board of directors is responsible for reviewing and approving the Bank's strategic plan, setting the budget, and comparing targets with actual results and setting business priorities. The board of directors also monitors the implementation of such strategies. It also sets and approves the policies covering the Bank's various activities.

The board of directors is responsible for monitoring the Bank's vulnerabilities to ensure having the proper structures for managing risks and internal controls in place; reviewing the adequacy and availability of systems in light of the laws and regulations applicable to the Bank; ensuring there are written policies in place covering the Bank's various activities and that they are annually reviewed for enhancement and improvements. The board of directors, in cooperation with the executive management, reviews the policies and regulatory controls on a regular basis, including internal control and supervisory functions, in order to identify and tackle weaknesses and risks areas for improvements; ensuring that control and supervision functions are performed satisfactorily, have the required functional support and that they perform effectively and independently.

BOARD MEMBERS TRAINING DURING 2021

Warba Bank takes the utmost care in training programs for members of the board of directors, as these programs are pivotal in developing leadership skills. The Bank arranged during 2021 a training program on corporate governance, anti-money laundering and terrorist financing and cybersecurity awareness, in cooperation with a specialized advisory training agency. In addition, the Bank arranged for the Sharia Training Program, provided by the chairman of the Sharia Supervisory Board concerning investment rules and regulations.

BOARD MEMBERS FOR THE FOURTH SESSION (2019 – 2021)

At the Ordinary General Assembly meeting held on 20 March 2019 for the fiscal year that ended 31 December 2018, the Bank's board of directors was elected, composing of 10 members for the fourth session (2019-2021). The number of the Board of Directors members has increased to 11 members as of March 30, 2021, which is the date of the Ordinary General Assembly for the fiscal year ending on December 31, 2020, during which the appointment of Mr. Bader Abdullah Al-Sumait was approved as an independent complementary member of the board of directors for the remainder period of its current session (2019-2021).

BRIEFS ON THE BOARD MEMBERS

1. Mr. Abdulwahab Abdullah Al Houti – Chairman (Elected)

Al Houti holds a bachelor's degree in Business Administration from Kuwait University in 1976 and a Master of Business Administration from Newhaven University – USA in 1979. He has been a board member in Warba Bank since 2013 and was elected to be the board chairman in March 2016 to date. He is also the advisor of the chairman of the International Islamic Charity Organization "volunteer" since 2009. He commenced his career as a faculty member and head of Business Administration Department at the Commercial Institute from 1979 to 1983, and later held the position of department director and assistant undersecretary in the Ministry of Awqaf and Islamic Affairs from 1983 to 1994. Al Houti became the deputy secretary-general of Waqfi Channels at the General Secretariat of Awqaf from 1994 until 2004. He has been a board member in several companies and banks, most notably Boubyan Bank, Faisal Islamic Bank, Bangladesh Islamic Bank, Capinvest Bank, Real Estate Asset Management Company (REAM) and Educational Services Company.

2. Mr. Hamad MUSAED Al Sayer – Vice Chairman (Elected)

Al Sayer holds a bachelor's degree in Finance from Seattle University in the United States of America in 1997 and an MBA from Maastricht University of Business Administration in 2006. He has been the vice chairman of Warba Bank from March 2019 to date. He currently occupies the position of CEO of One Franchising Holding Company since July 2021, he served also as the CEO of Al Sayer Franchising General Trading and Contracting Company W.L.L from 2003 until June 2021. He started his career in the corporate finance sector at National Bank of Kuwait from 1998 to 2003. He has been a chairman and a member of the board of directors in several local and regional companies and financial institutions including but not limited to Al Dhow Investment Company, United Securities Brokerage Company in Egypt, Al Roeya Securities Company in the Sultanate of Oman and FIMBank in Malta.

3. Mr. Bader Khalid Al Shalfan – Board Member (Elected)

Al Shalfan holds a bachelor's degree in Business Administration from Kuwait University in 2000. He has been a member of Warba Bank's board of directors from March 2019 to date. He joined the Ministry of Finance in 2001 as an officer and researcher in the Procurement Systems Department. Later on, he founded Health Company with a group of partners where he has worked as the general manager for over ten years. He then founded in 2013 Bond International Real Estate Company with a group of partners where he continues to serve as the general manager of the company providing advisory services and studies in the investment and real estate domestic and international market.

4. Mr. Bader Abdullah Al Sumait – Board Member (Independent-Elected)

Al Sumait holds a bachelor's degree in Business Administration from Chapman College from the United States of America in 1980. He joined Warba Bank's board of directors as an independent member on March 30th, 2021. He started his career in 1981 in the Arab Financial Advisors Company where he progressed in positions until he held the position of general manager from 1984 until 1997. He then moved to Global Investment House Company as deputy CEO for local and Gulf investment management from 1998 until 2009 and then became the company's CEO from 2009 to 2017. Al Sumait is currently the chairman of the board of directors of First Financial Brokerage Company, he has also participated in chairing and membership of the board for a number of local and regional companies and banks, most notably Kuwait Investment Company, Al Manar Finance Company, Global Investment House Company, Bank of Bahrain and Kuwait, Bank of Kuwait and the Middle East and Bank Muscat – Bahrain.

5. Mr. Abdulaziz Abdullah Al Jaber – Board Member (Elected)

Al Jaber holds a bachelor's degree of Science in Electrical Engineering from Washington University in the United States of America in 1979. He has been a member of Warba Bank's board of directors since March 2016 to date. He was appointed as a member of Kuwait Petroleum Corporation's board of directors by an Amiri Decree issued in August 2019. He began his career in Kuwait Oil Company from 1979 to 2004 where he held several positions until he became the executive assistant of the managing director for Administrative Affairs. He then moved to Kuwait Petroleum Corporation occupying the executive assistant for Privatization Affairs position from 2004 to 2005. He began a new career in 2005 at Kuwait Finance House as the assistant general manager of the Support Services Sector, then as the general manager of Human Resources and General Services Sector, and later as a consultant until 2014. Al-Jaber has been a member of the board of directors in several companies, most notably Petrochemical Industries Company, Gulf Oil Company and Human Investment Corporation.

6. Mr. Mohamed Hamed Al Shalfan – Board Member (Elected)

Al Shalfan holds a bachelor's degree in Civil Engineering from Colorado University in 2002 and an MBA from DePaul University in the United States of America in 2008. He has been a member of Warba Bank's board of directors from March 2019 to date. He started his career at Kuwaiti Manager Holding Company from 2003 to 2017 in the position of deputy general manager for Operations in 2010, then as the company's general manager in 2013. In 2017, he became the executive partner of Sama Project Management Company. He currently occupies the position of the board member and CEO of Al-Masaken International Real Estate Development Company since May 2019; he is also the chairman of the board of directors of INOVEST Company and a board member of Al-Masaken United Real Estate Company. He has been a member of the board of directors at several local and regional companies, most notably Kuwaiti Manager Holding Company, Kuwaiti Manager for Real Estate Management Projects Company, Kuwaiti Manager Ready Mix for Concrete Production, Kuwaiti Manager Bahrain, Kuwaiti Manager Oman, Khaleeji Manager Saudi Arabia and Baitak Real Estate Company in Saudi Arabia.

7. Mr. Mohamed Riyad Al Mutawa – Board Member (Elected)

Al Mutawa holds a bachelor's degree in Finance from Kuwait University in 2001. He has been a member of Warba Bank's board of directors since March 2016 to date. Al Mutawa started his career at the Kuwait Investment Authority KIA where he currently holds the position of senior investment manager. He has participated in the membership of the boards of directors of several companies, most notably the Pakistan-Kuwait Investment Company, the Arabian Sea Company Limited, Farah Al-Maghrib Real Estate Company and the National Offset Company, in addition to his participation in many training programs and seminars in various fields.

8. Mr. Mohammad Abdulredha Saleem – Board Member (Elected)

Saleem holds a bachelor's degree of Business Administration in Finance from Kuwait University in 1985. He has been a member of Warba Bank's board of directors since March 2016 to date. He gained his professional experience due to his service of more than 30 years at Kuwait Investment Authority KIA where he held various positions until he became the Treasury Department manager from 2006 to date. He currently holds the position of vice chairman in the Arab Banking Corporation. He has been a chairman & a member of the board of directors in several companies such as Generations Fund Holding Company, Kuwait Investment Company, the Egyptian Kuwaiti Real Estate Development Company, Gulf Custody Company, Kuwait Real Estate Holding Company and Kuwait Flour Mill & Bakeries Company. Saleem also participated in many theoretical and practical courses at leading banks and global financial institutions in areas of portfolios management, investment, and capital markets.

9. Mr. Musaab Omar Al Fulaij – Board Member (Elected)

Al Fulaij holds a bachelor's degree of Business Administration in Finance from Saint Louis University USA in 1997. He has been a member of the board of directors at Warba Bank since September 2017 to date. He started his career in EQUATE Petrochemical Company from 1997 to 2001. He later moved to Kuwait Investment Authority in 2001 until today, serving as senior investment manager. He participated as a member in the board of directors of several companies and committees such as the International Civil Company in France, and the Advisory Committee of the Agricultural Portfolio at Kuwait Industrial Bank. Al-Fulaij is a member of the advisory committee for the industrial financing portfolio of the Industrial Bank of Kuwait in accordance with the provisions of Islamic Sharia law since 2010 as a representative of the Kuwait Investment Authority. In addition, he has participated in many courses, training programs and seminars in various fields.

10. Mr. Hisham Abdulrazzaq Al Razzuqi – Board Member (Independent-Elected)

Al Razzuqi holds a bachelor's degree in Public Administration from the American University of Beirut in 1973, as well as an Advanced Management Program from Harvard University in 1988. He has been a board member in Warba Bank since August 2013 to date. He commenced his career in Kuwait Foreign Trading & Contracting & Investment Company from 1974 to 1984 where he held several positions, the last of which was the deputy general manager. He then joined Gulf Investment Corporation owned by the governments of Gulf Cooperation Council countries as deputy CEO from 1984 to 1995 where he was promoted to general manager from 1995 to 2001, and then became the CEO from 2001 to 2012. He is now a board member at the Arab African Bank in Egypt. He is also the chairman of the Advisory Board of The Conference Board for Economics and Business Research - Gulf Centre and a Global Advisor to The Conference Board (New York). He served as a board member and chairman in more than 20 local and regional companies, banks, and financial institutions, notably Bahrain Steel Company (Foulath), Gulf International Bank in Bahrain, Arab Insurance Group (ARIG) Bahrain, National Industrialization Company and Al Zamil Industrial Investment in KSA, Burgan Bank, Kuwait Investment Company, Tawasul Telecom Company, Kuwait Reinsurance Company and Global Investment House.

11. Mr. Yousef Ibrahim Al Ghanim – Board Member (Elected)

Al Ghanim holds a bachelor's degree in Accounting from Business Administration College at Kuwait University in 2006 and the General Manager Program from the University of Chicago in 2017. He has been a member of Warba Bank's board of directors from March 2019 to date. He began his career at the Real Estate Investment Department of the Real Estate Activities Company from 2003 to 2007. He moved to First Abu Dhabi Bank – Kuwait's Branch from 2007 to 2010. He then held the position of Chief Investment Officer at Alam Al-Mesila General Trading Company from 2010 to 2014. Al-Ghanim later joined Al-Aman Investment Company from 2014 until its merge with The Securities House Company where he held several key positions, most recently as the deputy CEO. He has been a member of the board of directors for several financial and banking institutions such as Al-Aman Investment, Gulf Commercial Bank in Bahrain, GFH Capital Limited in Dubai and GFH Financial Group in Bahrain.

BOARD COMMITTEES – MEMBERSHIP AND DUTIES

The board of directors has established six board-level committees and assigned them with the responsibilities to act on its behalf on specific matters. The respective committees are established in line with corporate governance principles at banks and the applicable regulatory requirements.



BOARD CREDIT & INVESTMENT COMMITTEE (BCIC)

The committee reviews, evaluates, develops and recommends all issues related to financing and investment proposals, fees and commissions, financing portfolio performance and investments for the board’s approval, as well as the legal actions taken for non-performing financing. The committee has specific delegated approval authority for credit financing and investment decisions. The committee is composed of the following members:

Mr. Mohammad A. Saleem	Chairman
Mr. Yousef Ibrahim Al Ghanim	Vice Chairman
Mr. Bader Khalid Al Shalfan	Member
Mr. Abdulaziz A. Al Jaber	Member

BOARD AUDIT COMMITTEE (BAC)

The committee reviews the scope, effect, and extent of adequacy of the internal and external audit at the Bank, as well as key accounting issues of material impacts on the Bank’s financial information and internal controls. It ensures sufficiency of the resources designated for control functions. It reviews the Bank’s financial statements before submission to the board of directors, ensuring the adequacy of the necessary provisions.

BAC evaluates the performance of the chief internal auditor and his remunerations and considers the recommendation of the executive management regarding the appointment and termination of external auditors and determining their fees. The committee is composed of the following members:

Mr. Bader A. Al Sumait	Chairman
Mr. MUSAAB OMAR AL FULAIJ	Vice Chairman
Mr. Mohamed Hamed Al Shalfan	Member
Mr. Mohamed Riyadh Al Mutawa	Member

BOARD GOVERNANCE COMMITTEE (BGC)

The committee assists the board of directors to fulfill the governance responsibilities, prepares and updates the Bank’s corporate governance manual and ensures compliance of the Bank’s related parties with implementing governance requirements and rules. The committee submits reports to the board of directors on these issues and reviews the contents to be published in the annual report in respect of corporate governance. The committee is composed of the following members:

Mr. Abdulwahab A. Al Houti	Chairman
Mr. Hamad Musaed Al Sayer	Vice Chairman
Mr. Bader A. Al Sumait	Member

BOARD RISK COMMITTEE (BRC)

The committee assists the board of directors to perform its duties and responsibilities in respect of strategies, risk appetite and risks associated with financing and investment activities. The committee is also responsible for highlighting and developing the Bank's risk strategy, risk appetite and other risk related measures such as reviewing the reports of the Risk Management Group, reviewing the Bank's risk and control policies, and recommending their approval by the board of directors. The committee is composed of the following members:

- | | |
|--------------------------------|---------------|
| • Mr. Hisham A. Al Razuqi | Chairman |
| • Mr. Mohamed Riyad Al Mutawa | Vice Chairman |
| • Mr. Mohamed Hamed Al Shalfan | Member |
| • Mr. MUSAAB OMAR AL FULAIJ | Member |

BOARD NOMINATIONS & REMUNERATIONS COMMITTEE (BNRC)

The committee assists the board of directors in determining the eligibility of the nominees to the board membership, the nominees for the positions of CEO and CEO's deputies and assistants. It also ensures the efficiency and application of the nomination policy and its consistency with the Bank's objectives, along with ensuring the efficiency and integrity of compensation and rewards policies and practices in the Bank. The committee is composed of the following members:

- | | |
|-----------------------------------|---------------|
| • Mr. Hisham A. Al Razuqi | Chairman |
| • Mr. Hamad MUSAED AL SAYER | Vice Chairman |
| • Mr. Bader Khalid Al Shalfan | Member |
| • Mr. Abdulaziz Abdullah Al Jaber | Member |
| • Mr. MUSAAB OMAR AL FULAIJ | Member |

STRATEGY STEERING COMMITTEE (SSC)

The committee assists the board of directors in undertaking its supervisory role for developing and implementing the Bank's strategic plan and its associated risks. The committee monitors the strategy implementation to ensure compliance thereof in due time. The committee is composed of the following members:

- | | |
|---------------------------------|---------------|
| • Mr. Abdulwahab A. Al Houti | Chairman |
| • Mr. Hamad MUSAED AL SAYER | Vice Chairman |
| • Mr. Mohamed Hamed Al Shalfan | Member |
| • Mr. Mohammad A. Saleem | Member |
| • Mr. Hisham A. Al Razuqi | Member |
| • Mr. Youssef Ibrahim Al Ghanim | Member |

ATTENDANCE AT MEETINGS OF THE BOARD AND THE COMMITTEES OF THE BOARD FOR THE PERIOD FROM 1st JANUARY 2021 TO 31st DECEMBER 2021

Member	Title	BoD	BCIC	BAC	BRC	BGC	BNRC	BSSC
1. Abdulwahab A. Al Houti	Chairman	13				6		4
2. Hamad M. Al Sayer	Vice Chairman	15				6	12	5
3. Bader K. Al Shalfan	Member	16	28				12	
4. Bader A. Al Sumait	Independent Member	12		10		4		
5. Abdulaziz A. Al Jaber	Member	12	22				8	
6. Mohamed H. Al Shalfan	Member	16		12	10			5
7. Mohamed R. Al Mutawa	Member	16		12	10			
8. Mohammad A. Saleem	Member	16	21	2		2		5
9. Musaab Omar Al Fulajj	Member	16		12	6		12	
10. Hisham A. Al Razuqi	Independent Member	14	7		10		6	3
11. Yousef Ibrahim Al Ghanim	Member	16	28		3			5
Total number of board & committee meetings in 2021		16	28	12	10	6	12	5

The following points demonstrate the changes that occurred in the number and prescription of members of the board of directors as well as the distribution of the memberships to its affiliated committees during 2021:

The Extraordinary General Assembly has agreed during its session on the 30th of December 2020 to amend article No. (17) of the Bank's articles of association to be the board of directors consists of (11) members. The Ordinary General Assembly has agreed during its meeting on the 30th of December 2020 to designate Mr. Hisham Abdulrazzaq Al Razuqi as an independent member to the board.

The Ordinary General Assembly has agreed during its session on March 30th, 2021 with regards to the financial year that expires on the 31st of December 2020, to designate Mr. Bader Abdullah Al Sumait as an independent complementary member in the board of directors for its remaining cycle (2019-2021) making the number of members to be (11), noting that since joining the board of directors Mr. Bader Al Sumait has attended all the board meetings that were held until the end of the year 2021.

During its meeting on April 12, 2021, the board of directors approved the nomination of Mr. Bader Abdullah Al Sumait as chairman of the Audit Committee and a member of the Governance Committee, and the abdication of Mr. Mohammad Abdulredha Saleem from his position as the chairman of the Audit Committee and his membership in the Governance Committee, noting that since joining the Audit Committee and the Governance Committee Mr. Bader Al Sumait has attended all the meetings of the two committees that were held until the end of the year 2021.

During its meeting on April 12th, 2021, the board of directors approved the nomination of Mr. Hisham Abdulrazzaq Al Razuqi as chairman of the Risk Committee and chairman of the Nominations and Remuneration Committee, thereby increasing the number of members of the Nominations and Remuneration Committee to be (5) members, noting that since joining the Nomination and Remuneration Committee Mr. Hisham Al Razuqi has attended all the committee meetings that were held until the end of the year 2021 except (1) meeting.

During its meeting on April 15th, 2021, the board of directors approved the nomination of Mr. Mohammad Abdulredha Saleem as chairman of the Credit and Investment Committee and the abdication of Mr. Hisham Abdulrazzaq Al Razuqi from his membership in the committee, noting that since joining the Credit & Investment Committee Mr. Mohammad Saleem has attended all the committee meetings that were held until the end of the year 2021.

During its meeting on April 15th, 2021, the board of directors approved the abdication of Mr. Yousef Ibrahim Al Ghanim from his membership in the Risk Committee making the number of members of the Risk Committee to be (3) members. The board of directors agreed during its meeting on May 27, 2021, to increase the number of members in the Risk Committee to (4) members and to designate Mr. Musaab Omar Al Fulajj as a member of the committee, noting that since joining the Risk Committee Mr. Musaab Al Fulajj has attended all the committee meetings that were held until the end of the year 2021.

MANAGEMENT COMMITTEES – DUTIES AND RESPONSIBILITIES

The board of directors has approved the formation of certain executive level committees for performing ad-hoc tasks and responsibilities in order to assist the chief executive officer (CEO) in the efficient and effective administration of the Bank. Most of the committees are chaired by Mr. Shaheen Hamad Al Ghanem, CEO of the Bank.



EXECUTIVE CREDIT & INVESTMENT COMMITTEE (“ECIC”)

ECIC is authorized to consider all credit financing and investment proposals. The committee approves such proposals or refers them to the Credit & Investment Committee as per delegated authority. The ECIC is responsible for monitoring and reviewing the Bank’s financing and investment portfolio and taking the appropriate measures to ensure sound performance of the Bank’s financing and investment assets.

ASSETS AND LIABILITY MANAGEMENT COMMITTEE (“ALCO”)

ALCO is responsible for all matters related to managing and controlling the balance sheet including all aspects of assets and liabilities, assets allocation, liabilities structure, liquidity requirements and all other matters in respect of capital adequacy and managing market risks and liquidity risks to which the Bank is exposed. The committee is responsible for supervising all aspects of optimal balance of assets and liabilities on the short, medium and long term to ensure business growth and profitability while maintaining compliance with the regulatory and financial requirements.

PROVISIONING COMMITTEE

The provisioning committee is responsible for analyzing and evaluating all outstanding exposures under approved financing facilities and investments, for the purpose of determining whether or not an exposure is impaired or has any signs of irregularity, warranting that provisions are built in accordance with the internationally accepted financial reporting standards and Central Bank of Kuwait regulatory requirements. In addition, the committee is delegated to review debt write-offs and provide relevant recommendations to the board audit committee (“BAC”) and board of directors.

MANAGEMENT COMMITTEE (“ManCom”)

The committee is responsible for developing and implementing the Bank’s vision and strategy. It convenes regularly to ensure information flow and consensus views to the executive management in respect of decisions affecting the Bank’s overall organization and position. The committee’s scope of work includes, but is not limited to, matters pertaining to the Bank’s business plans, policies, processes and procedures, new products and services programs, special projects, human resources and information technology. It also tackles and decides on all other issues which do not fall within the remit of any specific committee.

PROCUREMENT COMMITTEE

The procurement committee was established to ensure that the procurement process of all goods, services, contracts, and works necessary for Bank's business are undertaken properly according to a transparent, effective, and timely approach, taking into account best practices in the field of procurement. The main role of the committee is to oversee the Bank's needs for procuring products and services that fit their objectives. The committee ensures that procurement is carried out in proper time, at the right place and against the appropriate cost in such a manner that balances the overall corporate requirements of consumption rationalization, transparency and accountability. It also ensures that the procurement activity is performed in accordance with the highest ethical standards of fair and equitable treatment with suppliers and vendors who provide the Bank with services and goods.

Retail Credit Exceptions Committee ("RCEC")

The retail credit exceptions committee ("RCEC") has been formed for reviewing all personal finance transactions that require thoughtful and deeper study, giving opinion about the viability of granting exceptions and taking decisions for approval/disapproval, depending on specific credit grounds and rationale in the best interest of the Bank's long-term business objectives under acceptable risk tolerance parameters.

Executive AML/CFT Committee ("EAML/CFTC")

Warba Bank, in implementation of CBK instructions dated 28th August 2019, has established a committee for reporting suspicious transactions. The committee's role is to take the final decision on suspicious cases that the Bank should report to the Kuwaiti Financial Intelligence Unit. The committee is composed of four members headed by the AML/CFT officer and membership of the regulatory division, the legal department and the Retail Banking Group. The committee prepares a quarterly report of all suspicious transactions, agreed by the committee, for submission to Kuwait Financial Intelligence Unit and to the board risk committee and board of directors.

Investment Products Committee ("IPC")

The Investment Products Committee ("IPC") is responsible for the introduction, roll out and management of investment products, offerings, and services, licensed by the Capital Markets Authority, to the Bank's existing and prospective clients and ensuring that they are carried out in accordance with the strategy for asset management approved by the board of directors.

Operational Risk Committee ("ORC")

Operational Risk Committee ("ORC") is a management level committee that has been formed for the purpose of managing risks other than market, liquidity, and credit risk. The committee convenes at least once per quarter to assess and monitor the overall control environment of the Bank and recommend or approve actions to mitigate risks whose impact (should it materialize) is over the Bank's risk appetite. The risks managed by ORC include, but are not limited to, operational risks, information security risks, IT risks, AML risks, legal risks, regulatory compliance risks and sharia risk. It also reviews and monitors the Bank's business continuity plans and ensures that a managed process is followed to develop, maintain, and test business continuity plans.

The Executive Management

	Name	Title	Experience in years	Nationality	Education
1	Shaheen Hamad Al Ghanem	Chief Executive Officer	33	Kuwait	Master
2	Anwar Bader Al Ghaith	Deputy Chief Executive Officer Support Services & Treasury	24	Kuwait	Bachelor
3	Ahmed Fouad Sadek	Acting Chief Financial Officer	20	Egypt	Bachelor
4	Dharar Al Dakheel	Chief Risk Officer	24	Kuwait	Master
5	Erdaw Beyene Aluma	Acting Chief Internal Auditor	35	Ethiopia	Master
6	Simon Larby Clements	Chief Operations Officer	46	British	Bachelor
7	Wael Elsaid Shawareb	Acting Chief Technology Officer	20	Egypt	Bachelor
8	Mohamed Iqbal	Chief Treasury Officer	33	Malaysia	Bachelor
9	Mohamed Atif El Shareef	Chief Digital Officer	22	Palestine	Master
10	Musaed M. Al Mazyad	Acting Chief Retail Banking Officer	20	Kuwait	Bachelor
11	Thuwaini K. Al Thuwaini	Chief Investment Banking Officer	16	Kuwait	Bachelor
12	Faisal A. Al Nassar	Chief Corporate Banking Officer	22	Kuwait	Bachelor
13	Maali Abdullah Al Rasheed	Chief Human Resources & General Services Officer	20	Kuwait	Master
14	Hamad Fouzan Al Fouzan	Acting Chief Strategic Planning Officer	16	Kuwait	Master

BRIEF ON THE EXECUTIVE MANAGEMENT

1. Shaheen Hamad Al Ghanem – Chief Executive Officer “CEO”

Al Ghanem holds a master’s degree in Business Administration from Maastricht University and a bachelor’s degree in Accounting from Kuwait University. He has broad and long experience of more than 33 years in banking and investment. He began his career in the oil sector from 1988 to 1999, then moved to the financial and investment sector where he served as Assistant Chief Financial Officer in the International Investor Company in 1999. He moved to Kuwait Finance House in 2001 where he held several positions in various departments, the last of which was General Manager of the International Banking Department in 2012 and Acting Chief Investment Officer in 2013. Al Ghanem joined Warba Bank in March 2014 as Deputy CEO for Investment and Treasury then has assumed the position of Chief Executive Officer since 2016 to date.

2. Anwar Bader Al Ghaith – Deputy Chief Executive Officer Support Services & Treasury “DCEO”

Al Ghaith holds a bachelor’s degree in Accounting from Kuwait University and has more than 24 years of experience in the government & private financial sectors. His career started in 1997 as a tax inspector at the Ministry of Finance. After serving for 3 years, he joined Kuwait Finance House in 2001 and has gradually been promoted to the Head of Local Real Estate Operations and then, in 2005, to the Operations Department Manager, finally becoming Chief Operating Officer in 2011 until 2014 being responsible on the banking operations, information technology and human resources. In 2014, he was appointed as the Acting Chief Executive Officer. In 2015, Mr. Al Ghaith joined Gulf Investment Corporation as the Head of the Operations Division. Afterwards, he joined Central Bank of Kuwait in 2016 and held many positions such as the Executive Director for Organization & Administration and the Executive Director for Information Technology & Banking Operations as well as the Acting Department Head for Foreign Operations Department. Mr. Al Ghaith joined Warba in October 2020 and currently he is holding the position of Deputy Chief Executive Officer for Support Services & Treasury. Mr. Al Ghaith has successfully completed many training and leadership programs such as the leadership development program from Harvard Business School in 2007. In addition, he has many professional certifications such as certified Islamic Banker from the Accounting & Auditing Organization for Islamic Institutions (AAOIFI) in 2012 and he is a certified & licensed External Auditor from the Ministry of Commerce in the State of Kuwait.

3. Ahmad Fouad Sadek – Acting Chief Financial Officer “ACFO”

Sadek obtained a bachelor's degree in Accounting from Cairo University. In addition, he's holding a professional designation as he is a Chartered Financial Analyst (CFA) and a Certified Management Accountant (CMA). Sadek has over 20 years of experience in financial management & reporting, he started his career with one of the big five audit firms. Prior to joining Warba, he held an executive management role in an investment company in Kuwait. He joined Warba since early years of incorporation in 2012 and has contributed to setting the Bank infrastructure and organization. Currently, he holds the position of Acting Chief Financial Officer and is responsible for the strategic planning of the financial control group activities for the Bank to support the Bank's strategy and to ensure the development and implementation of financial guidelines, controls and reporting procedures to support management in the achievement of profitable business plans.

4. Dharar Al Dakheel – Chief Risk Officer “CRO”

Al Dakheel holds a master's degree in Business Administration from the American University of Middle East and a bachelor's degree in the College of Economic and Political Sciences, including a minor in management. Al Dakheel holds many certificates and some of them are International Certified CFA level 1, Passed Licensed International Financial Analyst examinations (LIFA), a “CCM” certificate in credit management and has obtained a risk management certificate in the banking program. Dharar has more than 24 years of working experience. Al Dakheel started his career in the Ministry of Interior in 1996 and joined Burgan Bank in the year of 2000, where he held several different positions, such as Correspondent Banking Group Relationship Officer, International Banking Group Relationship Manager, Corporate Banking Group. In 2005, he worked at Boubyan Bank as Treasury Manager in the Correspondent Banking and Financial Institutions Department for three years. In 2007, Al Dakheel worked as a Manager in Treasury and Financial Planning in Investment Companies, and in 2008 he returned to Boubyan Bank as Senior Manager for Debt Restructuring in the Corporate Banking Group. In 2013, he joined Kuwait Finance House and got promoted to General Manager under Risk Management Group and then he joined Warba Bank in August 2020 as Deputy Chief of Risk Management and he held the position of Acting Chief of Risk Management Group before being appointed as Chief Risk Officer in October 2021.

5. Erdaw Aluma – Acting Chief Internal Auditor “ACIA”

Aluma has over 35 years of broad experience in auditing and governance / risk management, among which more than 29 years of experience in internal auditing and risk management in the banking industry. His experience covered Asia, USA, Europe, Africa and the Middle East region. As a senior internal audit executive, Aluma has developed audit strategies and plans and led the execution of the audit strategies with great success. He worked in the National Bank of Kuwait (NBK) in different internal audit / risk management positions for more than 21 years. Aluma joined Warba Bank in 2015 and served as the Deputy Chief Internal Auditor (since 2017) before his appointment in August 2021 as Acting Chief Internal Auditor. Aluma holds a master's degree in Business Administration (MBA) from Switzerland and obtained a Certified Risk Professional Certificate (CRP). He also holds a bachelor's degree in Mathematics from Addis Ababa University.

6. Simon Larby Clements - Chief Operations Officer “COO”

Clements holds a bachelor's degree in Business Administration from the UK. He has over 46 years of experience in financial services in Europe, Asia and the Middle East region. He has previously held senior executive positions at several leading banks where he headed the operations and technology group. He has also successfully managed the retail business of two mid-sized Kuwaiti banks in recent years. As a senior executive, Clements has developed and implemented strategies at several institutions with significant success. He joined Warba Bank in 2014 as Chief Operations Officer, followed by holding the position of Chief Retail Banking Officer since 2017, and now serves again as the Chief Operations Officer since 2020.

7. Wael Shawareb – Acting Chief Technology Officer “ACTO”

Shawareb holds a bachelor's degree Computer Sciences (2002) from Modern Academy – Egypt. Shawareb has over 20 years of experience in this field. He started his career as a Senior Information Security Engineer from 2002 – 2005 Arab Trust followed by Kuwait Finance House from 2005 – 2012 where he worked as a Deputy Manager – Information Security and Infrastructure Planning. Shawareb joined Warba Bank in 2013 as a Senior Director of Cyber Security and IT Governance and played a significant role in setting up the infrastructure of the Information Technology Group in the Bank. Throughout his career in Warba Bank, Shawareb received two major awards: “Cloud Trailblazer Award” and “DevOps Rockstar” award and has grown his career to become the Deputy Chief Technology Officer before his current position as Acting Chief Technology Officer.

8. Mohamed Iqbal Bin Mohamed Iqbal - Chief Treasury Officer "CTO"

Mohamed Iqbal is Malaysian and holds a B.Sc. in Business Administration (Management Science and Information Systems) from Oklahoma State University, USA. He started his banking career as a Trainee Officer at Maybank Berhad, Malaysia's largest bank, in 1987 and since then has helmed numerous senior management responsibilities in the Malaysian financial industry. His last three appointments before moving to Kuwait in 2016 were as Chief Officer, Kuwait Finance House Malaysia Berhad, 2005 to 2016; General Manager, Treasury, Employees Provident Fund, 2003 to 2005; and Assistant General Manager/Treasurer, AmBank Berhad, 1996 to 2003. Mohamed Iqbal joined Warba Bank in May 2016 and holds the position of Chief Treasury Officer.

9. Mohamed Atif El Shareef – Chief Digital Officer "CDO"

El Shareef holds a bachelor's degree in Electrical and Electronics Engineering from the Middle East Technical University and a master's degree in Information Systems and Technology Management from Barrington – Atlanta University – USA (2005). He has more than 22 years of experience in the banking industry, where he held several positions in National Bank of Kuwait "NBK" such as Executive Manager, Head of Performance Analysis and Reporting Division from 2001 to 2012 and then moved to Boubyan Bank in 2012 where he served as Assistant General Manager - Business Performance and Planning Division till 2015. He then joined Warba Bank as Chief Strategic Planning Officer and currently he holds the position of Chief Digital Officer since 2021.

10. Musaed M. Al Mazyad – Acting Chief Retail Banking Officer "ACRBO"

Al Mazyad holds a bachelor's degree in Political Science from Kuwait University in 2001 and has more than 20 years of experience in the field of retail banking, where he joined Gulf Bank as a teller in 2001 and gradually promoted to be an area manager in 2015. He joined Warba Bank as a Branches Department Manager at the end of 2015, then got promoted to be the Head of Sales & Distribution Channels Division in 2017. After that, he held the position of Deputy Chief Retail Banking Officer in 2019 and now serves as the Acting Chief Retail Banking Officer. He also won many awards and achievements, including the CEO of the distinguished employees' award at Warba Bank in 2016, and attended the Executive Leadership Development Program from the University of Chicago Booth Business School in 2017. He has completed Certified Retail Banker from Moody's in 2021.

11. Thuwaini Khalid Al Thuwaini – Chief Investment Banking Officer "CIBO"

Al Thuwaini holds a bachelor's degree in Economics from the University of Maryland, College Park. He attended many programs for executive leadership development. He has more than 16 years of experience in the banking and investment sector of which 6 years were in Rasameel Structured Finance Company in 2008 where he held several positions, including the Vice President - Head of Deal Structuring and Analytics. In January 2015, Al Thuwaini joined Warba Bank where he currently serves as Chief Investment Banking Officer.

12. Faisal A. Al Nassar – Chief Corporate Banking Officer “CCBO”

Al Nassar holds a bachelor’s degree in Arts & Science in Economics from University of Colorado, USA in 1998 and has more than 22 years of experience in the corporate banking & corporate finance sectors, which started in 1999 when he joined the Bank of Kuwait & the Middle East as Credit Officer then gradually progressed to be an Assistant Manager in 2003. In 2005, he joined Aayan Leasing & Investment Company as a Vice President – Treasury & Corporate Finance then joined Boubyan Bank as a Senior Manager in Corporate Banking Department in 2010. He joined Warba Bank in 2012 as Senior Manager in Corporate Banking Group where he gradually progressed to Chief Corporate Banking Officer since February 2021. He also has a certificate in Credit Management from the Institute of Banking Studies (1999).

13. Maali Abdullah Al Rasheed – Chief Human Resources & General Services Officer “CHRGSO”

Ms. Al Rasheed is an established Human Resources Executive offering over 20 years of experience. She has extensive experience in Human Resources and distinguished background in all HR domains, including but not limited to total rewards, talent & performance management, HR operations, in addition to employee and organizational development. Former to her appointment at Warba Bank, Ms. Al Rasheed was the Head of Human Resources and Development at Burgan Bank Kuwait, where she progressed in multiple managerial and leadership roles since joining back in 2005. Ms. Al Rasheed holds a Master of Business Administration (MBA) from Maastricht School of Management and a bachelor’s degree in General Chemistry, with MIS Minor from Kuwait University. Ms. Al Rasheed has also attended Harvard Business School Executive Education in addition to various development programs, she is a Certified Professional in Human Resources (PHR) from HRCI and SHRM Certified Professional (SHRM-CP) from the Society for Human Resource Management. Ms. Al Rasheed joined Warba Bank in 2021 where she currently holds the position of Chief Human Resources & General Services Officer.

14. Hamad Fouzan Al Fouzan – Acting Chief Strategic Planning Officer “ACSPO”

Al Fouzan has a total of 16 years of experience in Leading IT, Digital Transformation, Innovation, and Strategy Planning & Execution. Mr. Al Fouzan holds a Master of Business Administration from the Imperial College London and a bachelor’s degree in Information Science from the University of Arkansas in USA. In addition, he attended several leadership and strategy programs by Harvard University, Wharton, and Booth. He is also a certified cloud technology practitioner. He started his career in 2005 as a Project Engineer at Zain, then in 2006 Mr. Al Fouzan joined Boubyan Bank where he started as a Systems Engineer in the Core System Divisions and got promoted several times until he became the Executive Manager for IT Systems Management. Afterwards, Hamad has been assigned as Head of Innovation and Partnerships in 2019 until he became the AGM – Head of Innovation and Partnerships in April 2020 and participated in several achievements one of which is his participation in building UK’s Nomo Digital Bank under BLME. Mr. Al Fouzan joined Warba Bank as a Deputy Chief Strategic Planning Officer under the Strategic Planning Group on the 3rd of May 2021, and currently he holds the position of Acting Chief Strategic Planning Officer.

Compensation Policy (Salary & Remuneration)

The Bank's Compensation Policy (salaries and remunerations) is in line with the strategies set by the Board of Directors in accordance with the provisions of the Labor Law in the Private Sector, the Corporate Governance mandates issued by the Central Bank of Kuwait and the recommendations of the Nomination and Remuneration Committee. This policy is in line with the best international practices that encourage and reward employees for their outstanding performance. In addition, compensation is a significant factor in attracting caliber with expertise and efficiency, from various companies and sectors to work for Warba Bank. The Bank is keen to regularly update this policy. Such updates are clearly demonstrated by "indicators" specifically designed to reflect the performance of individual or team activities. They also provide flexibility to cope with labor market variables, requirements, and benchmarks according to organized and standard methodology. The Bank has set financial performance measures for revenue, profits, cash flow, or return on equity-based objectives, and other economic objectives associated with Risk-Adjusted Return on Capital (RAROC). The Bank has also set non-financial or non-economic performance measures that assess compliance with internal controls, teamwork, or other qualitative criteria for evaluating staff non-financial and non-economic contributions. The Bank has paid great attention to updating these measures given the fact that the human capital has much more to offer than financial and economic contributions.

The compensation package (salaries and remunerations) includes several items given to the employees. Such items are divided into the following categories:

- Basic salary paid monthly to the employee and determined according to the job evaluation rating and the Bank's grading system.
- Allowances: amounts paid monthly to employee along with the salary as per employee's nature of work.
- Annual Bonus: Reward given to the employee at the yearend depending on employee's performance assessment and the Bank's performance.
- Incentives: They are schemes set for motivating staff for production increase and performance improvement.
- Other benefits like travel tickets, medical insurance, tuition allowance, end of service benefits as well as the remunerations approved by the Board of Directors in coordination with the Board Nominations and Remunerations Committee and the Board Risk Committee.

The annual compensation package (fixed and variable) is reviewed by the Nominations & Remunerations Committee and approved by the Board of Directors. The Nominations & Remunerations Committee held (12) meetings for the year ended 31/12/2021.

The Bank engages with an external consultant to carry out a comprehensive review of the Bank's compensation policy, schemes and procedures which will ensure that Warba Bank is in compliance with the implementation of the compensation policy and procedures in accordance with CBK instructions concerning Sharia's Governance Rules in Kuwaiti Islamic Banks issued in December 2016 and the Corporate Governance Rules issued in September 2019.

Disclosures of salaries and remunerations as per CBK Corporate Governance Instructions:

First: Board Members' Remunerations

The remunerations paid to the members of the board of directors during 2021 amounted KD 66,000 Thousand.

Second: Compensations to the Bank's Highest Paid Executives:

The total compensations and remunerations paid to the six key executives who received the highest compensation package for 2021 including the CEO, CFO, CRO and CIA amounted KD (2,170,675.49)*. This amount includes basic salaries, allowances, entitlements, and end of service benefits.

* Three employees have been undertaken with doing some of the work of the six key executives during 2021.

Third: Compensations as per Warba's various categories of employees:

Total compensations paid to the executive management for 2021 (CEO and his deputies and / or other senior executives whose appointment is subject to the approval of the regulatory and supervisory bodies, i.e., (20) individuals) amounted KD (3,606,201.23) inclusive of basic salaries, allowances, entitlements, and end of service benefits.

Total compensations paid to the Financial Control and Risk employees, i.e., (17) employees, amounted to KD (1,433,894.34) inclusive of basic salaries, allowances, entitlements, and end of service benefits.

Total compensations paid to the risk takers employees i.e., (26) employees, amounted KD (3,420,522.14) inclusive of basic salaries, allowances, entitlements, and end of service benefits. This category includes the Top Management, Groups and Departments heads, with financial authorities who delegate responsibilities to their staff members but still assume the ultimate responsibility and accountability for the risks taken.

Anti-Money Laundering/ Combating the Financing of Terrorism

As a financial institution, Warba Bank is fully committed to mitigating and controlling threats and risks of money laundering and other financial crimes including the financing of terrorism and therefore complies with all laws and regulations issued by the Central Bank of Kuwait (CBK) on anti-money laundering (AML) and combating the financing of terrorism (CFT). Accordingly, the Bank has amended the relevant policies and procedures in accordance with AML/CFT law No. 106 of 2013, CBK instructions dated 23/7/2013 and any other subsequent regulatory guidelines, if required, as well as the latest instructions dated 14/5/2019 concerning AML/CFT. This approach ensures full compliance with all legislative and regulatory requirements, most importantly, dealing with customers in accordance with risk assessment associated with money laundering and financing of terrorism, and identification of risk factors associated with customers, banking transactions, and country risks.

Additionally, the Bank confirms the adoption of the Know-Your-Customer (KYC) and due diligence principles on risk-based assessment throughout the customer's relationship with the Bank. Further, the Bank seeks to comply with the relevant international guidelines and best practices as per FATF recommendations in this regard. In order to combat money laundering and prevent financial crimes, Warba Bank ensures the effectiveness of its human resources and systems in identifying any unusual or suspicious transactions. Accordingly, Warba's staff members receive quarterly training to be familiarized with the patterns used in AML/CFT transactions issued by the KFIU. Also, staff are given guidance and tools that enable them to handle any such cases. It is noteworthy that Warba has set the required systems to mitigate the risks of money laundering and financing of terrorism. In implementation of CBK instructions dated 28/8/2019, the Bank has set an AML/CFT committee for taking the final decision concerning suspicious transactions and reporting them to KFIU.

Warba Bank also complies with the requirements of the USA Foreign Account Tax Compliance Act (FATCA) and the ministerial decisions issued in this respect. These efforts included amendments to applicable account opening forms, Know Your Customer forms (KYC) and other procedures for new account opening. A leading global audit firm approved by the Ministry of Finance has been engaged to act as the Bank's consultant for verifying the implementation of the law requirements and reviewing the FATCA report for 2020 to technically verify the report accordance and accuracy. The FATCA report has been successfully uploaded before deadline to the Ministry of Finance's website during August 2021.

As for implementing the agreement of the common reporting standards signed by the State of Kuwait on 19/08/2016 and the ministerial resolutions issued in this regard, Warba Bank is committed to implementing this agreement and the required amendments to the procedures, policies and forms that should be filled to prepare the reports required to be uploaded to the Ministry of Finance's website in line with the terms of the agreement. An audit firm, approved by the Ministry of Finance, has been engaged to review the Bank's processes to determine the extent of the Bank's commitment with the requirements of the common reporting standards, thus the Bank's CRS report for 2020 has been prepared and sent to the Ministry of Finance in due time in May 2021, and successfully uploaded to the Ministry of Finance's website in due time.

Compliance

The Regulatory Division undertakes the task of assisting the Bank in achieving its objectives in accordance with the applicable regulations and instructions in the State of Kuwait to protect the Bank from any violations, and financial or non-financial penalties. This is clearly demonstrated in our slogan "We comply to protect our growth". The Regulatory Division is the second line of defense, with duties that cover monitoring compliance with laws, regulatory instructions, and corporate governance rules and systems. The year 2021 witnessed multiple accomplishments for the Regulatory Division in terms of enhancing bank-wide levels of compliance with regulatory instructions and applicable laws, along with updating the Bank's policies and procedures which ensures employees' compliance and supports their implementation. The Division has also raised the level of all Bank staff compliance during 2021, through conducting awareness programs related to regulatory authorities' requirements that cover all the Bank's activities.

Code of Business Conduct and Ethics

Warba Bank's practices and activities are governed by the standards of behavioral ethical conduct that apply to all Warba staff members working for or representing the Bank and serving its interests.

Disclosure and Transparency

In line with the instructions from the Central Bank of Kuwait, Capital Markets Authority and Boursa Kuwait, corporate governance rules and standards stipulate enhancement of accurate and timely disclosure processes on all matters and significant information about the Bank. The Bank has set an ad-hoc Disclosure & Transparency Department under the Regulatory Division, dedicated to the disclosure of the Bank's significant information to Boursa Kuwait and CMA. The Bank's website constitutes a significant part of the disclosure channels, plus the annual reports, financial statements and notes, and information related to the Bank's activities such as the key products and services, and regular press releases published by media.

Adequacy of Internal Controls

Warba Bank's board of directors is responsible for reviewing and approving the effectiveness of the Bank's system of internal control, for the purpose of ensuring effective and efficient operations, quality of internal and external reporting, internal control and compliance with laws and regulations. Senior management is responsible for establishing and maintaining the system of internal control, designed to manage the risk of failure, to achieve the Bank's objectives. The system of internal control can only provide reasonable but not absolute assurance against the risk of gross loss.

The board, through its committees, regularly reviews the effectiveness of the internal control systems as assessed by the various internal control functions. The board also ensures that these functions are properly positioned, staffed, and resourced and are carrying out their responsibilities independently and effectively. The board also reviews the management letters issued by the external financial auditors and reviews the report on accounting and other records and internal control system, issued by the external auditor (other than financial statement external auditors), the external auditor opinion included in the annual report .

The board believes that the internal control systems as of 31st December 2021 are adequate to provide reasonable assurance regarding the achievement of Warba Bank's objectives.

Based on CBK's instructions, the Bank has engaged an independent external auditor in 2021 for conducting an independent review report on the Bank's internal controls for 2020. Due to the outbreak of the coronavirus pandemic (COVID-19) across the world and in Kuwait, the Central Bank of Kuwait has issued instructions postponing the submission of the required report until the end of September 2021, but the Bank had finalized the report and it was presented to the board audit committee and the board of directors in the meeting held on 21/06/2021. The report was submitted to the CBK on 28/06/2021 and indicated that the accounting and other records and internal controls systems, in the areas examined, were established and maintained in accordance with requirements of manual general directives issued by CBK on 15/6/2003 and the memo issued by CBK dated 07/01/2021 in respect of conducting internal control review for 2020. The exceptions mentioned in the ICR report that do not have material effect on the credibility of the presentation of the Bank's financial statements for the year ending 31/12/2020 and the actions taken by the Bank to address the exception mentioned in the report are considered satisfactory. The follow-up report issued by the external auditors for the period ending 31/12/2021 was sent to CBK on 04/01/2022 and concluded that the Bank has resolved all findings in the said report.

External Auditor Report on Internal Control Review



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Auditor's Report

On the accounting records and other records and internal control systems

M/ks. Warba Bank K.S.C.P
State of Kuwait

In accordance with the terms of our engagement letter dated on 18th of April 2021, we have examined your accounting and other records and have also examined and evaluated the internal control systems at Warba Bank that were applied during the year ended 31 December 2020. We covered all major business and operational activities of the bank. These activities include:

- Regulatory Division.
- Customer Complaint Unit.
- Risk Management Group.
- AML, CFT & Tax Compliance Department.
- Internal Audit Group.
- Internal Shari'ah Audit Department.
- Strategy Planning Group
- Legal Department.
- Digital Group.
- Operations Group.
- Human Resources & General Services Group.
- Financial Control Group.
- Information Technology Group.
- Treasury Group.
- Corporate Banking Group.
- Investment Banking Group.
- Retail Banking Group.

The examination was conducted in accordance with the Central Bank of Kuwait's requirements stated in the manual of General Directives concerning ICR issued on 15 June 2003, the Anti Money Laundering and Combating Financing of Terrorism Instructions issued on 14 May 2019, guidelines relating to Corporate Governance in Kuwaiti Bank issued on 20 June 2012 and its amendments dated 10 September 2019, and all other subsequent instructions and circulars issued by CBK as well as the instructions dated 9 February 2017 on maintaining confidential information and the bank's customer information .

As members of the Board of Directors of Warba Bank (K.S.C.P), you are responsible for establishing and maintaining adequate accounting and other records and internal control systems. In fulfilling that responsibility, estimates and judgments must be made to assess the expected benefits and related costs of establishing and managing these control systems. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, 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 and efficient manner.

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

In our opinion, having regard to the nature and size of the Bank's operations, during the year ended 31 December 2020:

- A. The accounting and other records and internal controls systems, in the areas examined by us, were established and maintained in accordance with the requirements of the Manual of General Directives issued by the Central Bank of Kuwait on 15 June 2003, and the memo issued by the Central Bank of Kuwait dated on 7 January 2021 in respect of conducting internal control review for 2020.
- B. The exceptions mentioned in Appendix II attached to this report, that do not have material effect on the credibility of the presentation of the bank's financial statements for the year ending December 31, 2020.
- C. The action taken by the bank to address the exceptions mentioned in the report are considered satisfactory.

Abdulatif M. Al-Aiban (CPA)
(License No. 94-A)
Of Grant Thornton – Al-Qatani, Al-Aiban & Partners

Kuwait
22nd of June 2021

External Sharia Audit Report of Warba Bank (K.S.C.P)- Kuwait

for the Fiscal Year Ended 31 December 2021

To the Esteemed Shareholders

Warba Bank (K.S.C.P)- Kuwait

We have conducted the external Sharia audit over the operations and activities of Warba Bank (K.S.C.P)-Kuwait (the Bank) for the fiscal year ended 31 December 2021, in accordance with the instructions of the Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016, which aim to obtain a reasonable and independent assurance that the Bank's operations and activities are carried out in compliance with Islamic Sharia rules and principles, in accordance with the resolutions and fatwas issued by the Bank's Sharia Supervisory Board (Sharia Supervisory Board).

Opinion

In our Opinion, the contracts, operations, and activities (transactions) concluded and executed by the concerned departments at the Bank during the fiscal year ended 31 December 2021 comply with Islamic Sharia rules and principles according to the resolutions and fatwas issued by the Sharia Supervisory Board.

Basis for Opinion

We have conducted the external Sharia audit based on the following professional instructions and standards:

Instructions of the of the Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016.

External Sharia Audit Standard (No.6) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The International Standard on Assurance Engagements (Standard 3000), Assurance other than Audits or Reviews of Historical Financial Information.

These standards require us to adhere to the ethical requirements, plan and conduct the external Sharia audit to obtain reasonable and independent assurance that the Bank complies with Islamic Sharia rules and principles according to the resolutions and fatwas issued by the Sharia Supervisory Board.

Responsibility of the Management

The Bank's management is responsible for compliance with Islamic Sharia rules and principles in accordance with the resolutions and fatwas issued by the Sharia Supervisory Board in all contracts it concludes and transactions and activities it carries out, and relevant policies and procedures. The Bank's management is also responsible for establishing and maintain an efficient and effective system for internal Sharia control enables it to achieve compliance with Islamic Sharia rules and principles in all its transactions according to the resolutions and fatwas issued by the Sharia Supervisory Board.

Responsibility of the External Sharia Auditor

Our responsibility is to conduct the external Sharia audit in accordance with the instructions of Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016, which aim to obtain a reasonable and independent assurance that the Bank's operations and activities are carried out in compliance with Islamic Sharia rules and principles, in accordance with the resolutions and fatwas issued by the Sharia Supervisory Board.

Summary of External Sharia Audit Work

We have conducted the external Sharia audit work according to the External Sharia Audit Standard (No. 6) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Standard on Assurance Engagements (Standard 3000), Assurance other than Audits or Reviews of Historical Financial Information, and we carried out

the external Sharia audit work according to the followings:

Planning for external Sharia audit based on the potential Sharia risks.

Examine the Bank's internal Sharia control system, not to express opinion on the efficiency and effectiveness of the system, but with the aim to design appropriate external Sharia audit procedures that enable us to obtain a reasonable and independent assurance.

Assessment of the potential Sharia risks based on the Bank's Sharia risks matrix.

Design external Sharia audit programs based on the results of the potential Sharia risks assessment.

Using external Sharia audit programs in examining transactions on products, operations and activities executed by the Bank, on a sample basis.

Gathering the findings of the examinations and audits we conducted, discussing those findings – if any – with the departments responsible for execution such transactions at the Bank.

Issue a draft of the external Sharia audit report and discuss it with the concerned executive departments at the Bank.

Issue of the final external Sharia audit report.

We conducted several field audit visits to the concerned executive departments at the Bank. We conducted a number of 118 field audit visits. The first visit was on 16/08/2021 and the last one was on 10/01/2022.

Our External Sharia Audit included, mainly, the following concerned executive departments:

- Sharia Supervisory Board Secretariat
- Treasury group
- Operations group.
- Branches & Operations
- Risk Management group
- Legal Department
- Review Department
- Internal Sharia Audit Department
- Investment
- Retail finance
- Direct Sales
- Marketing & Strategic Planning
- Regulatory parties' sector
- Quality Service Department
- Credit Administration Department
- Corporate Banking Group
- Banking Cards.
- Financial Control group
- Human Resources group
- Information system Tech. group
- Customer Complaints and Call Center

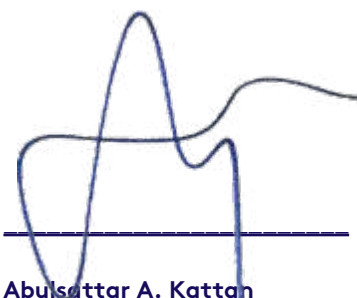
Our External Sharia Audit basically included the following:

1. Conduct discussions with the Bank's management on the Sharia supervisory and control system and the Bank's organizational and administrative structure.

2. Review the documents, systems, policies, and procedures adopted by the Bank to establish the framework for the Bank's internal Sharia control system, which included:

- Review the minutes of the Sharia Supervisory Board meetings.
- Review the manuals of policies and procedures for the internal Sharia control system.
- Review job descriptions for some selected jobs.
- Review the Bank's policies and procedures related to recruitment and employees training procedures.
- Review internal Sharia audit reports.
- Reviewing the Bank's policy related to reporting on Sharia violations - if any - in the executed activities and operations.
- Reviewing the policies and procedures related to correcting Sharia violations if any.

3. Review the resolutions and fatwas issued by the Sharia Supervisory Board during the fiscal year ended 31/12/2021, related to concluded contracts, and products, operations and activities provided by or entered by the Bank and to ensure that they are implemented by concerned departments at the Bank, in accordance with the Sharia Supervisory Board's approvals.
4. Review the manuals of policies and procedures related to the operations, products and activities carried out by the concerned departments at the Bank and reviewing them to ensure that they are approved by the Sharia Supervisory Board.
5. Review the terms, conditions, contracts, and documents related to banking and financing products and operations provided by the Bank and reviewing them to ensure that they are approved by the Sharia Supervisory Board.
6. Review the contracts concluded with external parties by the concerned executive departments at the bank and reviewing them to ensure that they are approved by the Sharia Supervisory Board.
7. Reviewing the Bank's investment activities and operations to ensure that they are approved by the Sharia Supervisory Board.
8. Examining the transactions executed by the concerned executive departments at the Bank - on a sample basis - of the banking and financing products, operations, and contracts of the Bank to ensure that they were carried out according to the Sharia terms of reference established for those transactions, as follows:
 - The forms and contracts approved by the Sharia Supervisory Board.
 - Manuals of policies and procedures that have been approved by the Sharia Supervisory Board.
 - Policies, terms, and conditions that have been approved by the Sharia Supervisory Board.
9. The banking, financing and investment contracts, operations and products that have been examined and reviewed include, for example but are not limited to the following:
 - Banking accounts.
 - Banking cards.
 - Treasury products, operations, and contracts.
 - Corporate finance contracts.
 - Retail financing contracts.
 - Investment funds and portfolios.
 - Contracts concluded with external parties.
10. Reviewing Sharia Supervisory Board's report for the fiscal year ended 31/12/2021.



Abulsattar A. Kattan
Shura Sharia Consultancy



07 Jumada Alakhir 1443 AH
10 January 2022
State of Kuwait

Warba's Elite for Q3 2021

The Doers



The Team Players



The Ambitious



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Public Disclosure Requirements (Basel III)

The qualitative and quantitative public disclosures under this section have been prepared in accordance with the Central Bank of Kuwait (CBK) Rules and Regulations concerning Capital Adequacy Standard (Basel III) for Islamic Banks licensed in the State of Kuwait, vide circular reference 2/RB/RBA/336/2014 dated June 24, 2014, Leverage Ratio Standard circular reference 2/RBA/343/2014 dated October 21, 2014, and Liquidity Coverage Ratio Standard circular reference 2/RBA/346/2014 dated December 23, 2014.

Disclosures related to Capital Adequacy Standards under Basel III are based on calculating the minimum capital required to cover credit and market risks using the Standardized Approach, and the minimum capital required to cover operational risk using the Basic Indicator Approach.

First: Bank Structure

Warba Bank K.S.C.P. (the "Bank") is engaged in providing Islamic banking, finance and investment services that comply with Islamic Sharia to various customer and industry segments.

Second: Capital Structure

The Bank's regulatory capital comprises:

- Equity Tier 1 (CET1) which demonstrates the Bank's underlying strength and includes share capital, reserves, and share premium according to applicable rules and regulations.
- Additional Tier 1 (AT1) which comprises of the Tier 1 Perpetual Sukuk issued by the bank.
- Tier 2 Supplementary Capital which comprises of the allowed portion of general provisions (1.25% of the risk weighted assets). The Bank's capital does not include either structured instruments or complex equity instruments.

As at 31 December 2021, Tier 1 "Core Capital" amounted to KD 423,843 thousand (2020: KD 290,820 thousand), and Tier 2 "Supplementary Capital" amounted to KD 24,308 thousand (2020: KD 21,592 thousand) as detailed below:

Capital Structure	2020 (KD'000)	2021 (KD'000)
Tier (1) Capital		
A Common Equity Tier 1 (CET1)		
1- Directly issued qualifying common share capital plus related stock surplus	197,500	280,375
2- Eligible Minority Interest in Consolidated Subsidiaries	-	-
3- Retained earnings (loss)	10,714	15,927
4- Other reserves	6,243	6,271
5- Proposed dividends	-	-
Total (A) CET1 before deductions	214,457	302,573
Deductions from CET1		
1- Treasury shares	-	-
2- Dividends (Declared but not incurred)	-	-
3- Goodwill	-	-
4- Other deductions	-	-
Total (A) CET1 after deductions	214,457	302,573
B Additional Tier 1 (AT1)	76,363	121,270
Deduction from AT1	-	-
Total (B) AT1 after deductions	76,363	121,270
Total (A+B) Tier 1 after Deductions	290,820	423,843
Tier (2) Supplementary Capital		
1- Capital Eligible as T2	-	-
2- General provisions	21,592	24,308
Total Tier (2) Supplementary Capital before deductions	21,592	24,308
Deduction from Tier (2) Supplementary Capital	-	-
Total Tier (2) Supplementary Capital after deductions	21,592	24,308
Total Available Capital (Tier 1 & Tier 2) before adjustments	312,412	448,151
Other Adjustments	-	-
Total Available Capital (Tier 1 & Tier 2) After adjustments	312,412	448,151

As at 31 December 2021, Profit Equalization Reserve and Investment Risk Reserve amounted to KD Nil (2020: KD Nil).

Common Disclosures Template

The common disclosure template demonstrated below is presented with the objective of disclosing a detailed breakdown of the Bank's regulatory capital in a consistent and clear format, thus enhancing the consistency and comparability of the disclosed elements of capital between banks and across jurisdictions.

Item	2020 (KD'000)	2021 (KD'000)	
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	197,500	280,375
2	Retained earnings	10,714	15,927
3	Accumulated other comprehensive income (and other reserves)	6,243	6,271
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	Proposed dividends	-	-
7	Common Equity Tier 1 capital before regulatory adjustments	214,457	302,573
Common Equity Tier 1 capital: regulatory adjustments			
8	Prudential valuation adjustments	-	-
9	Goodwill (net of related tax liability)	-	-
10	Other intangibles (net of related tax liability)	-	-
11	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
12	Cash-flow hedge reserve	-	-
13	Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	-
14	Taskeek gain on sale (as set out in para 72 of these guidelines)	-	-
15	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
16	Defined-benefit pension fund net assets (para 68)	-	-
17	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-
18	Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	-
19	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)	-	-
20	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)	-	-
21	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	-
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
23	Amount exceeding the 15% threshold	-	-
24	of which: significant investments in the common stock of financials	-	-
25	of which: mortgage servicing rights	-	-
26	of which: deferred tax assets arising from temporary differences	-	-
27	National specific regulatory adjustments	-	-

Item	2020 (KD'000)	2021 (KD'000)
28		
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
29		
Total regulatory adjustments to Common Equity Tier 1	-	-
30		
Common Equity Tier 1 after the regulatory adjustments	214,457	302,573
Additional Tier 1 capital: instruments		
31		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	76,363	121,270
32		
of which: classified as equity under applicable accounting standards	76,363	121,270
33		
of which: classified as liabilities under applicable accounting standards	-	-
34		
Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
35		
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)	-	-
36		
of which: instruments issued by subsidiaries subject to phase-out	-	-
37		
Additional Tier 1 capital before regulatory adjustments	76,363	121,270
Additional Tier 1 capital: regulatory adjustments		
38		
Investments in own Additional Tier 1 instruments	-	-
39		
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
40		
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)	-	-
41		
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
42		
National specific regulatory adjustments	-	-
43		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
44		
Total regulatory adjustments to Additional Tier 1 capital	-	-
45		
Additional Tier 1 capital (AT1)	76,363	121,270
46		
Tier 1 capital (T1 = CET1 + AT1)	290,820	423,843
Tier 2 capital: instruments and provisions		
47		
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
48		
Directly issued capital instruments subject to phase-out from Tier 2	-	-
49		
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)	-	-
50		
of which: instruments issued by subsidiaries subject to phase-out	-	-
51		
General provisions included in Tier 2 capital	21,592	24,308
52		
Tier 2 capital before regulatory adjustments	21,592	24,308
Tier 2 capital: regulatory adjustments		
53		
Investments in own Tier 2 instruments	-	-
54		
Reciprocal cross-holdings in Tier 2 instruments	-	-
55		
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)	-	-

Item	2020 (KD'000)	2021 (KD'000)	
56	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
57	National specific regulatory adjustments	-	-
58	Total regulatory adjustments to Tier 2 capital	-	-
59	Tier 2 capital (T2)	21,592	24,308
60	Total capital (TC = T1 + T2)	312,412	448,151
61	Total risk weighted assets (after applying 50% additional weighting)	1,843,972	2,081,752
Capital ratios and buffers			
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.63%	14.53%
63	Tier 1 (as a percentage of risk weighted assets)	15.77%	20.36%
64	Total capital (as a percentage of risk weighted assets)	16.94%	21.53%
65	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)	7.00%	7.00%
66	of which: capital conservation buffer requirement		
67	of which: bank specific countercyclical buffer requirement	-	-
68	of which: D-SIB buffer requirement	-	-
69	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.80%	6.70%
National minimal			
70	National Common Equity Tier 1 minimum ratio: 7.0%	129,078	145,723
71	National Tier 1 minimum ratio: 8.5%	156,738	176,949
72	National total capital minimum ratio excluding CCY and DSIB: 10.5%	193,617	218,584
Amounts below the thresholds for deduction (before risk weighting)			
73	Non-significant investments in the capital of other financials	-	-
74	Significant investments in the common stock of financials	-	-
75	Mortgage servicing rights (net of related tax liability)	-	-
76	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
77	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	40,697	60,088
78	Cap on inclusion of provisions in Tier 2 under standardized approach	21,592	24,308
79	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
80	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Reconciliation Requirements

The Group has adopted a three-step approach for reconciliation of balance sheet items and the regulatory capital components as detailed in the instructions are as follows:

Step 1 & 2 of the reconciliation requirements:

31 December 2021

Step 1 & 2 of the reconciliation requirements	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	Reference
Assets			
Cash and balances with banks	79,856	79,856	
Placements with banks and CBK	437,043	437,043	
Financing receivables	2,473,516	2,473,516	
of which maximum general provisions (netted above) capped for Tier 2 inclusion	24,308	24,308	a
Financial assets at fair value through profit or loss	128,898	128,898	
Financial assets at fair value through other comprehensive income	263,753	263,753	
Investments in joint ventures	104,891	104,891	
Investment properties	18,715	18,715	
Others assets	55,598	55,598	
Property and equipment	17,942	17,942	
Total Assets	3,580,212	3,580,212	
Liabilities			
Due to banks	512,571	512,571	
Depositors accounts	2,288,918	2,288,918	
Issued Sukuk	302,024	302,024	
Other liabilities	60,900	60,900	
Total Liabilities	3,164,413	3,164,413	
Equity			
Share Capital	200,000	200,000	b
Share Premium	80,375	80,375	c
Statutory Reserve	4,776	4,776	d
Retained Earnings	7,883	7,883	
of which retained earnings eligible for (CET1)	15,927	15,927	e
Fair value reserve	1,608	1,608	f
Forex reserve	(113)	(113)	g
Proposed dividends	-	-	h
Equity attributable to Shareholders of the Bank	294,529	294,529	
Perpetual Tier 1 Sukuk	121,270	121,270	i
Total Equity	415,799	415,799	
Total Liabilities and Equity	3,580,212	3,580,212	

Step 3 of the reconciliation requirements:

No.	Step 3 of Reconciliation requirements	Component of regulatory capital reported by bank (KD'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2
Common Equity Tier 1 capital: instruments and reserves			
1	Share Capital	200,000	B
2	Share Premium	80,375	C
3	Statutory Reserve	4,776	D
4	Retained Earnings	15,927	E
5	Fair value reserve	1,608	F
6	Forex Reserve	(113)	G
7	Proposed dividends	-	H
8	Common Equity Tier 1 capital (CET1)	302,573	
Additional Tier 1 capital: Instruments			
9	Perpetual Tier 1 Sukuk	121,270	I
10	Additional Tier 1 capital	121,270	
11	Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital)	423,843	
Tier 2 Capital : Instruments and provisions			
12	Tier 2 Instruments	-	
13	General provisions included in Tier 2 capital	24,308	A
14	Tier 2 Capital	24,308	
15	Total Capital (Total capital = Tier 1 + Tier 2)	448,151	

Third: Capital Adequacy Ratios

The Bank actively manages its capital with the objective of maintaining adequate levels in order to cover all risks inherent in the business. The capital base is assessed to support the current and future growth of the business and the capital allocation is determined on the basis of financing and investments growth expectations for each business line.

The Bank is currently operating well above the minimum regulatory capital ratios, with ability to cover any eventuality and intervene at an early stage in situation of any stress. The business growth forecast is based on available capital, as allocated for different business lines to ensure that the Bank's internal capital targets are consistent with the approved Risk Appetite of the Bank to maximize shareholders' value on risk-adjusted basis.

**1. Capital Adequacy Ratios are as follows:
2021**

No.	Ratio Description	Total Required Capital (%)	Available Capital (%)
1.	Total Capital Adequacy Ratio	10.50%	21.53%
2.	Tier 1 Capital Adequacy Ratio	8.50%	20.36%
3.	CET1 Capital Adequacy Ratio	7.00%	14.53%

2020

No.	Ratio Description	Total Required Capital (%)	Available Capital (%)
1.	Total Capital Adequacy Ratio	10.50%	16.94%
2.	Tier 1 Capital Adequacy Ratio	8.50%	15.77%
3.	CET1 Capital Adequacy Ratio	7.00%	11.63%

The Bank ensures the fulfillment of Central Bank of Kuwait requirements in relation to capital adequacy.

2. Financial Leverage Ratio:

The below table depicts information regarding the calculation of the Financial Leverage Ratio, as per the applicable CBK regulations:

Item		2020 KD'000	2021 KD'000
No.	On-balance sheet exposures		
1	On-balance sheet items (excluding Sharia compliant hedging contracts, but including collaterals)	3,172,521	3,639,425
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
3	Total on-balance sheet exposures (excluding Sharia compliant hedging contracts) (sum of lines 1 and 2)	3,172,521	3,639,425
	Exposures to Sharia compliant hedging contracts		
4	Replacement cost associated with all Sharia compliant hedging contracts (i.e. net of eligible cash variation margin)	-	454
5	Add-on amounts for potential future exposures "PFE" associated with all Sharia compliant hedging contracts	-	228
6	Gross-up for the collateral of Sharia compliant hedging contracts provided where deducted from the balance sheet assets pursuant to the bank's accounting policy.	-	-
7	(Deductions of receivables assets for cash variation margin provided in with all Sharia compliant hedging contracts)	-	-
8	(Bank's exposures to exempted Central Counter Parties "CCP")	-	-
9	Total exposures of Sharia compliant hedging contracts (sum of lines 4 to 8)	-	682
	Other off-balance sheet exposures		
10	Off-balance sheet exposure (before any adjustment for credit conversion factors)	861,019	578,228
11	(Adjustments for conversion to credit equivalent amounts)	(700,232)	(353,171)
12	Off-balance sheet items (sum of lines 10 and 11)	160,787	225,057
	Capital and total exposures		
13	Tier 1 capital	290,820	423,843
14	Total exposures (sum of lines 3, 9 and 12)	3,675,938	3,865,164
	Leverage ratio		
15	Leverage ratio (Tier 1 Capital (13)/total exposures (14))	7.91%	10.97%

As stated above, the Bank's leverage ratio for the present period is 10.97% compared to 7.91% in the previous year. The increase in the leverage ratio is mainly ascribed to the following:

- The increase in Bank's capital by KD 82,875 thousand as well as the refund amount equivalent to 40% of the existing instrument issued in 2017.

Summary comparison of accounting assets versus leverage ratio exposure measure:

Item	2020 KD'000	2021 KD'000
No. On-balance sheet exposures		
1 Total assets as per published financial statements	3,475,254	3,580,212
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 accounting policy but excluded from the gross leverage ratio exposure measure.	-	-
4 Exposures to Sharia compliant hedging contracts	-	682
5 Off-balance sheet exposures (i.e. equivalent credit amounts)	160,787	225,057
6 Other exposures	33,897	59,213
Total exposures in calculation of leverage ratio (sum of the above items)	3,675,938	3,865,164

Fourth: Risk Weighted Assets

1. Credit risk

The minimum required capital for credit risk exposures as at 31 December 2021 was KD 200,433 thousand (31 December 2020: KD 179,365 thousand) as detailed below:

2021 (KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Cash items	5,930	5,930	-	-
2	Claims on sovereigns	430,402	430,402	75,190	7,895
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	94,593	94,593	7,130	749
5	Claims on multilateral development banks	81,877	81,977	-	-
6	Claims on banks	378,954	378,954	76,378	8,020
7	Claims on corporates	1,778,435	1,566,537	995,527	104,530
8	Regulatory retail exposure	510,257	499,295	309,272	32,474
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	26,500	23,176	8,396	882
11	Goods and commodities positions	70	70	44	5
12	Real estate investments	123,605	123,605	153,441	16,111
13	Investment and financing with customers	133,996	111,462	103,233	10,839
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	300,445	300,445	180,278	18,928
Total		3,865,164	3,616,446	1,908,889	200,433

2020 (KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Cash item	11,873	11,873	-	-
2	Claims on sovereigns	326,431	326,431	37,703	3,959
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	106,521	106,521	8,478	890
5	Claims on multilateral development banks	82,359	82,359	-	-
6	Claims on banks	319,806	319,806	54,684	5,742
7	Claims on corporates	1,880,548	1,595,449	968,437	101,686
8	Regulatory retail exposure	449,363	442,883	261,694	27,478
9	Qualifying residential housing financing facilities	-	-	-	-

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
10	Past due exposures	24,644	24,165	8,578	901
11	Goods and commodities positions	596	596	353	37
12	Real estate investments	138,279	138,279	163,663	17,185
13	Investment and financing with customers	108,906	80,439	70,642	7,417
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	226,612	226,612	134,008	14,070
Total		3,675,938	3,355,413	1,708,240	179,365

The minimum required capital for financing receivable as at 31 December 2021 was KD 151,370 thousand (31 December 2020: KD 136,288 thousand) as detailed below:

2021
(KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Claims on sovereigns	87,668	87,668	40,726	4,276
2	Claims on public sector institutions	92,948	92,948	6,267	658
3	Claims on banks	70,054	70,054	30,135	3,164
4	Claims on corporates	1,611,343	1,464,001	931,944	97,854
5	Regulatory retail exposure	510,076	499,295	317,442	33,331
6	Qualifying residential housing financing facilities	-	-	-	-
7	Past due exposures	26,500	23,181	8,654	909
8	Investment and financing with customers	133,996	111,462	106,458	11,178
Total		2,532,585	2,348,609	1,441,626	151,370

2020
(KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Claims on sovereigns	50,594	50,594	20,045	2,105
2	Claims on public sector institutions	96,353	96,353	2,535	266
3	Claims on banks	32,192	32,192	13,153	1,381
4	Claims on corporates	1,775,130	1,493,154	910,133	95,564
5	Regulatory retail exposure	449,229	442,883	269,704	28,319
6	Qualifying residential housing financing facilities	-	-	-	-
7	Past due exposures	24,644	24,175	8,846	929
8	Investment and financing with customers	108,906	80,439	73,558	7,724
Total		2,537,048	2,219,790	1,297,974	136,288

2. Market Risk

Market Risk-weighted exposure during the financial year 2021 amounted to KD 2,038 thousand (31 December 2020: KD 3,269 thousand), based on the standardized approach. The minimum required capital for market risk exposures amounts to KD 214 thousand (31 December 2020: KD 343 thousand).

3. Operational Risk

Operational Risk-weighted exposures calculated during the year 2021 amounted to KD 170,825 thousand (31 December 2020: KD 132,463 thousand) as per the Basic Indicator Approach. The minimum required capital for operational risk exposures amounts to KD 17,937 thousand (31 December 2020: KD 13,909 thousand).

FIFTH: RISK MANAGEMENT

Risk is inherent in all activities of a Bank and is managed through a process of ongoing identification, measurement, mitigation and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's financial health and continuing profitability. The Bank's business generates exposure to the following broad risk types from its financial transactions, use of financial instruments and its operations:

- Credit risk
- Market risk
- Liquidity Risk
- Operational risk

In addition, there are other risk areas that need to be monitored and controlled. The following presents information about the Bank's exposure to each of the risks, the Bank's objectives, framework of policies, models and quantification techniques, and processes for identifying, measuring, mitigating and managing risks, and the management of Bank's capital.

1. Risk Management Structure

The Board of Directors (the 'Board') has overall responsibility for the establishment and oversight of Bank's Risk Management function. The Board has established a Board Risk Committee (the 'BRC') comprising of members from the Board, to set the framework and monitor the Bank's Risks and Control-related requirements.

For specific types of risk such as credit, market and liquidity risks, the Board has further set up a Board Credit & Investment Committee (the 'BCIC'). At the management-level, the following committees are setup to assist the Board in fulfilling its responsibilities: the Executive Credit & Investment Committee (the 'ECIC'), Assets and Liabilities Management Committee (the 'ALCO'), and the Provisioning Committee.

An independent Risk Management Group (the 'RMG') headed by the Chief Risk Officer (the 'CRO') reports to the BRC, responsible for Enterprise-wide Risks to assist the Board and BRC in carrying out the risk oversight responsibility.

2. Risk Management Framework

The Board Risk Committee (the 'BRC') sets the framework and monitors the Risks and Control functions of the Bank.

The Board has also established a Board Audit Committee (the 'BAC'), as required by Central Bank of Kuwait (the 'CBK'), which amongst other functions, is also required to monitor adherence with the Bank's Risk Management principles, policies and procedures, and for reviewing the adequacy of the Risk Management Framework.

The Executive Credit & Investment Committee (the 'ECIC') is the executive management level decision making body which is empowered to consider all financing and investment proposals for approval within its delegated authorities and/or recommendations to the Board Credit & Investment Committee (the 'BCIC') for final approval.

The Provisioning Committee is responsible for reviewing the entire financing and investment portfolio of the Bank on a periodic basis, to assess against actual delinquency or potential impairment and recommend the required level of provisioning in accordance with the Central Bank of Kuwait (CBK) regulations and financial/accounting standards.

The Assets and Liabilities Management Committee (the 'ALCO') is responsible for all matters related to the Bank's Balance Sheet management including all assets & liabilities, asset allocation, liability structure, funding diversification & cost-effectiveness, asset & liability maturity profile, net return margin, as well as all other issues related to capital adequacy with respect to market and liquidity risk management.

3. Risk Appetite

The Bank's risk appetite defines the maximum limit of risk that the Bank is willing to accept in relevant business categories to achieve an optimal balance of risk and return which will enable the achievement of its strategic objectives and is approved at the Board level. Any risk which is not in line with the Bank's stated risk appetite must be mitigated as a matter of priority to be within acceptable levels. The risk appetite is reviewed and recommended by the BRC to the Board of Directors for approval and periodic updates. This ensures the risk appetite statements are consistent with the Bank's strategy and business environment. Through the risk appetite statements, the Board communicates to management the acceptable level of risk for the Bank, determined in a manner which meets the objectives of shareholders, depositors and regulators. RMG aims to identify early warning signs of potential breaches to risk appetite limits; and is responsible for notifying the executive management of action required to mitigate or avoid such risks. The RMG is also responsible for escalating the matter to the BRC and the Board.

4. Risk Management Systems

In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Bank has a formal Risk Governance Framework, 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 events. The policies also require comprehensive analysis of a set of pre-determined parameters prior to introduction of new products or instruments. The policies have put in place internal limits (nominal as well as risk based) for continuous monitoring and ensuring that risks are maintained within the Bank's Risk Appetite. Periodical reporting of risks to various authorities including the ALCO, ECIC, BCIC and the BRC ensures that the Board and the Executive management are continuously kept aware of positions thereby enabling informed decision-making.

The Risk Management policies are established to identify, quantify, control, mitigate, and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and ensure adherence to the risk appetite limits. Risk Management policies and systems are subject to review regularly, on an ongoing basis, to reflect changes in economic environment, market conditions, products and services offered by the Bank.

5. Categories of Risks

The following are the main risks the Bank is exposed to:

5.1 Credit Risks

Credit risk is the risk of financial loss to the Bank if any counterparty to a financial obligation or instrument fails to or delays in meeting its contractual obligations, and arises principally from the Bank's receivables from Islamic financing activities, Ijara and Investments, etc. For risk management control purposes, the Bank considers and consolidates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk in one measure about riskiness of an exposure, based on models and inter-play of matrices.

Credit Risk Framework

The Bank's Board has approved Financing and Investment Policies for various business groups and investment asset types. The Board has also approved the Executive Credit & Investment Committee (the 'ECIC') Charter which is empowered for initial screening of proposals and approval within its delegated authorities. The Board has also constituted the Board Credit & Investment Committee (the 'BCIC') which by virtue of its Charter is the next level of authority which provides guiding principles and approves the various financing and investment proposals on behalf of the Board of the Bank. Risk Management Group provides independent opinion and assessment of risk for every financing and investment that is proposed and presented to the approving authorities for decision making.

In addition, the Bank endeavors to manage the credit exposure by obtaining security where appropriate and limiting the tenor of exposure or structures that are beneficial to the overall risk profile of the Bank's credit risk exposure.

Net Credit Exposures (Rated or Unrated)

2021
(KD'000)

SN	Description of Credit Risk Exposures	Net Credit Exposure	Rated Exposures	Unrated Exposures
1	Cash item	5,930	-	5,930
2	Claims on sovereigns	430,402	379,730	50,672
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	94,593	5,401	89,192
5	Claims on multilateral development banks	81,977	81,975	2
6	Claims on banks	378,954	357,875	21,079
7	Claims on corporates	1,778,435	30,055	1,748,380
8	Regulatory retail exposure	510,257	-	510,257
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	26,500	-	26,500
11	Goods and commodities positions	70	-	70
12	Real estate investments	123,605	-	123,605
13	Investment and financing with customers	133,996	-	133,996
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	300,445	-	300,445
Total		3,865,164	855,036	3,010,128

2020
(KD'000)

SN	Description of Credit Risk Exposures	Net Credit Exposure	Rated Exposures	Unrated Exposures
1	Cash item	11,873	-	11,873
2	Claims on sovereigns	326,431	309,114	17,317
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	106,521	-	106,521
5	Claims on multilateral development banks	82,359	82,359	-
6	Claims on banks	319,806	267,562	52,244
7	Claims on corporates	1,880,548	33,709	1,846,839
8	Regulatory retail exposure	449,363	-	449,363
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	24,644	-	24,644
11	Goods and commodities positions	596	-	596
12	Real estate investments	138,279	-	138,279
13	Investment and financing with customers	108,906	-	108,906
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	226,612	-	226,612
Total		3,675,938	692,744	2,983,194

Total Credit Risk Exposures (Self-Financed or Financed from Investment Accounts):

2021
(KD'000)

SN	Description of Credit Risk Exposures	Credit Risk Exposures	Self Financed	Financed From Investment Accounts
1	Cash item	5,930	5,930	-
2	Claims on sovereigns	430,402	148,903	281,499
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	94,593	22,832	71,761
5	Claims on multilateral development banks	81,977	19,788	62,189
6	Claims on banks	378,954	109,250	269,704
7	Claims on corporates	1,778,435	482,297	1,296,138
8	Regulatory retail exposure	510,256	123,171	387,085
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	26,500	6,396	20,104
11	Goods and commodities positions	70	17	53
12	Real estate investments	123,605	29,836	93,769
13	Investment and financing with customers	133,996	32,344	101,652
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	300,446	131,675	168,771
Total		3,865,164	1,112,439	2,752,725

2020
(KD'000)

SN	Description of Credit Risk Exposures	Credit Risk Exposures	Self Financed	Financed From Investment Accounts
1	Cash item	11,873	11,873	-
2	Claims on sovereigns	326,431	133,592	192,839
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	106,521	19,554	86,967
5	Claims on multilateral development banks	82,359	15,119	67,240
6	Claims on banks	319,806	70,933	248,873
7	Claims on corporates	1,880,548	397,307	1,483,241
8	Regulatory retail exposure	449,363	82,494	366,869
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	24,644	4,523	20,121
11	Goods and commodities positions	596	109	487
12	Real estate investments	138,279	25,384	112,895
13	Investment and financing with customers	108,906	19,992	88,914
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	226,612	79,617	146,995
Total		3,675,938	860,497	2,815,441

Average exposures (Self-Financed or Financed from Unrestricted Investment Accounts) on a quarterly basis:

2021
(KD'000)

SN	Description of Credit Risk Exposures	Average Credit Risk Exposures	Average Self Financed	Average Financed From Investment Accounts
1	Cash item	9,554	9,554	-
2	Claims on sovereigns	389,223	140,010	249,213
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	101,883	21,803	80,080
5	Claims on multilateral development banks	88,039	18,835	69,204
6	Claims on banks	347,624	88,714	258,910
7	Claims on corporates	1,789,822	436,574	1,353,248
8	Regulatory retail exposure	481,454	103,495	377,959
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	35,505	7,980	27,525
11	Goods and commodities positions	161	34	127
12	Real estate investments	131,289	28,138	103,151
13	Investment and financing with customers	118,237	25,483	92,754
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	282,605	116,417	166,188
Total		3,775,396	997,037	2,778,359

2020
(KD'000)

SN	Description of Credit Risk Exposures	Average Credit Risk Exposures	Average Self Financed	Average Financed From Investment Accounts
1	Cash item	10,586	10,586	-
2	Claims on sovereigns	295,347	89,611	205,736
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	108,050	20,454	87,596
5	Claims on multilateral development banks	84,477	15,998	68,479
6	Claims on banks	349,315	103,389	245,926
7	Claims on corporates	1,832,898	397,798	1,435,100
8	Regulatory retail exposure	418,970	78,963	340,007
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	30,424	5,916	24,508
11	Goods and commodities positions	1,293	261	1,032
12	Real estate investments	125,122	23,663	101,459
13	Investment and financing with customers	112,534	21,316	91,218
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	235,619	101,625	133,994
Total		3,604,635	869,580	2,735,055

Excess Risk Concentrations

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or exposed to similar economic environment that would cause their ability to meet contractual obligations and be similarly impacted by changes in economic, political and/or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting similarly connected counterparties.

Geographical Distributions for Credit Risk Exposure

2021
(KD'000)

SN	Description of Credit Risk Exposures	MENA	North America	Europe	Asia	Others	Total
1	Cash item	5,930	-	-	-	-	5,930
2	Claims on sovereigns	397,076	8,486	13,456	11,384	-	430,402
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	94,593	-	-	-	-	94,593
5	Claims on multilateral development banks	81,977	-	-	-	-	81,977
6	Claims on banks	343,134	6,260	26,824	2,736	-	378,954
7	Claims on corporates	1,726,807	24,109	16,971	10,548	-	1,778,435
8	Regulatory retail exposure	510,257	-	-	-	-	510,257
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	26,500	-	-	-	-	26,500
11	Goods and commodities positions	70	-	-	-	-	70
12	Real estate investments	18,715	100,348	4,542	-	-	123,605
13	Investment and financing with customers	133,996	-	-	-	-	133,996
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	209,167	41,579	11,444	6,866	31,389	300,445
Total		3,548,222	180,782	73,237	31,534	31,389	3,865,164

2020
(KD'000)

SN	Description of Credit Risk Exposures	MENA	North America	Europe	Asia	Others	Total
1	Cash item	11,873	-	-	-	-	11,873
2	Claims on sovereigns	313,738	2,154	9,269	1,270	-	326,431
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	97,341	-	-	9,180	-	106,521
5	Claims on multilateral development banks	82,359	-	-	-	-	82,359
6	Claims on banks	303,712	3,467	9,871	2,756	-	319,806
7	Claims on corporates	1,822,869	30,921	14,237	12,521	-	1,880,548
8	Regulatory retail exposure	449,363	-	-	-	-	449,363
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	24,644	-	-	-	-	24,644
11	Goods and commodities positions	596	-	-	-	-	596
12	Real estate investments	18,886	90,303	29,090	-	-	138,279
13	Investment and financing with customers	104,312	4,594	-	-	-	108,906
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	154,461	35,469	7,234	7,301	22,147	226,612
	Total	3,384,154	166,908	69,701	33,028	22,147	3,675,938

Maturities of total "Credit Risk" exposures

2021
(KD'000)

SN	Description of Credit Risk Exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	5,930	-	-	5,930
2	Claims on sovereigns	301,209	42,549	86,644	430,402
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	72,546	20,402	1,645	94,593
5	Claims on multilateral development banks	-	765	81,212	81,977
6	Claims on banks	350,572	5,961	22,421	378,954
7	Claims on corporates	1,138,811	519,983	119,641	1,778,435
8	Regulatory retail exposure	3,118	8,981	498,158	510,257
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	26,500	-	-	26,500
11	Goods and commodities positions	-	70	-	70
12	Real estate investments	-	-	123,605	123,605
13	Investment and financing with customers	117,527	13,926	2,543	133,996
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	14,215	1,109	285,121	300,445
Total		2,030,428	613,746	1,220,990	3,865,164

2020
(KD'000)

SN	Description of Credit Risk Exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	11,873	-	-	11,873
2	Claims on sovereigns	222,905	25,854	77,672	326,431
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	73,780	22,573	10,168	106,521
5	Claims on multilateral development banks	7,600	1,519	73,240	82,359
6	Claims on banks	298,981	7,594	13,231	319,806
7	Claims on corporates	1,192,578	608,166	79,804	1,880,548
8	Regulatory retail exposure	3,626	7,155	438,582	449,363
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	24,644	-	-	24,644
11	Goods and commodities positions	-	596	-	596
12	Real estate investments	-	-	138,279	138,279
13	Investment and financing with customers	96,567	11,201	1,138	108,906
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	4,728	2,034	219,850	226,612
Total		1,937,282	686,692	1,051,964	3,675,938

Main sectors of total Credit Risk exposures

2021
(KD'000)

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
1	Cash item	-	-	-	-	5,930	5,930
2	Claims on sovereigns	-	1,529	-	342,734	86,139	430,402
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	24,908	-	-	1,645	68,040	94,593
5	Claims on multilateral development banks	-	81,977	-	-	-	81,977
6	Claims on banks	-	378,954	-	-	-	378,954
7	Claims on corporates	503,672	80,474	950,357	-	243,932	1,778,435
8	Regulatory retail exposure	-	-	-	-	510,257	510,257
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	999	-	10,022	-	15,479	26,500
11	Goods and commodities position	70	-	-	-	-	70
12	Real estate investments	-	-	123,605	-	-	123,605
13	Investment and financing with customers	-	-	44,766	-	89,230	133,996
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	-	-	-	-	300,445	300,445
Total		529,649	542,934	1,128,750	344,379	1,319,452	3,865,164

2020
(KD'000)

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
1	Cash item	-	-	-	-	11,873	11,873
2	Claims on sovereigns	-	-	-	275,837	50,594	326,431
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	22,572	-	-	10,168	73,781	106,521
5	Claims on multilateral development banks	-	82,359	-	-	-	82,359
6	Claims on banks	-	319,806	-	-	-	319,806
7	Claims on corporates	461,123	99,688	1,031,999	-	287,738	1,880,548

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
8	Regulatory retail exposure	-	-	-	-	449,363	449,363
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	999	-	10,022	-	13,623	24,644
11	Goods and commodities position	596	-	-	-	-	596
12	Real estate investments	-	-	138,279	-	-	138,279
13	Investment and financing with customers	-	-	38,636	-	70,270	108,906
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	-	-	-	-	226,612	226,612
Total		485,290	501,835	1,218,936	286,005	1,183,854	3,675,938

5.1.1 Irregular and past due credit facilities

The Bank complies with CBK instructions regarding the provisions required for credit risks by applying the requirements as per IFRS 9. With regard to the credit facilities/ financing portfolio, the Bank estimates the expected credit losses in accordance with IFRS 9 and complies with the relevant CBK regulations or as per the instructions issued by CBK regarding rules and regulations concerning classification of credit facilities and calculation of their provisions and method for treating the revenues resulting therefrom, whichever is greater.

Irregular and past due financing facilities exposures in accordance with standard portfolios:

On December 31, 2021, the value of the irregular financing facilities (impaired), including the Bank's accounts receivable, amounted to KD 39,593 thousand after excluding the deferred revenues and due profits (31 December 2020: KD 30,795 thousand) and KD 23,792 thousand (31 December 2020: KD 10,716 thousand) after excluding the acceptable collaterals as per the instructions of the Central Bank of Kuwait for the purpose of calculating the Capital Adequacy Ratio.

As of 31 December 2021, the Bank's provisions are KD 80,123 thousand including a general provision of KD 59,954 thousand (31 December 2020: KD 46,620 thousand including a general provision of KD 40,502).

Irregular and past due exposures as per standard portfolios:

2021
(KD'000)

SN	Description of Standard Portfolios	Impaired	Net Impaired after deducting acceptable guarantees	Specific Provision	Net Facilities	Past Due
1	Claims on banks	-	-	-	-	-
2	Claims on corporates	37,198	21,397	18,216	3,181	181,726
3	Regulatory retail exposures	2,395	2,395	1,520	875	19,536
4	Real estate investments	-	-	-	-	-
5	Investment and financing with customers	-	-	-	-	-
Total		39,593	23,792	19,736	4,056	201,262

2020
(KD'000)

SN	Description of Standard Portfolios	Impaired	Net Impaired after deducting acceptable guarantees	Specific Provision	Net Facilities	Past Due
1	Claims on banks	-	-	-	-	-
2	Claims on corporates	29,407	9,328	5,073	4,255	29,539
3	Regulatory retail exposures	1,388	1,388	1,045	343	13,732
4	Real estate investments	-	-	-	-	-
5	Investment and financing with customers	-	-	-	-	-
Total		30,795	10,716	6,118	4,598	43,271

Irregular and past due exposures as per geographical location:

2021
(KD'000)

SN	Description of geographical location	Impaired	Net Impaired after deducting acceptable guarantees	Specific Provision	Net Facilities	Past Due
1	MENA	30,666	23,792	19,736	4,056	201,262
2	Europe	-	-	-	-	-
3	Asia	-	-	-	-	-
4	Rest of the World	8,927	-	-	-	-
Total		39,593	23,792	19,736	4,056	201,262

2020
(KD'000)

SN	Description of geographical location	Impaired	Net Impaired after deducting acceptable guarantees	Specific Provision	Net Facilities	Past Due
1	MENA	21,846	10,716	6,118	4,598	43,271
2	Europe	-	-	-	-	-
3	Asia	-	-	-	-	-
4	Rest of the World	8,949	-	-	-	-
Total		30,795	10,716	6,118	4,598	43,271

Irregular and past due exposures by industrial sector:

2021
(KD'000)

SN	Description of Industrial Sector	Impaired	Specific Provision	Net Facilities	Past Due
1	Manufacturing & Trade	1,222	105	782	25,035
2	Banks and financial institutions	-	-	-	-
3	Constructions and real estates	35,665	17,783	2,417	154,981
4	Others	2,706	1,848	857	21,246
Total		39,593	19,736	4,056	201,262

2020
(KD'000)

SN	Description of Industrial Sector	Impaired	Specific Provision	Net Facilities	Past Due
1	Manufacturing & Trade	575	21	83	2,288
2	Banks and financial institutions	-	-	-	1,003
3	Constructions and real estates	27,030	3,513	4,162	25,265
4	Others	3,190	2,584	353	14,715
Total		30,795	6,118	4,598	43,271

Aging of Irregular and past due exposures:

2021
(KD'000)

SN	Description of Irregular and past due exposures	Up to 3 months	From 3 months to 6 months	From 6 months to 12 months	More than 1 Year	Total
1	Impaired	-	5,326	2,021	32,246	39,593
2	Past Due	201,262	-	-	-	201,262
Total		201,262	5,326	2,021	32,246	251,967

2020
(KD'000)

SN	Description of Irregular and past due exposures	Up to 3 months	From 3 months to 6 months	From 6 months to 12 months	More than 1 Year	Total
1	Impaired	-	5,179	2,525	23,091	30,795
2	Past Due	43,271	-	-	-	43,271
Total		43,271	5,179	2,525	23,091	74,066

General Provisions Balance:

SN	Distribution of General Provisions to credit risk exposures	2020 (KD'000)	2021 (KD'000)
1	Claims on sovereigns	-	136
2	Claims on public sector institutions	969	938
3	Claims on banks	377	552
4	Claims on corporates	33,970	52,010
5	Regulatory retail exposures	4,363	4,971
6	Real estate investments	-	-
7	Investment and financing with customers	823	1,347
Total		40,502	59,954

SN	Distribution of General Provisions to geographical location	2020 (KD'000)	2021 (KD'000)
1	MENA	39,963	59,604
2	Europe	179	163
3	Asia	120	105
4	Rest of the World	240	82
Total		40,502	59,954

5.1.2 Applicable Risk Mitigation Methods

The Credit Policy of the Bank lays down guidelines for collateral valuation and management which includes, haircuts, minimum coverage requirement for different categories of collateral, revaluation, frequency and basis of revaluation, documentation, takaful, 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 where the collateral is in a different currency than the exposure. This process is handled by a department independent of the business groups to ensure objectivity.

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 in accordance with the CBK's rules and regulations concerning capital adequacy standard.

Credit Risk Exposures, Eligible Collaterals and Banking Guarantees

2021
(KD'000)

SN	Description of Credit Risk Exposure	Total Credit Exposure	Eligible Collaterals	Banking Guarantees
1	Cash item	5,930	-	-
2	Claims on sovereigns	430,402	-	-
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	94,593	-	-
5	Claims on multilateral development banks	81,977	-	-
6	Claims on banks	378,954	-	-
7	Claims on corporates	1,778,435	211,898	-
8	Regulatory retail exposure	510,257	10,961	-
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	26,500	3,324	-
11	Goods and commodities positions	70	-	-
12	Real estate investments	123,605	-	-
13	Investment and financing with customers	133,996	22,534	-
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	300,445	-	-
Total		3,865,164	248,717	-

2020
(KD'000)

SN	Description of Credit Risk Exposure	Total Credit Exposure	Eligible Collaterals	Banking Guarantees
1	Cash item	11,873	-	-
2	Claims on sovereigns	326,431	-	-
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	106,521	-	-
5	Claims on multilateral development banks	82,359	-	-
6	Claims on banks	319,806	-	-
7	Claims on corporates	1,880,548	285,099	-
8	Regulatory retail exposure	449,363	6,480	-
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	24,644	479	-
11	Goods and commodities positions	596	-	-
12	Real estate investments	138,279	-	-
13	Investment and financing with customers	108,906	28,467	-
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	226,612	-	-
Total		3,675,938	320,525	-

5.2 Market Risks

Market risk emanates from the process of fair value or future cash flows of a financial instrument which fluctuates because of changes in market prices. Market risk may arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

The Risk Management Group is responsible for development of detailed Market Risk Management policies and for the periodic review of their implementation, while it is the responsibility of Investment Banking Group and Treasury to proactively manage and control market risk generated from various market positions in investments, financial instruments and over-the-counter deals.

5.2.1 Market Risk Framework

The Bank uses market practice for the valuation of its positions and receives regular market information in order to regulate market risk.

The market risk framework comprises of the following elements:

Limits for all market risk parameters and regular limits monitoring to ensure that Bank does not exceed aggregate risk and concentration parameters set by the CBK limits and internal limits.

Mark-to-market valuation based on independently published market data, and continuous review of all open positions.

The policies and procedures and the market risk limits are periodically set and reviewed to ensure the implementation of the Bank's market risk appetite. The Bank is required to comply with the guidelines and regulations of the Central Bank of Kuwait, in addition to its internal policies and procedures.

5.3 Liquidity Risks

Liquidity Risk is the risk of the Bank being unable to meet its financial liabilities when they fall due. Liquidity risk management is one of the vital components of the management of day-to-day banking business. In order to meet any eventuality, the Bank's liquidity strategy is to maintain a healthy level of liquid assets in the form of cash, cash equivalents and readily marketable securities. The Bank continuously monitors liquidity risk by measuring the maturity profile of its assets and liabilities on a daily basis and the liquidity gaps position is reviewed by Asset Liability Management Committee (ALCO) on a monthly basis. Furthermore, the Liquidity Coverage Ratio, Net Stable Funding Ratio, liquidity reserve position and the ratio of financing facilities to eligible deposits are monitored on a daily basis.

The Bank has in place a Contingency Funding Plan (CFP) which will be used as a blueprint of the action plan to be followed during any liquidity contingencies. The CFP establishes a framework which improves the Bank's preparedness to handle liquidity stress as it emerges due to systemic or non-systemic situations. It identifies trigger events that could potentially cause a liquidity crisis, details the actions to be taken to manage the crisis, and also lays down the administrative structure and responsibilities to ensure accountability in handling an emergency. The CFP supplements the existing Liquidity Risk Policy of the Bank and will be operative only in case of an adverse/ stress liquidity situation, actual or perceived.

A- Short-term assets to short-term liabilities ratio as of 31 December 2021 is 92% (31 December 2020: 94%) calculated as follows:

SN		2020	2021
1	Current assets (KD '000)	2,554,100	2,546,535
2	Current liabilities (KD '000)	2,724,680	2,756,974
	Current ratio	94%	92%

B- Maturity analysis of various categories of funding (current account, unrestricted investment account and restricted investment account) are as follows:2021
(KD'000)

SN	Categories of funding	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Current account	244,041	-	-	244,041
2	Unrestricted investment account	1,598,500	864,674	88,540	2,551,714
3	Restricted investment account	-	-	-	-
4	Other Deposits	5,735	-	-	5,735
Total		1,848,276	864,674	88,540	2,801,490

2020
(KD'000)

SN	Categories of funding	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Current account	195,897	-	-	195,897
2	Unrestricted investment account	1,590,842	902,007	152,615	2,645,464
3	Restricted investment account	-	-	-	-
4	Other Deposits	6,448	-	-	6,448
Total		1,793,187	902,007	152,615	2,847,809

5.3.1 Liquidity Coverage Ratio Disclosure

The qualitative and quantitative public disclosures under this section have been prepared in accordance with the Central Bank of Kuwait (CBK) Rules and Regulations concerning Liquidity Coverage Ratio for Islamic Banks licensed in the State of Kuwait, vide circular reference (2/IBS /346/2014) dated 23/12/2014.

Qualitative disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global standard for assessing bank liquidity. It aims to ensure that a bank has adequate unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

LCR has been defined as
$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B Assets, with a minimum 50% haircut.

The total net cash outflows is the total expected cash outflows minus total expected cash inflows for the upcoming 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows.

The Bank's focus has been to ensure diversified funding sources in addition to its core deposit base. The Treasury of the Bank manages liquidity by constant monitoring of future cash flows and liquidity needs. This incorporates an assessment of expected cash flows and the availability of high quality assets which could be used to secure additional funding if required. The bank also conducts stress tests to assess impact of stress on liquidity under various scenarios. Furthermore the bank has established a

Contingency Funding Plan to manage liquidity during stressed conditions.

The average HQLA for the quarter ended 31 December 2021 was KD 480 Million of which Central Bank reserves constituted about 66%. Average cash outflows over a 30-day horizon amounted to KD 558 Million while average inflows from assets were KD 242 Million.

Bank's LCR of 152% (based on average of last three months' position) was above the minimum 80% prescribed by CBK for 2021. Management of liquidity is centrally managed through the Treasury within the bank. The Bank has sufficient liquidity sources for outflows and management is of the view that we are adequately liquid as required by LCR regulations. The Asset and Liability Management Committee (ALCO) of the Bank is responsible for oversight of liquidity management and review of positions on monthly basis and/or on need basis based on systemic risks.

Quantitative information on Liquidity coverage ratio (LCR) is given below:

LCR common disclosure template for the quarter ending on 31 December 2021

Item	Description	"value in KD'000"	
		Value before applying inflows rates (average)*	Value after applying inflows rates (average)*
High-Quality Liquid Assets (HQLA)			
1	Total HQLA (before adjustments)		479,954
Cash Outflows			
2	Retail deposits and small business	768,865	150,754
3	• Stable deposits		
4	• Less stable deposits	768,865	150,754
5	Unsecured wholesale funding excluding the deposits of small business customers:	713,027	374,621
6	• Operational deposits		
7	• Non-operational deposits (other unsecured commitments)	713,027	374,621
8	Secured Funding		
9	Other cash outflows, including:		
10	• Resulting from Shariah compliant hedging contracts		
11	• Resulting from assets-backed sukuk and other structured funding instruments		
12	• Binding credit and liquidity facilities		
13	Other contingent funding obligations	658,923	32,946
14	Other contractual cash outflows obligations	-	-
15	Total Cash Outflows		558,322
Cash Inflows			
16	Secured lending transactions		
17	Inflows from fully performing exposures (as per the counterparties)	247,259	241,986
18	Other cash Inflows		
19	Total Cash Inflows	247,259	241,986
Liquidity Coverage Ratio (LCR)		Total Adjusted Value	
20	Total HQLA (after adjustments)		479,954
21	Net Cash Outflows		316,336
22	LCR		152%

*Simple Average for all days of the reported quarter.

5.3.2 Net Stable Funds Ratio

The qualitative and quantitative public disclosures under this section have been prepared in accordance with the Central Bank of Kuwait (CBK) Rules and Regulations concerning Net Stable Funds Ratio for Islamic Banks licensed in the State of Kuwait, vide circular reference (2/IBS /357/2015) dated 25/10/2015.

Qualitative disclosure on NSFR

The purpose of the Net Stable Funding Ratio ("NSFR") is to ensure that banks hold a minimum amount of stable funding based on the liquidity characteristics of their assets and activities over a one year horizon. The objective is to reduce maturity mismatches between the asset and liability items on the balance sheet and thereby reduce funding risk.

The minimum requirement on NSFR is defined as follows

$$\frac{\text{Available Amount of Stable Funding}}{\text{Required Amount of Stable Funding}} \geq 100 \%$$

"Stable funding" is defined as those types and amounts of equity and liability financing expected to be reliable sources of funds over a one-year time horizon under conditions of extended stress. The amount of Available Stable Funding (ASF) is measured based on the broad characteristics of the relative stability of the bank's funding sources, including the contractual maturity of its liabilities and the differences in the likelihood of different types of funding providers to withdraw their funding. The amount of Required Stable Funding (RSF) is measured based on the broad characteristics of the liquidity risk profile of the bank's assets and Off Balance Sheet exposures. Assets that are more liquid and more readily available to act as a source of extended liquidity in the stressed environment identified above receive lower RSF factors (and require less stable funding) than assets considered less liquid in such circumstances and, therefore, require more stable funding.

Warba Bank's strategy has been to ensure that there is adequate available stable funding to match its required stable funding at all times. In ensuring this the Bank has focused on increasing its funding from long term sources.

As of 31 December 2021, the bank's NSFR was at 116% compared to the minimum requirement of 80%. The total ASF after assigning weights (ASF Factors) was KD 2,339 Million while the RSF after applying weights was KD 2,025 Million.

NSFR common disclosure template as at 31 December 2021

Sr.	Item	Unweighted Values (i.e. before applying relevant factors)				Value in KWD '000s
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital					
2	Regulatory Capital	448,151	-	-	-	448,151
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits and investment accounts from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	606,165	68,897	12,719	620,276
7	Wholesale funding:					
8	Operational deposits and investment accounts	-	-	-	-	-
9	Other wholesale funding	-	1,687,477	284,326	443,928	1,271,062
10	Other liabilities:					
11	NSFR Shariah-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	60,900	18,423	-	9,078	-
13	Total ASF	-	-	-	-	2,339,489
Required Stable Funding (RSF):						
14	Total NSFR Shariah-compliant high-quality liquid assets (HQLA)	397,097	-	-	-	15,634
15	Deposits and investment accounts held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-Level 1 HQLA and unsecured performing financing to financial institutions	14,457	372,846	-	-	55,927
19	Performing financing to non-financial corporate clients, loans to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
20	- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio - Basel 3 guidelines	-	-	-	-	-
21	Performing residential financing, of which:					
22	- With a risk weight of less than or equal to 35% under the CBK Capital Adequacy Ratio - Basel III Guidelines	-	-	-	-	-
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	56,894	48,360

Sr.	Item	Unweighted Values (i.e. before applying relevant factors)				Value in KWD '000s
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
24	Other assets:					
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shariah-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Sharia-compliant hedging contract assets	-	-	-	-	-
28	NSFR Sharia-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	359,462	28,590	771	40,648	396,512
30	Off Balance Sheet Items	512,470	89,927	43,712	-	35,430
31	Total RSF	-	-	-	-	2,024,685
32	NSFR (%)	-	-	-	-	116%

5.4 Profit Rate Risk

Profit rate risk arises from the changes in profit rates affecting future cash flows or the fair value of the underlying financial exposure or instrument. The Bank is susceptible to profit rate risk as value of Bank's fixed income investments and/ or return on financing are inversely related to rising rates. Moreover, change in profit rates might also impact Bank's net earnings or earnings spread.

The Bank conducts stress testing and scenario analyses regularly to manage profit rate risk inherent in the balance sheet. Earnings-at-Risk analysis is conducted monthly, to determine the impact of changes in the cost of funds and yield on assets on profitability. Such analysis is also monitored by the senior management of the Bank through the Asset and Liability Management Committee (ALCO).

2021 (KD'000)

Impact of 25 bps move upwards	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	875	1,233	1,732	744	48	4,633
Liabilities	(711)	(801)	(1,488)	(702)	(287)	(3,989)
Net Impact	164	432	244	42	(239)	643

2021 (KD'000)

Impact of 25 bps move downwards	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	(875)	(1,233)	(1,732)	(744)	(48)	(4,633)
Liabilities	711	801	1,488	702	287	3,989
Net Impact	(164)	(432)	(244)	(42)	239	(643)

2020 (KD'000)

Impact of 25 bps move upwards	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	709	1,181	1,974	721	151	4,736
Liabilities	(285)	(1,225)	(1,509)	(706)	(306)	(4,031)
Net Impact	424	(44)	465	15	(155)	705

2020 (KD'000)

Impact of 25 bps move downwards	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	(709)	(1,181)	(1,974)	(721)	(151)	(4,736)
Liabilities	285	1,225	1,509	706	306	4,031
Net Impact	(424)	44	(465)	(15)	155	(705)

5.5 Equity Risk in the Banking Book

As of 31 December 2021, the Bank's investments in equity positions other than sukuk amounted to KD 134,512 thousand (31 December 2020: KD 96,466 thousand) as detailed below:

Investments types	2020 (KD'000)	2021 (KD'000)
Quoted equity security	15,580	16,899
Unquoted equity security	5,538	5,614
Unquoted Portfolios and Funds	61,208	98,151
Other unquoted investments	14,140	13,848
Total	96,466	134,512

All equity investments are recorded at fair value.

During the year 2021, the Bank has recorded realized gain from sale of equity investments amounting to KD 1 thousand (2020: KD 2,100 thousand) in the income statement and unrealized loss from change in fair value of the quoted securities amounting to KD 45 thousand (31 December 2020: KD 33 thousand) in the other comprehensive income.

The minimum required capital for equity investment as at 31 December 2021 was KD 8,993 thousand (31 December 2020: KD 6,175 thousand).

5.6 Operational Risks

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, systems failure, human error, or from external events including losses resulting from failure to comply with Islamic Sharia regulations. When controls fail to perform, it can have legal or regulatory implications, or lead to financial or reputational loss.

5.6.1 Operational Risk Frameworks

The Bank has a set of policies approved by the Board of Directors that are applied to identify, assess and supervise operational risk in addition to other types of risk relating to the banking and financial activities of the Bank.

Operational risk is managed under the Risk Management Group. This Group ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk in accordance with the Bank's Risk Management Framework.

The Bank manages operational risks in line with the Central Bank of Kuwait instructions regarding "General Guidelines for Internal Control Systems" and directives regarding "Sound Practices for the Management and Control of Operational Risks". The Bank pays special attention to operational risks that may arise from non-compliance to Islamic Sharia principles and any possible failure in fiduciary responsibilities.

The Bank has established its Business Continuity Management (BCM) Policy to meet any internal or external failures and eventualities enabling smooth functioning of the Bank's operations. The Bank has established Disaster Recovery (DR) site for its IT infrastructure, which ensures that the operational risks do not adversely impact the Bank's business.

SIXTH: INVESTMENT ACCOUNTS

Warba Bank receives fund from depositors through various product structures that comply with Islamic Sharia.

The Bank receives deposits from customers as part of unrestricted Wakala investment accounts either for limited or renewable periods. Funds are invested in financing and investing activities that will achieve a targeted return.

The Bank also receives funds from depositors through unrestricted Mudarabah Agreements, where depositors grant the bank (Mudarib) the right to invest these funds against a share in profit. The Mudarib would bear the loss in case of negligence or violation of any of the terms and conditions of the Mudaraba.

Pools of Assets in which the funds are invested is determined along with the relevant costs and revenues (costs or expenses included are those that are only directly related to general pool assets, meanwhile indirect expenses as General and Administrative expenses and staff cost are not charged), based on which the net profit is determined and shared between the bank and the depositors proportionately based on each contribution to the pools and the specificity of the contractual agreements with the depositors.

Profit percentage distributed to the profit-sharing investment accounts were as follows:

2021

SN	Account Category	Q1	Q2	Q3	Q4
1	Saving accounts	0.972%	1.033%	1.051%	1.182 %

2020

SN	Account Category	Q1	Q2	Q3	Q4
1	Saving accounts	1.29%	0.818%	0.644%	0.990%

SEVENTH: SHARIA REGULATIONS

Sharia regulations are monitored implemented by the Internal Sharia Audit Department based on the decisions issued and approved by the Sharia Supervisory Board of Warba Bank. The Internal Sharia Audit Department supervises the implementation of such regulations on daily basis and answers any Sharia related inquiries. Part of the activities of the Internal Sharia Audit Department includes amongst other the review of policies, procedures and documentation including contracts, forms and agreements.

The Internal Sharia Audit Department conducted audit on the bank various operations based on an annual audit plan covering all the banks' departments upon which a report covering the findings is reported. The Sharia Supervisory Board accordingly represents its report to the general assembly in its annual general assembly meeting.

Shari'a Board remuneration for the year ended 31 December 2021 amounted to KD 60 thousand (31 December 2020: KD 57 thousand).

EIGHTH: BANK'S REMUNERATION POLICIES

Board Nominations & Remunerations Committee

The Committee is chaired by Mr. Hamad Musaed Al Sayer, and includes as members Mr. Abdulaziz A. Al Jaber, Mr. Bader Khalid Al Shalfan and Mr. Musaab Omar Sulaiman Al Fulaij. The Committee helps the Board of Directors to decide on candidates' eligibility to membership of the Board of Directors, the candidate for the position of Chief Executive Officer, his deputies and assistants. The Committee also ensures effectiveness, sound implementation and commitment of the Nominations Policy and its consistency with the Bank's objectives.

The Committee has hired an external Consultant to prepare a long-term incentive scheme for the senior management members.

The functions of the Board Nomination and Remuneration Committee with respect to the Compensation Policy (remunerations) include but are not limited to the following:

Conduct periodic review of the policy or as recommended by the Board of Directors, give recommendations to the Board of Directors for amending / updating the policy.

Conduct periodic assessment of the adequacy and effectiveness of the Remuneration Policy to ensure accomplishment of the declared objectives.

Evaluate the practices under which remunerations are awarded against future revenues under uncertain timing and potentials.

Make recommendations to the Board of Directors on the level and components of remunerations for the Chief Executive Officer, his assistants and similar executives level at the Bank to obtain Board approval;

Identify a system for awarding remunerations in line with the principles of sound practices in respect of awarding remunerations;

Work closely with the Board Risk Committee at the Bank and / or the Chief Risk Officer when assessing the proposed incentives in the Remuneration Scheme.

Review the relevant policy and procedures periodically or at least when needed to ensure meeting the established goals in light of the information reviewed by the Committee about the progress of the Remuneration Scheme.

The number of the meetings held by the Board Nominations & Remunerations Committee during the year was 12 meetings, and the total remunerations paid to its members is KD 69 thousand for the year ending on 31 December 2021 (31 December 2020: KD 13 Thousand).

Compensation according to various staff categories at Warba Bank:

Senior Management, this category includes the CEO, deputies, assistants and key executive managers whose appointment is subject to the approval of regulatory and supervisory bodies. Fixed wages for this category include basic salaries, benefits and allowances as well as end-of-service benefits.

Those responsible for Financial Control and Risk employees, the remunerations paid to this category include basic salaries, benefits, allowances and end of service benefits. This category includes Financial Control, Risk Management, Compliance Department, Internal Audit and AML Unit.

Material Risk Takers: Total compensations paid to this category include basic salaries, benefits and allowances as well as end-of-service benefits, and this category includes Top Management, Groups and Departments Heads, with financial authorities who delegate responsibilities to their staff members but still have the ultimate responsibility and accountability for the risks taken.

Warba Bank sets a Compensation Policy that provides fair, equitable and competitive compensation for its employees; encouraging and rewarding high performance; attracting individuals of the right caliber, qualifications and experience for the positions in the Bank; and providing flexibility to adapt to business market changes and requirements in a structured and standardized manner. Warba has developed systematic procedures for disbursement of financial rewards, taking into account the application of "the Claw Back" if necessary.

The Board of Directors provides effective oversight on remuneration systems and schemes and reviews salaries structures to ensure sound implementation in close connection with the BNRC whose duties include setting the Remuneration Policy and submitting it for Board approval, conducting periodic review of the policy and providing recommendations thereon so as to ensure proper remuneration payment.

The Remuneration Policy is in line with prudent risk taking. The bonuses must be linked to the bank's medium and long-term performance, taking into account changing the components of the bonuses granted to employees to suit the long-term risks (risk time frame).

Job Assessment:

Job evaluation is used to determine the fair financial value of individual functions within the Bank.

The elements to be taken into consideration in the job evaluation process, using the IPE methodology, are based on the following factors:

- Impact on the organization
- Communication (internal and external)
- Knowledge
- Innovation
- Risk Environments

For each of these elements, the work is evaluated on a separate scale. The results of the evaluation of the Bank's functions determine the function within the relevant grade structure in line with best practices.

The Total Rewards Unit is responsible for job evaluation based on accurate job descriptions

No employees were awarded remunerations on signing employment contracts (sign-on awards) during 2021. (2020: No employees were awarded remunerations on signing employment contracts (sign-on awards))

The table below shows the value of remuneration paid to Senior Management:

2021

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
Fixed remuneration			
1	Cash-based	1,962,844	-
2	Shares and share-linked instruments	-	-
3	Other	63,585	-
Variable remuneration			
4	Cash-based	1,072,825	193,066
5	Shares and share-linked instruments	-	-
6	Other	313,881	-
Total		3,413,135	193,066

2020

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
Fixed remuneration			
1	Cash-based	1,757,115	-
2	Shares and share-linked instruments	-	-
3	Other	68,401	-
Variable remuneration			
4	Cash-based	-	195,860
5	Shares and share-linked instruments	-	-
6	Other	49,692	-
Total		1,875,208	195,860

The table below shows the value of remuneration paid to material risk takers other than the Senior Management:

2021

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
Fixed remuneration			
1	Cash-based	1,852,494	-
2	Shares and share-linked instruments	-	-
3	Other	73,717	-
Variable remuneration			
4	Cash-based	935,983	236,815
5	Shares and share-linked instruments	-	-
6	Other	321,513	-
Total		3,183,707	236,815

2020

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
	Fixed remuneration		
1	Cash-based	2,025,081	-
2	Shares and share-linked instruments	-	-
3	Other	93,079	-
	Variable remuneration		
4	Cash-based		208,852
5	Shares and share-linked instruments	-	-
6	Other	67,502	-
	Total	2,185,662	208,852

The table below shows the value of remuneration paid to the respective employee categories:

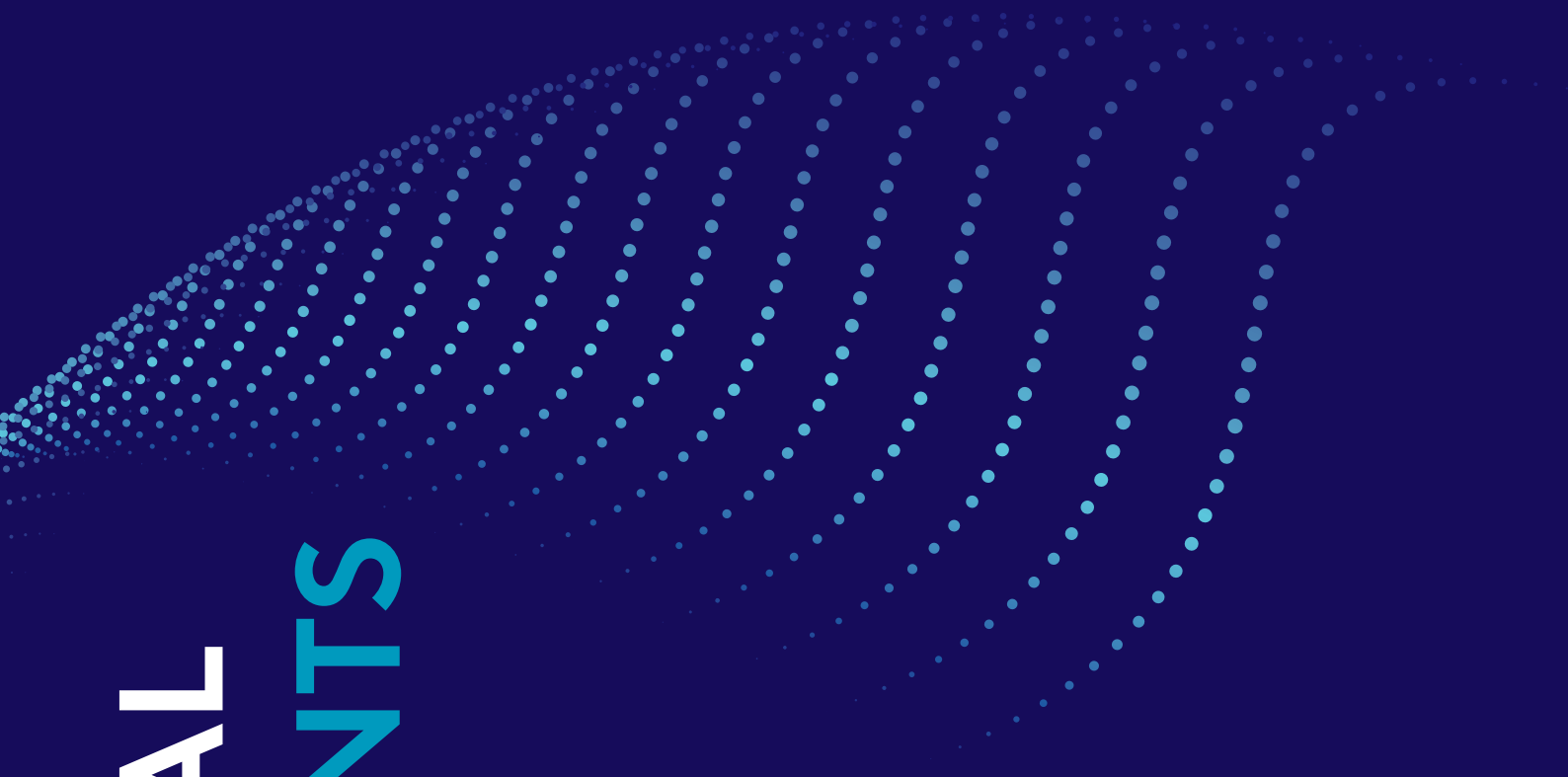
2021

SN	Employee Categories	Number of Employees in the category	End of service paid during the year (in KD)	"Unrestricted" salaries and remunerations paid during the year (in KD)
1	Senior Management	20	146,970	3,413,135
2	Material Risk Takers	26		3,183,707
3	Financial & Control Functions	17	99,336	1,375,864

2020

SN	Employee Categories	Number of Employees in the category	End of service paid during the year (in KD)	"Unrestricted" salaries and remunerations paid during the year (in KD)
1	Senior Management	16	61,825	1,875,208
2	Material Risk Takers	28	22,555	2,185,662
3	Financial & Control Functions	13	61,825	1,006,672

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WARBA BANK K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Warba Bank K.S.C.P. (the "Bank") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the Central Bank of Kuwait (CBK) for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

Credit losses on Islamic financing to customers

The recognition of credit losses on cash and non-cash Islamic financing to customers ("financing facilities") is the higher of Expected Credit Loss determined under International Financial Reporting Standard 9: **Financial Instruments** ("IFRS 9"), according to Central Bank of Kuwait (the "CBK") guidelines ("ECL"), and the provision required by the CBK rules on classification of financing facilities and calculation of their provision (the "CBK rules") as disclosed in the accounting policies in Note 2.4.4 and in Note 4 to the consolidated financial statements.

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

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

Key Audit Matters (continued)

Credit losses on Islamic financing to customers (continued)

Recognition of ECL, is a complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing the level of credit risk on initial recognition and significant increase in credit risk subsequently on the reporting date relative to its initial recognition, and classification into three stages. Furthermore, as disclosed by management, inherently judgmental modelling techniques are used to estimate ECLs which involves determining Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") which are modelled based on macroeconomic variables, and discounted to the reporting date. As disclosed in Note 25, the COVID-19 global pandemic significantly impacted management's determination of the ECL and required the application of heightened judgment. As a result, the ECL has a higher than usual degree of uncertainty and the inputs used are inherently subject to change, which may materially change the estimate in future periods.

On the other hand, recognition of specific provision on impaired financing facility under the CBK rules is based on the instructions prescribed by the CBK on the minimum provision to be recognised, together with any additional provision to be recognised based on management's estimate of expected cash flows related to that financing facility.

We determined that 'Credit losses on Islamic financing to customers' is a key audit matter due to the significance of financing facilities and the related estimation uncertainty and judgement applied by management in the identification of significant increase in credit risk and consequent staging of customers; the significant judgment required by management when designing future macroeconomic scenarios; forecasting macroeconomic variables and probability-weighting scenarios. This is further heightened by the high degree of estimation uncertainty due to the economic impacts of COVID-19 that led to a high degree of judgment, including determination of whether rescheduling of profit or principal for certain financing facilities resulted in temporary or permanent liquidity issues of the customers.

Our audit procedures include testing the design and implementation of controls over the assessment and calculation of material significant increase in credit risk (SICR) indicators and staging of customers accordingly. We also tested the effectiveness of controls over the PD, LGD and EAD models and the design of multiple future macroeconomic scenarios, the forecasting of macroeconomic variables, and the probability-weighting of these scenarios. The procedures also covered the impact of ECL caused by the economic disruption arising from the COVID 19 pandemic, including ones focused on rescheduled financing facilities.

With respect to the ECL, we have selected samples of financing facilities outstanding, included rescheduled financing facilities, and checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of the financing facilities into various stages. We involved our specialists to review the ECL model in terms of key data, methods and assumptions used to ensure they are in line with IFRS 9 requirements, determined in accordance with CBK guidelines. For a sample of financing facilities, we have checked the appropriateness of the Group's staging criteria, EAD, PD and LGD including the eligibility and value of collateral considered in the ECL models used by the Group and the overlays considered by the management in view of the ongoing COVID-19 pandemic, in order to determine ECL taking into consideration CBK guidelines. We have also checked the consistency of various inputs and assumptions used by the Group's management to determine ECL.

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

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

Key Audit Matters (continued)

Credit losses on Islamic financing to customers (continued)

Further, for the CBK rules provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, it has been computed accordingly. For the samples selected, which included rescheduled financing facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired financing facilities, we have assessed the valuation of collateral and checked the resultant provision calculations.

Other information included in the Group's 2021 Annual Report

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

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

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 auditors' report, we conclude that there is a material misstatement in this other information; we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by CBK for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

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

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.

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 management.

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

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

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

We communicate with 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, actions taken to eliminate threats or safeguards applied.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**WARBA BANK K.S.C.P. (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 CBK as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments, and 2/I.B.S. 343/2014 dated 21 October 2014 and its amendments, respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, 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 its amendments, and 2/I.B.S. 343/2014 dated 21 October 2014 and its amendments, respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Bank or on its financial position.

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

**BADER A. AL-ABDULJADER**LICENCE NO. 207-A
EY (AL AIBAN, AL OSAIMI & PARTNERS)**DR. RASHEED M. AL - QENAE**LICENSE NO. 130-A OF KPMG SAFI AL-MUTAWA & PARTNERS
MEMBER FIRM OF KPMG INTERNATIONAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 KD'000	2020 KD'000
ASSETS			
Cash and bank balances	3	79,856	110,999
Placements with banks and the CBK		437,043	357,897
Financing receivables	4	2,473,516	2,497,366
Financial assets at fair value through profit or loss	5	128,898	90,929
Financial assets at fair value through other comprehensive income	6	263,753	237,050
Investment in joint ventures	7	104,891	108,240
Investment properties	8	18,715	30,039
Other assets		55,598	23,074
Property and equipment		17,942	19,660
TOTAL ASSETS		3,580,212	3,475,254
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	9	512,571	494,355
Depositors' accounts	10	2,288,918	2,353,454
Sukuk issued	11	302,024	302,429
Other liabilities		60,900	44,922
TOTAL LIABILITIES		3,164,413	3,195,160
EQUITY			
Share capital	12	200,000	157,500
Share premium		80,375	40,000
Statutory reserve	12	4,777	3,098
Fair value reserve		1,607	1,676
Foreign currency translation reserve		(112)	1,469
Retained earnings (Accumulated losses)		7,882	(12)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		294,529	203,731
Perpetual Tier 1 Sukuk	13	121,270	76,363
TOTAL EQUITY		415,799	280,094
TOTAL LIABILITIES AND EQUITY		3,580,212	3,475,254

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.



ABDULWAHAB A. AL HOUTI
CHAIRMAN



SHAHEEN H. AL GHANEM
CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 KD'000	2020 KD'000
Placements and finance income		95,410	109,282
Finance costs and distribution to depositors		(48,580)	(62,826)
Net finance income		46,830	46,456
Net investment income	14	49,622	26,252
Net fee and commission income	15	4,035	3,228
Other income		4,264	3,765
Foreign exchange gain (loss)		2,603	(907)
Net operating income		107,354	78,794
Staff costs		(20,444)	(17,669)
General and administrative expenses		(4,335)	(3,936)
Depreciation expense		(6,031)	(4,623)
Net operating expenses		(30,810)	(26,228)
Net operating profit before provision for impairment and credit losses		76,544	52,566
Provision for impairment and credit losses	16	(59,757)	(46,638)
Profit before tax and board of directors' remuneration		16,787	5,928
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(151)	-
National Labour Support Tax (NLST)		(435)	(166)
Zakat		(171)	(65)
Board of directors' remuneration		(66)	(63)
NET PROFIT FOR THE YEAR		15,964	5,634
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	17	6.02 fils	0.39 fils

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 KD'000	2020 KD'000
Net profit for the year		15,964	5,634
Other comprehensive (loss) income			
Other comprehensive (loss) income that will be reclassified to profit or loss			
Debt instruments at fair value through other comprehensive income			
Net change in fair value		(16,373)	3,314
Changes in allowance for expected credit losses	16	16,610	(979)
Reclassification adjustment on derecognition	14	(351)	(7,903)
Net losses on debt instruments at fair value through other comprehensive income		(114)	(5,568)
Foreign currency translation:			
Exchange differences on translation of foreign operations		(1,257)	1,342
Reclassification adjustment on disposal of a joint venture		(324)	-
Total items that are or may be reclassified to profit or loss		(1,695)	(4,226)
Other comprehensive income that will not be reclassified to profit or loss			
Net change in fair value of equity investments at fair value through other comprehensive income		45	33
Total items that will not be reclassified to profit or loss		45	33
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(1,650)	(4,193)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,314	1,441

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	Fair value reserve KD'000	Foreign currency translation reserve KD'000	(Accumulated losses) retained earnings KD'000	Sub-total KD'000	Proposed distributions KD'000	Equity attributable to shareholders of the Bank KD'000	Perpetual Tier 1 Sukuk KD'000	Total equity KD'000
As at 1 January 2021	157,500	40,000	3,098	1,676	1,469	(12)	203,731	-	203,731	76,363	280,094
Net profit for the year	-	-	-	-	-	15,964	15,964	-	15,964	-	15,964
Other comprehensive loss	-	-	-	(69)	(1,581)	-	(1,650)	-	(1,650)	-	(1,650)
Total comprehensive (loss) income for the year	-	-	-	(69)	(1,581)	15,964	14,314	-	14,314	-	14,314
Increase in share capital (Note 12)	42,500	40,375	-	-	-	-	82,875	-	82,875	-	82,875
Costs directly related to increase in share capital	-	-	-	-	-	(172)	(172)	-	(172)	-	(172)
Transferred to the statutory reserve	-	-	1,679	-	-	(1,679)	-	-	-	-	-
Issue of Perpetual Tier 1 Sukuk (Note 13)	-	-	-	-	-	-	-	-	-	75,808	75,808
Costs directly related to issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	(450)	(450)	-	(450)	-	(450)
Redemption of Perpetual Tier 1 Sukuk (Note 13)	-	-	-	-	-	-	-	-	-	(30,901)	(30,901)
Profit paid on Perpetual Tier 1 Sukuk (Note 13)	-	-	-	-	-	(5,769)	(5,769)	-	(5,769)	-	(5,769)
At 31 December 2021	200,000	80,375	4,777	1,607	(112)	7,882	294,529	-	294,529	121,270	415,799
As at 1 January 2020	150,000	40,000	3,098	7,211	127	10,061	210,497	7,500	217,997	76,363	294,360
Net profit for the year	-	-	-	-	-	5,634	5,634	-	5,634	-	5,634
Other comprehensive (loss) income	-	-	-	(5,535)	1,342	-	(4,193)	-	(4,193)	-	(4,193)
Total comprehensive (loss) income for the year	-	-	-	(5,535)	1,342	5,634	1,441	-	1,441	-	1,441
Issue of bonus shares (Note 12)	7,500	-	-	-	-	-	7,500	(7,500)	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 13)	-	-	-	-	-	(4,981)	(4,981)	-	(4,981)	-	(4,981)
Modification loss on payment deferral program	-	-	-	-	-	(10,726)	(10,726)	-	(10,726)	-	(10,726)
At 31 December 2020	157,500	40,000	3,098	1,676	1,469	(12)	203,731	-	203,731	76,363	280,094

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 KD'000	2020 KD'000
OPERATING ACTIVITIES			
Profit before tax and board of directors' remuneration		16,787	5,928
Adjustments for:			
Net investment income	14	(49,622)	(26,252)
Gain on sale of property and equipment		(1)	(795)
Provision for employees' end of service benefits		934	904
Depreciation expense		6,031	4,623
Provision for impairment and credit losses	16	59,757	46,638
		33,886	31,046
Changes in operating assets and liabilities:			
Placements with banks and the CBK		(5,510)	18,811
Financing receivables		(19,251)	(294,393)
Other assets		(13,497)	16,584
Due to banks and other financial institutions		18,216	(459,005)
Depositors' accounts		(64,536)	647,643
Other liabilities		11,187	(4,981)
Taxes paid		(231)	(627)
Net cash flows used in operating activities		(39,736)	(44,922)
INVESTING ACTIVITIES			
Purchase/ capital contributions of financial assets at FVPL		(32,514)	(44,508)
Proceeds from sale/ redemption of financial assets at FVPL		6,719	12,685
Purchase of financial assets at FVOCI		(110,772)	(157,759)
Proceeds from sale of financial assets at FVOCI		63,043	251,252
Additions to investment in joint ventures	7	(20,200)	(13,084)
Proceeds from sale of investment in joint ventures		27,705	-
Proceeds from sale of investment property		13,650	7,278
Purchase of property and equipment		(1,910)	(6,248)
Proceeds from sale of property and equipment		1	2,924
Dividends received from financial assets		4,145	2,175
Other investment income received		602	580
Distributions received from joint ventures		14,328	5,388

Rental income received		705	1,064
Net cash flows (used in) from investing activities		(34,498)	61,747
FINANCING ACTIVITIES			
Net movement on Sukuk issued		(405)	150,250
Payment of lease liabilities		(4,319)	(2,698)
Proceeds from increase in share capital		82,875	-
Costs directly related to increase in share capital		(172)	-
Proceeds from issue of Perpetual Tier 1 Sukuk		75,808	-
Perpetual Tier 1 Sukuk issuing Cost		(450)	-
Redemption of Perpetual Tier 1 Sukuk		(30,901)	-
Profit paid to holders of Perpetual Tier 1 Sukuk	13	(5,769)	(4,981)
Net cash flows from financing activities		116,667	142,571
NET INCREASE IN CASH AND CASH EQUIVALENTS		42,433	159,396
Cash and cash equivalents at 1 January		443,033	283,637
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	3	485,466	443,033
Additional information on operational cash flows			
Finance costs paid		45,794	62,873
Finance income received		96,527	101,116

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2021

1. CORPORATE INFORMATION

Warba Bank K.S.C.P. (the "Bank") is a Kuwaiti public shareholding company, incorporated on 17 February 2010 in the State of Kuwait by virtue of Amiri Decree No. 289/2009. The Bank is registered as an Islamic banking institution in accordance with the rules and regulations of the Central Bank of Kuwait (the "CBK") on 7 April 2010 and its shares are publicly traded on the Boursa Kuwait. The Bank's head office is located at Al-Raya Tower, Mezzanine floor 1, Omar Ibn Al-Khattab Street and its registered postal address is P.O. Box 1220, Safat 13013, State of Kuwait.

The Bank is primarily involved in investment, corporate and retail banking activities in accordance with the principles of Islamic Sharia, as approved by the Bank's Sharia Supervisory Board.

The annual general assembly meeting (AGM) of the shareholders of the Bank held on 30 March 2021 approved the consolidated financial statements for the year ended 31 December 2020. Distributions proposed and approved by the Bank for the year then ended are provided in Note 12.

The consolidated financial statements of the Bank and its wholly owned special purpose vehicles (collectively, the "Group") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 11 January 2022. The shareholders of the Bank have the power to amend these consolidated financial statements in the (AGM).

2.1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendments:

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

B) Recognition of modification losses on financial assets arising from payment holidays to customers as a result of COVID during the financial year ended 31 December 2020, as required by CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020. Modification losses referred to in the circular, should be recognized in retained earnings instead of profit or loss as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognized in profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognized in the consolidated statement of profit or loss. The application of the policy will result in application of different accounting presentation for modification loss in 2020 compared to 2021.

The above framework is herein after referred to as 'IFRS as adopted by CBK for use by the State of Kuwait'.

The consolidated financial statements have been prepared on a historical cost basis except for financial assets designated at fair value through profit or loss (FVTPL), debt and equity instruments at fair value through other comprehensive income (FVOCI) and investment properties all of which have been measured at fair value.

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 20.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.2.1 New standards, interpretations, and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group has exposure to the London Interbank offered rates (LIBOR), the benchmark rate, through its financial instruments, which will be replaced as part of the fundamental reform of various major profit rate benchmarks. The Group has undertaken a project under the oversight of a cross-functional IBOR Committee to manage its transition from LIBORs to alternative rates. The objectives of the IBOR Committee include evaluating the extent to which assets and liabilities are referenced to LIBOR cash flows, whether such contracts need to be amended as a result of those reforms and how to manage communication about LIBOR reform with counterparties. The new contracts to be entered by the Group on or after 1st January 2022 will be based on using various alternative benchmark interest rates including certain "risk-free" rates.

Transition away from LIBORs to the risk-free or alternative "reference rate" (RFR's) regime will affect the pricing of deposits, Islamic Financing, hedging instruments and debt securities.

Financial assets and liabilities

The Group's exposure to IBOR linked financial assets and liabilities is mainly through USD LIBOR. The Group will perform transition of these contracts to RFRs through bilateral agreements not later than June 2023.

The Group's exposure to financial assets and liabilities that are based on USD LIBOR maturing after June 2023 is KD 260,799 thousand and KD 30,250 thousand respectively. The Group is in discussion with the counterparties clients to effect an orderly transition of USD exposures to the relevant RFR.

Derivatives held for hedging purposes

The Group does not have any exposure to USD LIBOR hedging instruments maturing after June 2023.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 New standards, interpretations, and amendments adopted by the Group (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16 (continued)

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no material impact on the consolidated financial statements of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer. When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing financing agreements may require renegotiation.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its wholly owned special purpose vehicles (investees which are controlled by the Bank) as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure to or an accrual of variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a wholly owned special purpose vehicle begins when the Group obtains control over the wholly owned special purpose vehicle and ceases when the Group loses control of the wholly owned special purpose vehicle. Assets, liabilities, income and expenses of a wholly owned special purpose vehicle acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the wholly owned special purpose vehicle.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a wholly owned special purpose vehicle, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a wholly owned special purpose vehicle, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 Basis of consolidation (continued)

The consolidated financial statements include the financial statements of the Bank and its wholly owned special purpose vehicles. The wholly owned special purpose vehicles of the Bank are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Equity interest %	
			31 December 2021	31 December 2020
Abyat Real Estate Company L.L.C.	Real estate	Sultanate of Oman	100	100
Themar Al Omania Company L.L.C.	Real estate	Sultanate of Oman	100	100
Al Kout Holdings Limited	Real estate	Jersey	100	100
Warba Tier 1 Sukuk Limited	Financial securities	Cayman Islands	100	100
Warba Tier 1 (2) Sukuk Limited	Financial securities	Cayman Islands	100	-
Warba Advisory Ltd.	Corporate Management Services	Cayman Islands	100	-

2.4.2 Financial instruments – initial recognition

2.4.2.1 Date of recognition

Financial assets and liabilities, with the exception of financing receivable and depositors' accounts, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Financing to customers are recognised when funds are transferred to the customers' accounts. The Group recognises depositors' accounts when funds are transferred to the Group.

2.4.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

2.4.2.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the investment income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.4.2.4 Determining the classification and measurement of financial assets and liabilities

The Group has determined the classification and measurement of its financial assets as follows:

- Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash on hand, non-restricted current accounts with central banks and placements with banks on demand or with an original maturity of three months or less.

- Placements with banks, Financing receivables, Financial investments at amortised cost

The Bank only measures placements with banks, financing receivables and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPP) on the principal amount outstanding

The details of these conditions are outlined below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.2 Financial instruments – initial recognition (continued)

2.4.2.4 Determining the classification and measurement of financial assets and liabilities (continued)

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- 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)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. 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 Bank's original expectations, the Bank 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.

The SPPP test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPP 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 (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, 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 payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPP test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit returns and foreign exchange gains and losses are recognised in profit or loss in the same manner as

for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI is explained below. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.2 Financial instruments – initial recognition (continued)

2.4.2.4 Determining the classification and measurement of financial assets and liabilities (continued)

- Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when 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.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities (and assets until 1 January 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

The liabilities (and assets until 1 January 2018 under IAS 39) contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

- Financial liabilities other than at fair value through profit or loss

These financial liabilities are subsequently measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective profit rate.

Due to banks and other financial institutions, depositors' accounts, sukuk issued and other liabilities are classified as "financial liabilities other than at fair value through profit or loss".

- Financial guarantees, letters of credit and undrawn loan commitments
- The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and from 1 January 2018 the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK.

The premium received is recognised in the consolidated statement of profit or loss in net fees and commission income on a straight line basis over the life of the guarantee.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.3 Financial instruments - Derecognition of financial assets and liabilities

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

De-recognition due to substantial modification or terms and conditions

The Group derecognises a financial asset, such as financing receivables, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new finance, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financing receivables are classified as Stage 1 for ECL measurement purposes, unless they are deemed to be credit impaired.

When assessing whether or not to derecognise a financing receivable, amongst others, the Group considers the following factors:

- Change in currency of the financing
- Introduction of an equity instrument feature
- Change in counterparty

If the modifications are such that, the instrument would no longer meet the SPPP criterion

If the modifications do not result in cash flows that are substantially different, they result in derecognition. Based on the change in cash flows discounted at original effective profit rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.4.4 Impairment of financial assets

2.4.4.1 Expected credit loss of financial assets under IFRS 9 according to the CBK guidelines

The Expected credit loss (ECL) model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI. The credit losses are based on ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since initial recognition. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the credit loss is based on the change in ECL over the life of the asset.

The Group measures ECL for financing receivables, non-cash credit facilities in the form of bank guarantees, letters of guarantee, documentary letters of credit, undrawn cash and non-cash credit facilities (revocable and irrevocable) (together "financing facilities"), placements with banks and investment in debt instruments measured at FVOCI.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.4 Impairment of financial assets (continued)

2.4.4.1 Expected credit loss of financial assets under IFRS 9 according to the CBK guidelines (continued)

The Group considers balances with the CBK and Sukuk issued by the CBK and the Government of Kuwait have low credit risk based on external credit ratings of the counterparties and hence ECL is considered negligible. Equity investments are not subject to ECL.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

The Group provides for credit losses on financing facilities according to the CBK guidelines and records the provision for impairment of financing facilities at the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Expected Credit Losses

The Group applies a three-stage approach to measure the ECL as described below:

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 a significant increase in credit risk since their initial recognition or on exposures 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: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances on financial assets determined as a credit impaired based on an objective evidence on impairment at an amount equal to lifetime ECL.

Lifetime ECL is ECL that result from all possible default events over the remaining expected life of a financial instrument. The 12 month ECL is the portion of lifetime expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both lifetime ECL and 12 month ECL are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

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. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as default or past due event

- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty
- The disappearance of an active market for a security because of financial difficulties
- Purchase of a financial asset at a deep discount that reflects the incurred credit loss

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.4 Impairment of financial assets (continued)

2.4.4.1 Expected credit loss of financial assets under IFRS 9 according to the CBK guidelines (continued)

Determining the stage of impairment (continued)

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

Measurement of ECL

ECL is the probability weighted estimate of credit losses and is measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macroeconomic scenarios as well as other factors.

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 for financial assets carried at amortised cost. In the case of debt instruments measured at FVOCI, the Group recognises the ECL charge in the consolidated statement of profit or loss and a corresponding amount is recognised in other comprehensive income with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position.

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 ECL. Relevant macro-economic 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, commodity price index and equity price index 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 ECL. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Multiple forward-looking scenarios

The Group determines its allowance for credit losses using four probability-weighted forward-looking scenarios. The Bank considers both internal and external sources of information and data in order to achieve an unbiased projections and forecasts. The Group prepares the scenarios using forecasts. The forecasts are created using internal and external models which are modified by Group as necessary to formulate a 'Baseline' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of two additional economic scenarios (Upturn, and Downturn) and consideration of the relative probabilities of each outcome.

The 'baseline' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4.4 Impairment of financial assets (continued)****2.4.4.1 Expected credit loss of financial assets under IFRS 9 according to the CBK guidelines (continued)****Renegotiated financing receivables**

In the event of a default, the Group seeks to restructure financing to customers rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. When the financing to customers has been renegotiated or modified but not derecognised, any impairment is measured using the original effective yield method as calculated before the modification of terms. Management continually reviews renegotiated financing to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk or the facility should be classified in stage 3.

2.4.4.2 Provisions for credit losses in accordance with the CBK instructions

The Group is required to calculate provisions for credit losses on financing receivables in accordance with the CBK instructions with respect to financing receivables and the calculation of provisions. Financing receivables are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A financing receivable is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired financing receivables are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

Minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable financing receivables (net of certain restricted categories of collateral) which are not subject to specific provisioning.

2.4.5 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

2.4.6 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis so as to realise the assets and liabilities simultaneously.

2.4.7 Derivative financial instruments and hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting

if it meets all of the following effectiveness requirements:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.7 Derivative financial instruments and hedge accounting (continued)

- There is 'an economic relationship' between the hedge item and the hedging instrument.
- The effect of the credit risk does not 'dominate the value changes' that result from that economic relationship; and

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges

The cash flow hedges hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, a highly probable transaction or foreign exchange risks within an unrecognised firm commitment.

In accordance with its wider risk management, it is the Group's strategy to apply cash flow hedge accounting to keep its profit rate and foreign currency revaluation fluctuations within its established limits. Applying cash flow hedge accounting enables the Group to reduce the cash flow fluctuations arising from foreign exchange and profit rate risk on an instrument or group of instruments, or to hedge profit rate mismatches on a portfolio level from its floating liabilities including future issuances. From an accounting point of view, a cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future profit payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects the statement of profit or loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit or loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the consolidated statement of profit or loss.

To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk (e.g., changes in the forward exchange rates or profit rate risk).

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges, described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

IBOR reform Phase 1 requires that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

2.4.8 Investments in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint ventures are accounted for using the equity method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.8 Investments in joint venture (continued)

Under the equity method, the investment in joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the joint ventures are prepared with three months gap from the reporting period of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4.9 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer using appropriate valuation techniques.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.4.10 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss as incurred.

Land is not depreciated. Depreciation of other property and equipment items is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings 20-40 years
- Furniture, fixtures and equipment 3-5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.10 Property and equipment (continued)

An item of property, and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.4.11 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses

no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.4.12 End of service indemnity

The Group provides for end of service benefits to all of its employees as per the Kuwaiti Labor Law. The entitlement to the benefits is based upon the employee's final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.13 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Fee and commission income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, and other management and advisory fees.

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Finance and similar income

Finance and similar income includes income from Wakala, Murabaha and Ijara investments and is calculated using both the EIR method and other methods.

Dividend income

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

Net investment income

Net investment income includes all gains and losses from changes in fair value and dividends. This includes any ineffectiveness recorded on hedging transactions.

2.4.14 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.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.4.15 Foreign currency translation

Functional and presentational currency

The consolidated financial statements are presented in KD. For each entity in the group, the Bank determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.15 Foreign currency translation (continued)

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to foreign exchange gain/(loss) in the consolidated statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Group companies

On consolidation, the assets and liabilities in foreign operations are translated into KD at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations, and are translated at the closing rate of exchange.

2.4.16 Taxation

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19/2000 and the Ministry of Finance resolution No. 24/2006 at 2.5% of taxable profit for the year. As per the law, cash dividends from listed companies which are subjected to NLST has to be deducted from the profit for the year.

Provision of Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

Contribution to Zakat is calculated at 1% of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

2.4.17 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue 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, products and services, classes of customers where appropriate are aggregated and reported as reportable segments.

2.4.18 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement in provision for impairment and credit losses.

2.4.19 Contingent assets and liabilities

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

2.4.20 Fiduciary assets

The Group provides fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.21 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.4.22 Sukuk issued

Sukuk issued are financial liabilities and are initially recognised at their fair value being the issue proceeds net of transaction costs and are subsequently measured at their amortised cost using the effective profit rate method.

2.4.23 Leases

The Group assesses at contract 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.

2.4.23.1 Group as a lessee

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.

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 remeasurement 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. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are subject to impairment in line with the Group's policy as described in Note 2.4.11 - Impairment of non-financial assets.

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 (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 the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2.4.23.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and 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.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

2.5.1 Significant judgments

Consolidation of wholly owned special purpose vehicles

A wholly owned special purpose vehicle is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group consolidates the structured entities that it controls, as explained in Note 2.4.1. When making this judgement, the Group also considers voting and similar rights available to itself and other parties, who may limit the Group's ability to control, including rights to appoint, reassign or remove members of the structured entity's key management personnel who have the ability to direct the relevant activities.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the consolidated financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 23.

Hedge accounting

The Group's hedge accounting policies include an element of judgement and estimation. Estimates of future profit rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships.

Classification of financial assets

The Group determines the classification of financial assets 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 profit.

Classification of property

Management decides on acquisition of a real estate property whether it should be classified as investment property or property and equipment. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation or for an undetermined future use.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.5.1 Significant judgments (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee

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 several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

2.5.2 Estimation uncertainty

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 also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investment in joint ventures

Investment in joint ventures are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the joint ventures less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the joint venture in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Expected credit losses of financial instruments – as per IFRS 9 according to the CBK guidelines

The Group's ECL calculations are outputs of complex model with a number of underlying assumptions regarding the choice of variable inputs and their dependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

The Group's internal credit rating model, which assigns PDs to the individual grades;

- The Group's criterion for assessing if there has been a significant increase in credit risk so allowances for financial assets should be measured on a lifetime ECL basis and qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including various formulas and choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs; and Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group has the policy to regularly review its model in the context of actual loss experience and adjust when necessary.

Impairment losses on financing receivables – as per CBK guidelines

The Group reviews its financing receivables on a regular basis to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. 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.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**2.5.2 Estimation uncertainty (continued)**

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 8.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates.

3. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2021 KD'000	2020 KD'000
Cash	5,486	11,708
Current account with the CBK	59,779	90,396
Current accounts with commercial banks	14,591	8,895
Total cash and bank balances	79,856	110,999
Placements with the CBK whose original maturity is within 3 months	141,542	74,044
Placements with banks whose original maturity is within 3 months	264,068	257,990
Total cash and cash equivalents	485,466	443,033

Placements with banks represent placements with reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

4 .FINANCING RECEIVABLES

Financing receivables mainly comprise of facilities extended to the customers of the Group in the form of Murabaha and Ijara contracts. Wherever necessary, financing receivables are secured by acceptable forms of collateral to mitigate the related credit risk.

	2021 KD'000	2020 KD'000
Murabaha receivables	2,215,919	2,252,388
Ijara receivables	403,955	356,061
Wakala receivables	38,768	39,856
Others	15,842	14,631
Less: deferred profit	(133,840)	(123,394)
Financing receivables before provision for impairment	2,540,644	2,539,542
Less: Provision for impairment as per CBK guidelines	(67,128)	(42,176)
	2,473,516	2,497,366

Further analysis of financing receivables, net of deferred profit, based on customer type is given below:

	2021 KD'000	2020 KD'000
Corporate	1,496,214	1,576,475
Individuals	1,044,430	963,067
Financing receivables before provision for impairment	2,540,644	2,539,542
Less: Provision for impairment as per CBK guidelines	(67,128)	(42,176)
	2,473,516	2,497,366

Movement in provision for impairment as per CBK instructions is as follows:

	31 December 2021		
	Specific provision KD'000	General provision KD'000	Total KD'000
Cash facilities			
As at 1 January 2021	2,487	39,689	42,176
Provision charged during the year	14,689	19,399	34,088
Written off balances during the year	(9,119)	-	(9,119)
Foreign currency movement	-	(17)	(17)
At 31 December 2021	8,057	59,071	67,128
Non-cash facilities			
As at 1 January 2021	3,634	809	4,443
Provision charged during the year	8,478	77	8,555
Foreign currency movement	-	-	-
At 31 December 2021	12,112	886	12,998

4. FINANCING RECEIVABLES (continued)

	31 December 2021		
	Specific provision KD'000	General provision KD'000	Total KD'000
Total facilities			
As at 1 January 2021	6,121	40,498	46,619
Provision charged during the year (Note 16)	23,167	19,476	42,643
Written off balances during the year	(9,119)	-	(9,119)
Foreign currency movement	-	(17)	(17)
At 31 December 2021	20,169	59,957	80,126
	31 December 2020		
	Specific provision KD'000	General provision KD'000	Total KD'000
Cash facilities			
As at 1 January 2020	14,591	28,564	43,155
Provision charged during the year	37,102	11,169	48,271
Written off balances during the year	(48,797)	-	(48,797)
Foreign currency movement	(409)	(44)	(453)
At 31 December 2020	2,487	39,689	42,176
Non-cash facilities			
As at 1 January 2020	5,275	809	6,084
Provision charged during the year	(1,641)	-	(1,641)
Foreign currency movement	-	-	-
At 31 December 2020	3,634	809	4,443
Total facilities			
As at 1 January 2020	19,866	29,373	49,239
Provision charged during the year (Note 16)	35,461	11,169	46,630
Written off balances during the year	(48,797)	-	(48,797)
Foreign currency movement	(409)	(44)	(453)
At 31 December 2020	6,121	40,498	46,619

The available provision balance on non-cash facilities of KD 12,998 thousand (2020: KD 4,443 thousand) is included under other liabilities.

An analysis of the carrying amounts of financing receivables, and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations.

	As at 31 December 2021			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
Financing receivables				
High	1,016,667	72,994	-	1,089,661
Standard	1,114,773	109,525	-	1,224,298
Past due or impaired	132,307	58,675	35,703	226,685
	2,263,747	241,194	35,703	2,540,644

4. FINANCING RECEIVABLES (continued)

	As at 31 December 2020			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
Financing receivables				
High	614,874	10,480	-	625,354
Standard	1,773,153	63,235	-	1,836,388
Past due or impaired	33,158	4,241	40,401	77,800
	2,421,185	77,956	40,401	2,539,542

An analysis of the changes in the Expected Credit Losses in relation to financing receivables (cash facilities) computed under IFRS 9 in accordance to the CBK guidelines:

	For the year ended 31 December 2021			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
ECL allowance as at 1 January 2021	22,138	3,641	5,027	30,806
Transfer from Stage 1	(1,672)	1,597	75	-
Transfer from Stage 2	323	(960)	637	-
Transfer from Stage 3	767	2	(769)	-
(Reversal) additional ECL for the year	(335)	5,128	18,431	23,224
Amounts written off	-	-	(9,119)	(9,119)
At 31 December 2021	21,221	9,408	14,282	44,911

	For the year ended 31 December 2020			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
ECL allowance as at 1 January 2020	9,085	3,018	18,485	30,588
Transfer from Stage 1	(92)	24	68	-
Transfer from Stage 2	609	(789)	180	-
Transfer from Stage 3	287	7	(294)	-
Additional ECL for the year	12,249	1,381	(12,732)	898
Amounts written off	-	-	(679)	(679)
At 31 December 2020	22,138	3,641	5,028	30,807

An analysis of the carrying amounts of contingent liabilities and commitments, the amounts in the table represent the amounts committed or guaranteed (Non-cash facilities), and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations:

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Non-cash facilities				
High	65,303	4,935	-	70,238
Standard	89,729	32,301	-	122,030
Past due or impaired	-	-	3,858	3,858
	155,032	37,236	3,858	196,126

4. FINANCING RECEIVABLES (continued)

	As at 31 December 2020			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
Non-cash facilities				
High	50,675	1,951	-	52,626
Standard	87,842	22,239	-	110,081
Past due or impaired	-	-	3,691	3,691
	138,517	24,190	3,691	166,398

An analysis of the changes in the Expected Credit Losses in relation to non-cash facilities computed under IFRS 9 in accordance to the CBK guidelines:

	For the year ended 31 December 2021			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL allowance as at 1 January 2021	4,022	2,079	3,707	9,808
Transfer from Stage 1	(204)	195	9	-
Transfer from Stage 2	-	(11)	11	-
Transfer from Stage 3	5	-	(5)	-
(Reversal) additional ECL for the year	(1,019)	907	132	20
At 31 December 2021	2,804	3,170	3,854	9,828

	For the year ended 31 December 2020			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL allowance as at 1 January 2020	3,857	960	5,583	10,400
Transfer from Stage 2	9	(9)	-	-
Transfer from Stage 3	1	-	(1)	-
Additional ECL (reversal) for the year	155	1,128	(1,876)	(593)
At 31 December 2020	4,022	2,079	3,706	9,807

As at 31 December 2021, the expected credit losses calculated as per IFRS 9 according to the CBK guidelines amounted to KD 54,739 thousand, which is less than provisions computed as required by the CBK guidelines amounting to KD 80,126 thousand.

As at 31 December 2020, the expected credit losses calculated as per IFRS 9 according to the CBK guidelines amounted to KD 40,614 thousand, which is less than provisions computed as required by the CBK guidelines amounting to KD 46,619 thousand.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 KD'000	2020 KD'000
Quoted equity instruments	16,898	15,580
Funds (unquoted)	94,021	57,792
Other securities (unquoted)	17,979	17,557
	128,898	90,929

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques are presented in Note 23.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 KD'000	2020 KD'000
Quoted Sukuk	258,140	225,209
Unquoted Sukuk	-	6,303
Unquoted equity instruments	5,613	5,538
	263,753	237,050

During the year ended 31 December 2021, the management has performed a review of the financial assets at fair value through other comprehensive income to assess the ECL. Based on the assessment, the management has recognised ECL of KD 16,610 thousand (2020: a reversal of ECL of KD 979 thousand) in the consolidated statement of profit or loss for the year (Note 16).

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques are presented in Note 23.

Investments in debt instruments are subject to ECL. An analysis of changes in the gross carrying amount and the corresponding ECL in relation to investment in debt instruments is as follows:

	31 December 2021			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
Gross carrying amount as at 1 January 2021	222,227	9,180	105	231,512
New assets purchased (payments and assets derecognised during the year), net	25,103	17,325	(16,573)	25,855
Transfer between stages	(23,414)	6,946	16,468	-
Foreign exchange adjustments	158	615	-	773
At 31 December 2021	224,074	34,066	-	258,140

	31 December 2021			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
ECL allowance as at 1 January 2021	552	56	48	656
Impact due to purchase/de-recognition	190	225	-	415
Impact on year end ECL of exposures transferred between stages during the year	(5,241)	(11,365)	16,606	-
Re-measurement of ECL	4,802	11,441	(48)	16,195
At 31 December 2021	303	357	16,606	17,266

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

	31 December 2020			
	Stage 1 KD'000	Stage 2 KD'000	Stage KD'000	Total KD'000
Gross carrying amount as at 1 January 2020	313,546	4,011	-	317,557
New assets purchased (payments and assets derecognised during the year), net	(89,563)	-	-	(89,563)
Transfer between stages	(5,280)	5,175	105	-
Foreign exchange adjustments	3,524	(6)	-	3,518
At 31 December 2020	222,227	9,180	105	231,512

	31 December 2020			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
ECL allowance as at 1 January 2020	1,526	109	-	1,635
Impact due to purchase/de-recognition	(462)	(53)	-	(515)
Impact on year end ECL of exposures transferred between stages during the year	(48)	-	48	-
Re-measurement of ECL	(464)	-	-	(464)
At 31 December 2020	552	56	48	656

7. INVESTMENT IN JOINT VENTURES

The Group's interest in joint ventures is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint ventures, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2021 KD'000	2020 KD'000
As at 1 January	108,240	91,007
Net (disposals) additions	(15,386)	13,084
Share of results (Note 14)	27,012	8,536
Distributions received	(14,328)	(5,388)
Foreign currency translation adjustment	(647)	1,001
As at 31 December	104,891	108,240

7. INVESTMENT IN JOINT VENTURES (continued)

The following table illustrates summarised financial information of the Group's investment in the joint ventures:

	2021 KD'000	2020 KD'000
Summarised statement of financial position of the joint ventures:		
Current assets	4,576	4,389
Non-current assets	100,353	103,903
Current liabilities	(38)	(52)
Equity	104,891	108,240
Group's share in equity	104,891	108,240
Group's carrying amount of the investment	104,891	108,240
Summarised statement of profit or loss of the joint ventures:		
Revenue	27,743	8,682
Administrative and other expenses	(731)	(146)
Profit for the year (continuing operations)	27,012	8,536
Group's share of profit for the year	27,012	8,536

The joint ventures had no capital commitments as at 31 December 2021 (2020: KD Nil) and no contingent liabilities as at 31 December 2021 and 2020.

8. INVESTMENT PROPERTIES

	2021 KD'000	2020 KD'000
	KD'000	KD'000
Opening balance at 1 January	30,039	20,798
Reclassification from property and equipment	-	13,165
Sale during the year	(11,290)	(5,233)
Fair value adjustment to investment properties (Note 14)	(171)	941
Foreign currency translation adjustment	137	368
Closing balance at 31 December	18,715	30,039

The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decrease of KD 171 thousand compared to its carrying values as at 31 December 2021 (2020: increase of KD 941 thousand).

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

8. INVESTMENT PROPERTIES (continued)

The fair value of the investment properties is classified as a level 2 fair value since no significant adjustments need to be made to the prices obtained from the local markets.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

	2021 KD'000	2020 KD'000
Rental income derived from investment properties	690	1,082
Direct operating expenses	(114)	(221)
Net rental income arising from investment properties (Note 14)	576	861

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

9. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions represents deposits received from banks and other financial institutions under Wakala and Murabaha contracts.

10. DEPOSITORS' ACCOUNTS

Depositors' accounts of the Group comprise of the following:

- Non-investment deposits in the form of current accounts
These deposits are not entitled to any profits nor do they bear any risk of loss as the Group guarantees to pay the related balances on demand. Accordingly, these deposits are considered Qard Hasan from depositors to the Group.
- Investment deposits
These include Mudaraba, Murabaha and Wakala deposits, which have fixed maturity as specified in the term of the contract except for investment saving accounts which are valid for an unlimited period.

11. SUKUK ISSUED

On 24 September 2019, the Bank completed the series 1 issue of unsecured Sukuk (senior debt) amounting to US\$ 500 million with a tenor of up to 5 years maturing on 24 September 2024. Such sukuk has a fixed coupon rate of 2.982% per annum, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin) and NASDAQ Dubai.

On 17 June 2020, the Bank completed the issuance of an unsecured Sukuk (senior debt) amounting to KD 150 million with a tenor of up to 5 years maturing on 17 June 2025. Such sukuk has a coupon rate of 1% per annum over the CBK discount rate, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin).

12. EQUITY

Share capital and share premium

The extraordinary general assembly meeting (EGM) of the shareholders of the Bank held on 3 November 2021 approved an increase in the authorised, issued and paid share capital by 26.984% by offering 425,000 thousand rights shares for subscription to the Bank's shareholders for 195 fils per share (each share has a par value of 100 fils and a premium of 95 fils). The increase in share capital has been registered in the commercial register on 14 December 2021 with registration number 334402. Accordingly, the authorised, issued and fully paid-up share capital at 31 December 2021 amounted to KD 200,000 thousand (31 December 2020: KD 157,500 thousand) and comprises of 2,000,000 thousand shares (31 December 2020: 1,575,000 thousand shares) of a par value of 100 fils each.

12. EQUITY (continued)

Share capital and share premium (continued)

During the prior year, extraordinary general meeting (EGM) of the Bank's shareholders held on 27 April 2020 approved the increase of the Bank's authorised, issued, and fully paid share capital by issuing 75,000 thousand bonus shares at 5% of the authorised and paid-up share capital (i.e. 5 shares for each 100 shares) amounting to KD 7,500 thousand to the shareholders registered in the Bank's records as at the end of the record date scheduled on 4 June 2020.

The ordinary general assembly meeting (AGM) of the Bank's shareholders held on 30 March 2021 approved the board of directors' recommendation not to distribute dividends for the year ended 31 December 2020 (2019: 5% bonus issue).

Statutory reserve

In accordance with the Companies' Law, and the Bank's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Directors' remunerations shall be transferred to the statutory reserve. The Annual General Assembly of the Bank may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

An amount of KD 1,679 thousand was transferred to the statutory reserve during the year ended 31 December 2021. No transfer has been made to the statutory reserve during the prior year ended 31 December 2020 due to accumulated losses.

Voluntary reserve

In accordance with the Bank's Articles of Association and Memorandum of Incorporation, a percentage is deducted for voluntary reserve based on proposal of the Board of Directors and subject to approval of the Annual General Assembly. Such transfers may be discontinued by a resolution of the ordinary general assembly upon a proposal by the Board of Directors and the CBK approval.

In accordance with the Companies' Law, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Directors' remuneration, is eligible to be transferred to the voluntary reserve by a resolution of the Annual General Assembly upon a proposal by the Board of Directors in order to accumulate a voluntary reserve allocated for purposes specified by the Annual General Assembly.

Based on the proposal of the Board of Directors, no transfers have been made to the voluntary reserve in the current and prior year.

13. PERPETUAL TIER 1 SUKUK

Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The net proceeds of Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as Mudareb), on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. At the Bank's sole discretion, it may elect not to make any Mudaraba distributions expected and in such event, the Mudaraba profit will not be accumulated and the event is not considered an event of default.

On 14 March 2017, the Bank, through a Sharia compliant Sukuk arrangement, issued Tier 1 Sukuk amounting to USD 250 million. The Tier 1 Sukuk is listed on the Irish Stock Exchange and NASDAQ Dubai and callable by the Bank after five-year period ending 14 March 2022 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions. Such Sukuk bears a profit rate of 6.5% per annum to be paid semi-annually in arrears until the First Call Date. After that, the expected profit rate will be reset based on then prevailing 5 years U.S Mid Swap Rate plus initial margin of 4.374% per annum. The Bank made profit payments during the year on 15 March and 14 September 2021.

13. PERPETUAL TIER 1 SUKUK (continued)

The Tier 1 Sukuk issued in 2017 were redeemed partially on 29 November 2021 through a tender buy-back amounting to USD 101.9 million at a price of 101.42% of their nominal value. Premium paid on the tender buy-back along with the foreign exchange translation were recorded in the consolidated statement of changes in equity for the year.

On 29 November 2021, the Bank, through a Sharia compliant Sukuk arrangement, issued Tier 1 Sukuk amounting to USD 250 million. The Tier 1 Sukuk is listed on the Irish Stock Exchange and NASDAQ Dubai and callable by the Bank after five-year period ending 26 November 2026 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions. Such Sukuk bears a profit rate of 4% per annum to be paid semi-annually in arrears until the First Call Date. After that, the expected profit rate will be reset based on the prevailing 5 years U.S Mid Swap Rate plus initial margin of 2.748% per annum.

14. NET INVESTMENT INCOME

	2021 KD'000	2020 KD'000
Realised gain on sale of debt instruments at fair value through other comprehensive income	351	7,903
Realised gain on sale of financial assets at fair value through profit or loss	(1)	2,100
Share of results of investment in joint ventures (Note 7)	27,012	8,536
Dividend income	4,145	2,132
Net rental income from investment properties (Note 8)	576	861
Gain on sale of investment property	2,604	2,045
Fair value adjustment to financial assets at fair value through profit or loss	12,175	1,154
Fair value adjustment to investment properties (Note 8)	(171)	941
Gain on sale of a joint venture	2,329	-
Other investment income	602	580
	49,622	26,252

15. NET FEES AND COMMISSION INCOME

Net fees and commission income includes financing syndication fees earned on the successful completion of syndicated deals by the Group amounting to KD 1,815 thousand (2020: KD 1,491 thousand).

16. PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

	2021 KD'000	2020 KD'000
Provision for (Reversal of) expected credit losses for investments in Sukuk (Note 6)	16,610	(979)
Reversal of expected credit losses for placements with banks	(60)	(64)
Provision for impairment as per CBK guidelines on credit facilities (Note 4)	42,643	46,630
Impairment on other assets	564	1,051
	59,757	46,638

17. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2021	2020 (Restated)
Net profit for the year (KD'000)	15,964	5,634
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	(5,769)	(4,981)
	10,195	653
Weighted average number of shares outstanding ('000)	1,692,686	1,675,810
Basic and diluted EPS (fils)	6.02	0.39

The comparative basic and diluted earnings per share have been restated as a result of the shares issued to the shareholders of the Bank.

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this consolidated financial statements which would require the restatement of EPS.

18. RELATED PARTY DISCLOSURES

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Balances with related parties arise from commercial transactions in the normal course of business on terms approved by the management.

18.1. Remuneration of the Bank's key management personnel:

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 Related Party Disclosures.

	2021 KD'000	2020 KD'000
Salaries and benefits	3,413	1,874
End of service benefits	193	196
Directors' remuneration*	514	94
	4,120	2,164

* Directors' remuneration includes special compensation for additional contributions related to participation in the executive committees in accordance with board of directors' decisions.

Board of directors' remuneration for the year ended 31 December 2021 is subject to the approval of the annual general assembly meeting (AGM).

The AGM of the shareholders of the Bank held on 30 March 2021 approved directors' remuneration for the year ended 31 December 2020 amounting to KD 63 thousand.

18.2. Transactions with Bank's key management personnel and board of directors' members:

The Bank enters into transactions, arrangements and agreements involving senior management, board of directors' members, and their controlled business, or close family members, in the ordinary course of business under the same commercial and market terms, profit and commission rates that apply to non-related parties.

18. RELATED PARTY DISCLOSURES (continued)**18.2. Transactions with Bank's key management personnel and board of directors' members (continued):**

The following table shows the total amount of transactions, which have been entered into with key management personnel and board of directors' members for the relevant financial year which are included in the consolidated statement of financial position:

	2021 KD'000	2020 KD'000
Financing facilities	1,994	1,480
Credit cards	5	8
Depositors' accounts	6,471	1,613

The transactions with related parties included under the contingent liabilities are as follows:

	2021 KD'000	2020 KD'000
Letter of guarantees	4	4

18.3. Transactions with major shareholders and other related parties:

The number of the board members and executive officers is, as follows:

	2021	2020
Financing facilities	6	6
Credit cards	3	8
Depositors' accounts	48	50
Letter of guarantees	1	1

The transactions with related parties which are included in the consolidated statement of profit or loss are, as follows:

	2021 KD'000	2020 KD'000
Placements and finance income	60	73
Finance costs and distributions to depositors	193	74

In addition to transactions with key management personnel and board of directors' members, the Bank enters into transactions with major shareholders and other entities which the Bank has direct or indirect control, including common control, joint control and significant influence.

Balances recorded in the consolidated statement of financial position are as follows:

	Outstanding balances as at		
	Major shareholders KD'000	Other related parties KD'000	Total 31 December 2021 KD'000
Depositors' accounts	493,873	481	494,354

18. RELATED PARTY DISCLOSURES (continued)**18.3. Transactions with major shareholders and other related parties (continued):**

	Outstanding balances as at		
	Major shareholders KD'000	Other related parties KD'000	Total 31 December 2020 KD'000
Depositors' accounts	552,054	279	552,333

The number of major shareholders and other related parties is as follows:

	No. of major shareholders	No. of other related parties
2021		
Depositors' accounts	2	36
2020		
Depositors' accounts	2	30

Transactions with related parties recorded in the consolidated statement of profit or loss are as follows:

	Transactions values during the year ended		
	Major shareholders KD'000	Other related parties KD'000	Total 31 December 2021 KD'000
Finance costs and distributions to Depositors	4,605	-	4,605

	Transactions values during the year ended		
	Major shareholders KD'000	Other related parties KD'000	Total 31 December 2020 KD'000
Finance costs and distributions to Depositors	10,677	-	10,677

Outstanding balances at year-end are in the ordinary course of business. The profit rates charged to, and by, related parties are at normal commercial rates. Except for guarantees of KD 4 thousand received for related party receivables, there are no guarantees provided for related party payables during the year ended 31 December 2021 (2020: KD 2,764 thousand).

19. COMMITMENTS AND CONTINGENT LIABILITIES

	2021 KD'000	2020 KD'000
Acceptances and letters of credit	52,259	38,751
Letter of guarantees	143,867	127,647
Contingent liabilities	196,126	166,398
Capital commitments	113,063	104,668

19. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

As at 31 December 2021, irrevocable commitments to extend credit amounted to KD 19,671 thousand (2020: KD 15,093 thousand). These include commitments to extend credit which are irrevocable over the life of the facility or are revocable only in response to a material adverse change.

These credit commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Credit losses, if any, which may result from exposure to such commitments are not expected to be significant.

20. RISK MANAGEMENT

Risk is inherent in all activities of the Group and is managed through a process of ongoing identification, measurement, mitigation and monitoring, subject to risk appetite limits and other controls. This process of risk management is critical to the Group's financial health and continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group has exposure to the following risks from financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

In addition, there are other risk types that need to be monitored and controlled. This note presents information about the Group's exposure to each of the risks, the Group's framework of policies, models and quantification techniques and processes for identifying, measuring, mitigating, monitoring and managing risk, and the management of Group's capital.

This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating and business risks.

20.1 Risk management structure

Board of Directors

The Board of Directors (the 'Board') has overall responsibility for the establishment and oversight of Risk Management function. The Board has established a Board Risk Committee (the 'BRC') comprising of members from the Board, to set the framework and monitor the Bank's Risks and Control related requirements covering all risk types like credit, market, liquidity risks and operational risk. The Board Risk Committee is assisted in these functions by the Chief Risk Officer.

The Board has also established a Board Audit Committee (the 'BAC'), as required by the Central Bank of Kuwait, which, amongst other functions, is also required to monitor adherence with the Group's Risk Management principles, policies and procedures, and for reviewing the adequacy of the Risk Management framework. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

Risk Management Group

An independent Risk Management Group headed by the Chief Risk Officer (the 'CRO') reports to the BRC, responsible for enterprise-wide risks, to assist the Board of Directors and BRC in carrying out the risk oversight responsibility.

Risk management policies are established to identify, quantify, control, mitigate, and analyse the risks faced by the Group to set appropriate risk limits and controls and to monitor risks and ensure adherence to the risk appetite limits. Risk management policies and systems are subject to review regularly, on an ongoing basis, to reflect changes in economic environment, market conditions, products and services offered by the Group.

20. RISK MANAGEMENT (continued)

20.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail or delay to discharge an obligation and cause the other party to incur a financial loss. This includes the risk of decline in the credit standing of the customer. While such decline does not imply default, it increases the probability of the customer defaulting. Financial instruments that create credit risk include financing receivables and commitments to extend credit and investment in debt instruments (i.e. Sukuk).

For risk management control purposes, the Group considers and consolidates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk in one measure about the riskiness of an exposure.

Credit risk management

The Group's Board has approved Financing and Investment policies for various business groups and investment asset types. The Board has also approved the Executive Credit and Investment Committee (the 'ECIC') Charter, which is empowered for initial screening of proposals and approval within its delegated authorities. The Board has also constituted the Board Credit and Investment Committee (the 'BCIC') which by virtue of its Charter, is the next level of authority which provides guiding principles and approves the various financing and investment proposals on behalf of the Board of the Group.

The Risk Management Group provides independent opinion and assessment of risk for every financing and investment proposal presented to the approving authorities for decision making.

The Group manages its credit facilities portfolio with the objective of ensuring that it is well diversified and it earns a level of return commensurate with the risks it assumes, at the same time, seeks to ensure the quality of the credit portfolio.

In addition, the Group endeavors to manage the credit exposure by obtaining collateral where appropriate and limiting the tenor of exposure or structures that are beneficial to the overall risk profile of the Group's credit risk exposure.

As required by the CBK, the Group has established a Provisioning Committee, at the executive level which is primarily responsible for the study and evaluation of the existing credit facilities and investments of the Group, to identify any abnormal situations and difficulties associated with a customer's position which may require the exposure to be classified as irregular, and to determine an appropriate provisioning required for impaired/ potential impairment of assets and investments.

Assessment of expected credit losses

Definition of default and cure

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as transferring collateral (if any is held); or
 - the borrower is past due more than 90 days on any material credit obligation to the Group; or
- borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes

Any credit impaired or stressed facility that has been restructured during the year would also be considered as in default. The Group considers externally-rated exposures with ratings 'D' for S&P and Fitch, and 'C' for Moody's as defaulted.

The Group considers a variety of indicators that may indicate unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

breaches of covenants

borrower having past due liabilities to public creditors or employees

borrower is deceased

20. RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

Assessment of expected credit losses (continued)

Significant increase in credit risk

The Group continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess whether there has been a significant increase in credit risk since initial recognition. The Group applies a consistent quantitative criterion for internally and externally rated portfolio to assess significant increase in credit risk.

Internal rating and Probability of Default (PD) estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses Moody's CreditLens (MC) as its internal credit-rating engine. The MC tool provides the ability to analyse a business and produce risk ratings. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The standard requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The through the cycle (TTC) PDs are generated from MC based on the internal/external credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioural scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the Behavioural scorecard.

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 Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Sensitivity

The weighting of the multiple scenarios increased bank's reported allowance for credit losses for financing receivables in Stage 1 and Stage 2, relative to our base case scenario, to KD 30,629 thousand (2020: KD 25,779 thousand) from KD 28,378 thousand (2020: KD 22,858 thousand). If the Bank were to use only downside case scenario for the measurement of allowance for credit losses for financing receivables, allowance for credit losses on performing financing receivables would be KD 45,823 thousand higher than the reported allowance for credit losses as at 31 December 2021. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

Under current probability-weighted scenarios, if all performing financing receivables were in Stage 1, reflecting a 12-month expected loss period, the allowance for credit losses would be KD 25,035 thousand (2020: KD 25,005 thousand) lower than the reported allowance for credit losses on financing receivables.

20. RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

Maximum exposure to credit risk without taking account of any collateral

The following table summarises the maximum exposure to credit risk for the components of the consolidated statement of financial position, including off-consolidated statement of financial position items. The maximum exposure is shown net of impairment, before the effect of mitigation through the use of master netting and collateral agreements, where applicable.

	Net maximum exposure	
	2021 KD'000	2020 KD'000
Balances with banks	74,370	99,291
Placements with banks and the CBK	437,043	357,897
Financing receivables	2,473,516	2,497,366
Financial assets at fair value through other comprehensive income (investment in Sukuk)	258,140	231,512
Other assets	14,362	12,254
	3,257,431	3,198,320
Acceptances and letters of credit	52,035	38,557
Letter of guarantees	131,093	123,398
Total	183,128	161,955
Total credit risk exposure	3,440,559	3,360,275

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could give rise in the future as a result of changes in value.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region or exposed to similar economic environment that would cause their ability to meet contractual obligations and be similarly impacted by changes in economic, political and/or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting similarly connected counterparties.

The maximum credit exposure to a single counterparty as at 31 December 2021 amounted to KD 81,976 thousand (2020: KD 75,748 thousand) before taking account of collateral.

Risk concentrations of the maximum exposure to credit risk

Geographical and industry sector concentrations of financial assets and off-consolidated statement of financial position items are as follows:

	2021		2020	
	Financial assets KD'000	Off-balance sheet items KD'000	Financial assets KD'000	Off-balance sheet items ^a KD'000
Geographic region:				
Kuwait	2,536,876	153,196	2,485,780	131,229
Other Middle East	605,153	6,222	608,823	6,601
Rest of the World	115,402	23,710	103,717	24,125
	3,257,431	183,128	3,198,320	161,955

20. RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

	2021		2020	
	Financial assets KD'000	Off-balance sheet items KD'000	Financial assets KD'000	Off-balance sheet items KD'000
Industry sector:				
Banks and other financial institutions	877,267	17,538	780,818	12,101
Construction and Real Estate	979,958	84,572	1,059,812	84,781
Trading and Manufacturing	419,825	64,497	425,276	51,347
Personal	504,138	-	443,557	-
Services	203,039	15,695	279,840	13,655
Other	273,204	826	209,017	71
	3,257,431	183,128	3,198,320	161,955

Credit risk mitigation

Credit risk mitigation techniques that the Group is permitted to use are obtaining collateral where appropriate and limiting the tenor of exposure or structures that are beneficial to the Group's management of risks to an exposure.

Credit quality of financial instruments

For the year ended 31 December 2021, the Group classified the various credit risk exposure which are neither past due nor impaired into two categories of credit quality as under:

High quality: Credit exposures where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low-to-moderate. These include exposures to entities with financial strength and risk factors indicative of capacity to repay all contractual obligations, and those exposures that are significantly collateralized with tangible securities.

Standard quality: All other exposures whose payment performance is fully compliant with contractual conditions and which are not impaired.

The tables below show the credit quality of assets by class and grade before deducting the provision for impairment.

	Neither past due nor impaired		Past due or impaired	Total KD'000
	High quality KD'000	Standard quality KD'000	KD'000	
2021				
Balances with banks	74,370	-	-	74,370
Placements with banks and the CBK	409,471	27,706	-	437,177
Financing receivables	844,294	1,472,603	223,747	2,540,644
Financial assets at fair value through other comprehensive income (investment in Sukuk)	151,526	106,614	-	258,140
Other assets	12,871	800	1,869	15,540
	1,492,532	1,607,723	225,616	3,325,871

20. RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

Credit quality of financial instruments (continued)

	Neither past due nor impaired		Past due or impaired	Total KD'000
	High quality KD'000	Standard quality KD'000	KD'000	
2020				
Balances with banks	99,291	-	-	99,291
Placements with banks and the CBK	358,092	-	-	358,092
Financing receivables	1,982,409	488,181	68,952	2,539,542
Financial assets at fair value through other comprehensive income (investment in Sukuk)	162,326	69,081	105	231,512
Other assets	10,586	1,738	1,100	13,424
	<u>2,612,704</u>	<u>559,000</u>	<u>70,157</u>	<u>3,241,861</u>

Disclosure of credit quality and the maximum exposure for credit risk of financing receivables per categories based on the Bank's internal credit rating system and year-end stage classification are further disclosed in Note 4.

Ageing analysis of past due but not impaired finance facilities by class of financial assets:

	Less than 30 days KD'000	31 to 60 days KD'000	61 to 90 days KD'000	Total KD'000
2021				
Financing receivables	<u>189,572</u>	<u>4,964</u>	<u>1,734</u>	<u>196,270</u>
2020				
Financing receivables	<u>40,186</u>	<u>1,917</u>	<u>1,104</u>	<u>43,207</u>

Collaterals

The amount and type of collaterals required depends on an assessment of the credit risk of the counterparty. Guidelines initiated by the Bank's risk management and credit committee are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the fair value of collateral and requests additional collateral in accordance with the underlying agreements when necessary.

The fair value of collateral that the Bank holds relating to past due or impaired finance facilities as at 31 December 2021 was KD 253,046 thousand (2020: KD 87,027 thousand). The collaterals consist of cash, securities, sukuk, letters of guarantee, real estate assets and other forms of collateral.

20.3 Market risk

Market risk emanates from the process of fair value or future cash flows of a financial instrument which fluctuates due to changes in market prices. Market risk may arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

Market risk management

The Risk Management Group is responsible for development of detailed Market Risk Management framework and for the periodic review of their implementation, while it is the responsibility of the Treasury function to proactively manage and control market risk generated from various market positions in investments, financial instruments and over-the-counter deals.

20. RISK MANAGEMENT (continued)

20.3. Market risk (continued)

Market risk management (continued)

The market risk framework comprises of the following elements:

- Limits for all market risk parameters and regular limits monitoring to ensure that Group does not exceed aggregate risk and concentration parameters set by the CBK limits and internal limits;
- Mark-to-market valuation based on independently published market data, and continuous review of all open positions; and
- Measuring Value-at-Risk for market sensitive positions and monitoring the same against established limits

The Group is required to comply with the guidelines and regulations of the CBK. The Market Risk policies and procedures and the market risk limits are periodically set and reviewed to ensure the implementation of the Group's market risk appetite.

20.3.1. Profit rate risk

Profit rate risk arises from the changes in profit rates affecting future cash flows or the fair value of the underlying financial exposure or instrument. The Group is susceptible to profit rate risk as value of Group's fixed income investments and/ or return on financing are inversely proportional to movement in market rates. Moreover, change in profit rates might also impact Group's net earnings or earnings spread. The Group is not exposed to significant profit rate risk.

20.3.2. Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate financial exposures when profit rates fall. Due to the contractual terms of its Islamic products, the Group is not significantly exposed to prepayment risk.

20.3.3. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is susceptible to currency risk as the Group's base currency is KD and all foreign currencies are revalued against KD. Any long or short open position in any currency exposes the Group to currency risk.

Currency risk is managed on the basis of limits determined by the CBK and a continuous assessment of the Group's open positions and current and expected exchange rate movements.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the KD, with all other variables held constant, on profit or loss and equity (due to changes in fair value and foreign currency translation recognised in OCI).

Currency	2021			2020		
	Change in currency rate	Effect on profit or loss	Effect on equity	Change in currency rate	Effect on profit or loss	Effect on equity
	%	KD'000	KD'000	%	KD'000	KD'000
USD	±1	(3,760)	1,806	±1	(1,880)	903
EUR	±1	(265)	204	±1	(132)	102
GBP	±1	(371)	388	±1	(186)	194

20.3.4. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of change in the levels of equity prices and/or indices and the value of individual stocks.

20. RISK MANAGEMENT (continued)

20.3 Market risk (continued)

Market risk management (continued)

20.3.4. Equity price risk (continued)

The Group conducts sensitivity analysis on regular intervals in order to assess the potential impact of any material change in fair value of listed equity instruments. For such investments, a five percent increase in stock prices as at 31 December 2021 would have increased equity by KD 845 thousand (2020: KD 779 thousand). An equal change in the opposite direction would have had equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

20.4 Liquidity risk

Liquidity risk arises when the Group may be unable to meet its obligations associated with its financial liabilities. Liquidity risk can be caused by market disruptions, credit downgrades or market perception, which may cause certain sources of funding to dry up immediately. To limit this risk, the Group has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of High Quality Liquid Assets (HQLA) which could be used to secure additional funding and liquidity if and when required. The Group has in place a Contingency Funding Plan (CFP) to ensure required action is implemented in the event of any liquidity contingencies. ALCO is responsible for invoking the CFP.

Liquidity risk management

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Risk Management Group and Treasury monitor the Group's liquidity profile daily and take appropriate steps, if required. The Group's liquidity profile is monitored on daily basis; overall assets and liabilities as well as for KD and foreign currencies (FCY), on the Group's position in terms of Statutory Liquidity Ratio (SLR) as well as Lending to Deposit Ratio (LDR) and Liquidity Coverage Rate (LCR). Treasury co-ordinates with all business groups, details of projected cash flows required or arising from potential ensuing business opportunities.

Treasury is required to maintain a portfolio of short-term liquid assets, largely made up of short-term high-quality liquid investment securities and availability of inter-bank lines at short notice, to ensure that sufficient liquidity is maintained with the Group. Treasury's liquidity management is performed with most optimisation, taking into account the maturity gaps. The daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering the mild and more severe market conditions. All liquidity policies are subject to review by the ALCO and approved by the BRC. Periodic liquidity profile report, including any exceptions and remedial action required/taken, is reviewed by the ALCO. The Group is governed by the liquidity limits and maturity ladder profile as mandated by the CBK regulations and the CBK approved limits.

The next table summarizes the maturity profile of the Group's assets and liabilities. The maturity profile of the assets and liabilities at the year-end are based on contractual repayment arrangement with the exception of some investments which are bucketed as per the CBK criteria.

20. RISK MANAGEMENT (continued)

20.4 Liquidity risk (continued)

Liquidity risk management (continued)

The maturity profile of assets and liabilities as at 31 December is as follows:

2021	Within 3 months KD'000	3 to 6 months KD'000	6 to 12 months KD'000	Over 1 year KD'000	Total KD'000
Assets					
Cash and balances with banks	79,856	-	-	-	79,856
Placements with banks and the CBK	437,043	-	-	-	437,043
Financing receivables	1,483,906	433,112	65,906	490,592	2,473,516
Financial assets at fair value through profit or loss	-	-	-	128,898	128,898
Financial assets at fair value through other comprehensive income	4,933	24,738	1,657	232,425	263,753
Investments in joint ventures	-	-	-	104,891	104,891
Investment properties	-	-	-	18,715	18,715
Other assets	14,205	1,034	145	40,214	55,598
Property and equipment	-	-	-	17,942	17,942
	2,019,943	458,884	67,708	1,033,677	3,580,212
Liabilities					
Due to banks and other financial institutions	358,599	45,363	48,011	60,598	512,571
Depositors' accounts	1,489,677	465,290	306,010	27,941	2,288,918
Sukuk issued	-	-	-	302,024	302,024
Other liabilities	44,024	-	-	16,876	60,900
	1,892,300	510,653	354,021	407,439	3,164,413
2020	Within 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets					
Cash and balances with banks	110,999	-	-	-	110,999
Placements with banks and the CBK	357,897	-	-	-	357,897
Financing receivables	1,441,008	498,314	125,253	432,791	2,497,366
Financial assets at fair value through profit or loss	-	-	-	90,929	90,929
Financial assets at fair value through other comprehensive income	7,600	3,200	10,268	215,982	237,050
Investments in joint ventures	-	-	-	108,240	108,240
Investment properties	-	-	-	30,039	30,039
Other assets	4,728	2,443	187	15,716	23,074
Property and equipment	-	-	-	19,660	19,660
	1,922,232	503,957	135,708	913,357	3,475,254
Liabilities					
Due to banks and other financial institutions	289,510	53,507	22,163	129,175	494,355
Depositors' accounts	1,503,677	395,128	431,209	23,440	2,353,454
Sukuk issued	-	-	-	302,429	302,429
Other liabilities	37,210	-	-	7,712	44,922
	1,830,397	448,635	453,372	462,756	3,195,160

20. RISK MANAGEMENT (continued)

20.4 Liquidity risk (continued)

Liquidity risk management (continued)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Within 3 months KD'000	3 to 6 months KD'000	6 to 12 months KD'000	Over 1 year KD'000	Total KD'000
2021					
Due to banks and other financial institutions	290,592	45,666	48,382	129,193	513,833
Depositors' accounts	1,556,821	414,532	309,367	30,700	2,311,420
Sukuk issued	-	151,880	-	173,838	325,718
Other liabilities	44,024	-	-	16,876	60,900
	1,891,437	612,078	357,749	350,607	3,211,871
2020					
Due to banks and other financial institutions	289,857	53,900	22,320	129,341	495,418
Depositors' accounts	1,508,540	429,517	403,885	28,360	2,370,302
Sukuk issued	-	-	-	326,149	326,149
Other liabilities	37,210	-	-	7,712	44,922
	1,835,607	483,417	426,205	491,562	3,236,791

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments:

	Within 3 months KD'000	3 to 12 months KD'000	Over 1 year KD'000	Total KD'000
2021				
Acceptances and letters of credit	32,277	15,458	4,524	52,259
Letter of guarantees	38,952	40,540	64,375	143,867
Capital commitments	-	113,063	-	113,063
	71,229	169,061	68,899	309,189
	Within 3 months KD'000	3 to 12 months KD'000	Over 1 year KD'000	Total KD'000
2020				
Acceptances and letters of credit	25,425	11,426	1,900	38,751
Letter of guarantees	26,138	37,957	63,552	127,647
Capital commitments	-	104,668	-	104,668
	51,563	154,051	65,452	271,066

20. RISK MANAGEMENT (continued)

20.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, systems failure, human error, or from external events. When controls fail to perform, it can have legal or regulatory implications, or lead to a financial or reputational loss.

Management of operational risk

The Group has a set of policies approved by the Board and are applied to identify, assess and supervise operational risk in addition to other types of risk relating to the banking and financial activities of the Group. Suitable operational risk procedures have been agreed with various groups and departments of the Group and implemented for effectively reporting, monitoring and controlling operational risks.

Operational risk is managed under the Risk Management Group. This group ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall prudent and robust Risk Management Framework.

The Group manages operational risks in line with the CBK instructions regarding "General Guidelines for Internal Control Systems" and directives regarding "Sound Practices for the Management and Control of Operational Risks".

The Group has established its Business Continuity Management ("BCM") policy to meet any internal or external failures and eventualities enabling smooth functioning of the Group's operations.

The Group has established a Disaster Recovery ("DR") site for its IT infrastructure, and ensures that the operational risks from any potential disruption do not adversely impact the banking business. The Group pays special attention to operational risks that may arise from non-compliance to Sharia principles and any possible failure in fiduciary responsibilities.

21. SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operating segments meet the criteria for reportable segments and are as follows:

- **Corporate** - comprising of range of banking services and investment products to corporate customers, in addition to providing commodity and real estate Murabaha finance and Ijara facilities.
- **Retail** - comprising of a diversified range of products and services to individual customers. The range includes consumer finance, credit cards, deposits and other branch related services.
- **Treasury** - comprising of Bank's funding operations management, local and international Murabaha and other Islamic financing primarily with banks and financial institutions.
- **Investment** - comprising of investment in direct equity, real estate investment and other investments.
- **Other** - comprising of cost center assets and expenses.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The following table presents operating income, results for the year and total assets information regarding the Group's reportable segments.

	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
2021						
Operating income	42,853	15,938	138	48,425	-	107,354
Net profit (loss)	142	5,532	(292)	29,763	(19,181)	15,964
Total assets	1,968,675	518,131	682,637	360,404	50,365	3,580,212
Total liabilities	564,368	909,001	1,643,084	-	47,960	3,164,413

21. SEGMENT INFORMATION (continued)

	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
2020						
Operating income	39,679	14,165	3,355	21,595	-	78,794
Net (loss) profit	(8,165)	4,294	3,094	20,810	(14,399)	5,634
Total assets	2,053,066	444,300	620,464	314,691	42,733	3,475,254
Total liabilities	514,070	707,016	1,929,152	-	44,922	3,195,160

22 . CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value with appropriate risk level.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may review the amount of dividend payment to shareholders or issue capital securities.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management and governed by guidelines of Basel Committee on Banking Supervision as adopted by the CBK.

The Group follows Basel III regulations and the Group's regulatory capital and capital adequacy ratios for the year ended 31 December 2021 are calculated in accordance with the CBK Circular number 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2021 KD'000	2020 KD'000
Risk weighted assets	2,081,752	1,843,972
Capital required	218,584	193,617
Capital available		
Common equity Tier 1 "CET1" capital	302,573	214,457
Additional Tier 1 perpetual Sukuk	121,270	76,363
Total Tier 1 capital	423,843	290,820
Total Tier 2 capital	24,308	21,592
Total capital available	448,151	312,412
CET1 capital adequacy ratio: common equity	14.53%	11.63%
Total Tier 1 capital adequacy ratio	20.36%	15.77%
Total capital adequacy ratio	21.53%	16.94%

22. CAPITAL MANAGEMENT (continued)

The Group's financial leverage ratio for the year ended 31 December 2021 is calculated in accordance with the CBK Circular number 2/I.B.S. 343/2014 dated 21 October 2014 and its amendments and is shown below:

	2021 KD'000	2020 KD'000
Tier 1 capital	423,843	290,820
Total exposure	3,865,164	3,675,938
Financial leverage ratio	10.97%	7.91%

The disclosure relating to the capital adequacy regulations issued by the CBK as stipulated in the CBK Circular number 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments and disclosures related to financial leverage ratio as stipulated in the CBK Circular number 2/I.B.S. 343/2014 dated 21 October 2014 and its amendments are included under the 'Risk Management' section in the annual report.

23. FAIR VALUE MEASUREMENT 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. Financial instruments comprise financial assets and financial liabilities.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in an active market for identical assets and 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: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

2021	Fair value measurement			
	Total KD'000	Quoted prices in active markets (Level 1) KD'000	Significant observable inputs (Level 2) KD'000	Significant unobservable inputs (Level 3) KD'000
	KD'000	KD'000	KD'000	KD'000
Assets measured at fair value				
Financial assets at FVTPL				
Quoted equity instruments	16,898	16,898	-	-
Funds (unquoted)	94,021	-	-	94,021
Other securities (unquoted)	17,979	-	-	17,979
	<u>128,898</u>	<u>16,898</u>	<u>-</u>	<u>112,000</u>
Financial assets at FVOCI				
Quoted Sukuk				
- Sovereign Sukuk	189,553	189,553	-	-
- Corporate Sukuk	68,587	68,587	-	-
	<u>258,140</u>	<u>258,140</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk				
Unquoted equity instruments	5,613	-	-	5,613
	<u>263,753</u>	<u>258,140</u>	<u>-</u>	<u>5,613</u>

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

2020	Fair value measurement			
	Total KD'000	Quoted prices in active markets (Level 1) KD'000	Significant observable inputs (Level 2) KD'000	Significant unobservable inputs (Level 3) KD'000
Assets measured at fair value				
Financial assets at FVTPL				
Quoted equity instruments	15,580	15,580	-	-
Funds (unquoted)	57,792	-	-	57,792
Other securities (unquoted)	17,557	-	-	17,557
	<u>90,929</u>	<u>15,580</u>	<u>-</u>	<u>75,349</u>
Financial assets at FVOCI				
Quoted Sukuk				
- Sovereign Sukuk	160,834	160,834	-	-
- Corporate Sukuk	64,375	64,375	-	-
	<u>225,209</u>	<u>225,209</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk				
Unquoted equity instruments	6,303	-	-	6,303
	<u>5,538</u>	<u>-</u>	<u>-</u>	<u>5,538</u>
	<u>237,050</u>	<u>225,209</u>	<u>-</u>	<u>11,841</u>

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets.

	At 1 January 2021 KD'000	Additions KD'000	Sales/ redemptions KD'000	Change in fair value KD'000	Exchange rate movements KD'000	At 31 December 2021 KD'000
Financial assets at FVTPL						
Funds (unquoted)	57,792	34,086	(6,660)	9,340	(537)	94,021
Other securities (unquoted)	17,557	1,153	-	(683)	(48)	17,979
	<u>75,349</u>	<u>35,239</u>	<u>(6,660)</u>	<u>8,657</u>	<u>(585)</u>	<u>112,000</u>
Financial assets at FVOCI						
Unquoted Sukuk	6,303	-	(6,014)	(237)	(52)	-
Unquoted equity instruments	5,538	30	-	45	-	5,613
	<u>11,841</u>	<u>30</u>	<u>(6,014)</u>	<u>(192)</u>	<u>(52)</u>	<u>5,613</u>

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Movements in Level 3 financial instruments measured at fair value (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets.

	At 1 January 2020 KD'000	Additions KD'000	Sales/ redemptions KD'000	Change in fair value KD'000	Exchange rate movements KD'000	At 31 December 2020 KD'000
Financial assets at FVTPL						
Funds (unquoted)	35,267	33,306	(10,568)	(99)	(114)	57,792
Other securities (unquoted)	13,092	4,451	(52)	(47)	113	17,557
	<u>48,359</u>	<u>37,757</u>	<u>(10,620)</u>	<u>(146)</u>	<u>(1)</u>	<u>75,349</u>
Financial assets at FVOCI						
Unquoted Sukuk	6,398	-	-	(99)	4	6,303
Unquoted equity instruments	5,505	-	-	33	-	5,538
	<u>11,903</u>	<u>-</u>	<u>-</u>	<u>(66)</u>	<u>4</u>	<u>11,841</u>

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020.

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair value as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates.

24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial instruments that derive their value by referring to profit rates, foreign exchange rates, index of prices or rates and credit rating or credit index. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivative financial instruments are carried at fair value in the consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counter parties of replacing all their transactions with the Group.

The Group deals in forward foreign exchange ("Islamic derivative financial instruments") to mitigate foreign currency risk. The forward foreign exchange contracts are being used for hedging purpose.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted on the over the counter market and are settled on a gross basis.

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below shows the positive and negative fair values of these instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of currency swap instruments' underlying asset, reference rate or index and is the basis upon which changes in the value of these instruments are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	KD		
	Positive fair value	Negative fair value	Notional amount
31 December 2021			
Forward contracts	-	(40)	9,064

	KD		
	Positive fair value	Negative fair value	Notional amount
31 December 2020			
Forward contracts	-	-	-

All derivative contracts are fair valued based on observable market inputs and are classified as level 1.

25. IMPACT OF COVID-19

The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide have launched extensive responses designed to mitigate the severe consequences of the pandemic.

Covid-19 support measures

In 2020, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sectors ability to play a vital role in the economy. Those measures are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2020.

2021 consumer and other instalments financing deferral scheme

Kuwait banks announced postponement of payment of consumer and instalment financing to eligible customer, upon request, in accordance with the CBK circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. (2) of Law No. (3) of 2021 ("the Law") regarding the deferral of the financial obligations for a six-month period with cancellation of profits resulting from this deferral ("the 2021 scheme"). The cost of the instalment deferrals are fully borne and funded by the Government of Kuwait in accordance with the Law.

The Bank implemented the 2021 scheme by postponing the instalments for a six-month period from the customer request date with the corresponding extension of the facility tenure. The instalment deferral resulted in a loss to the Bank arising from the modification of contractual cash-flows, provisionally estimated at KD 9,013 thousand in accordance with IFRS 9. The modification loss arising from the moratorium is funded by the Government under the 2021 scheme hence treated as a government grant in accordance with IAS 20. Consequently, the modification losses were offset by an equivalent amount of grant income reimbursable by the Government of Kuwait. The grant receivable is included in other assets in the consolidated statement of financial position as at 31 December 2021.

Expected Credit Loss (ECL) estimates

The Group considered the potential impact of the uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the year ended 31 December 2021, making adjustments to macroeconomic variables as appropriate. The Group has also given specific consideration to the impact of COVID-19 on the relevant qualitative and quantitative factors when determining any significant increase in credit risk (SICR) and in assessing indicators of impairment for exposures to potentially affected sectors.

25. IMPACT OF COVID-19 (continued)

Expected Credit Loss (ECL) estimates (continued)

Notwithstanding the above, the ECL requirement for credit facilities estimated as at 31 December 2021 continues to be lower than the provisions required as per CBK instructions. In accordance with Group accounting policy, the higher amount, being the provision required as per CBK instructions, is therefore recognised as the provision requirement for credit losses on credit facilities.

Other impacts

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets however remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.

Warba's Elite for Q4 2021

The Doers



The Team Players



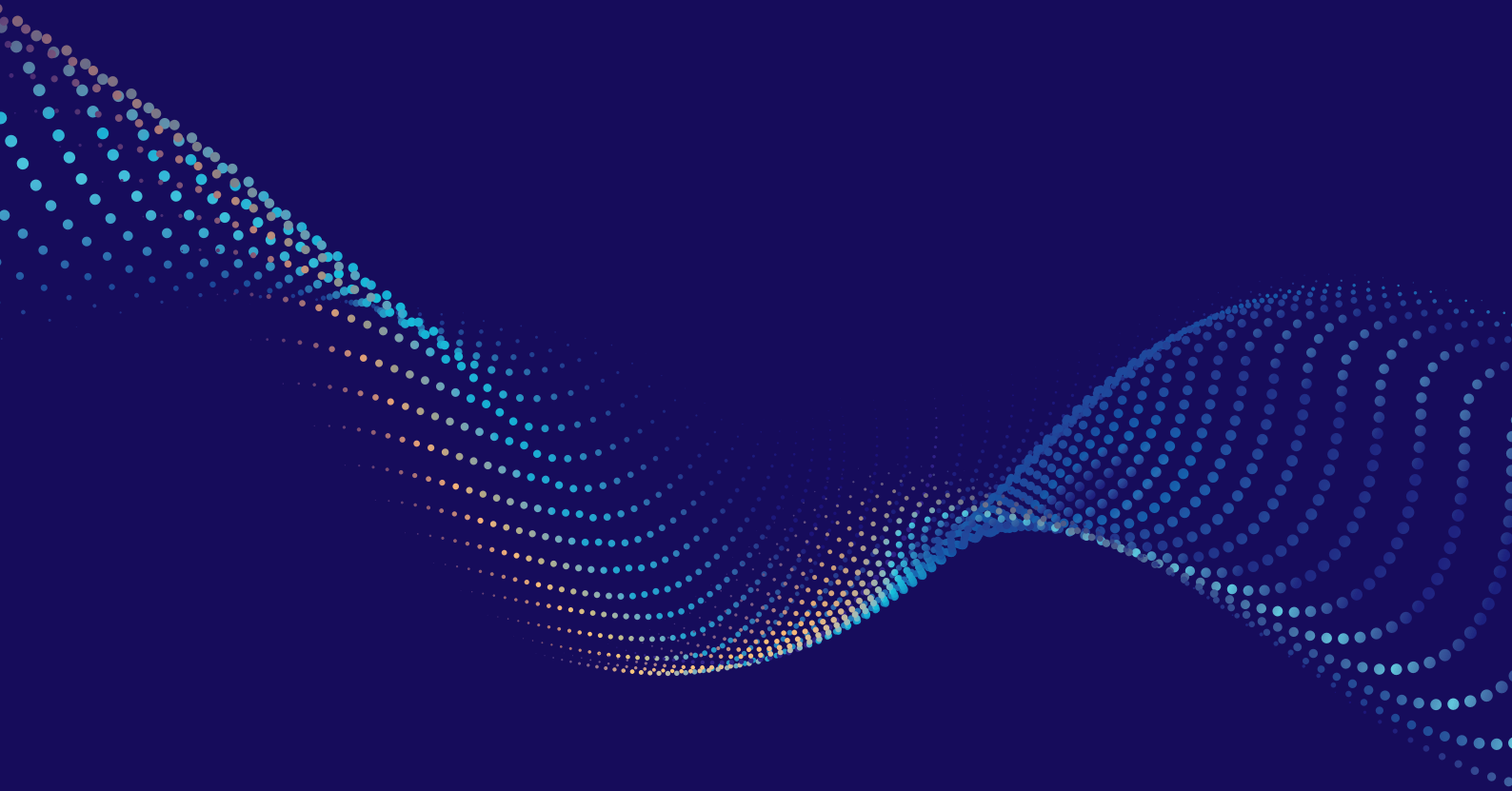
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