



# WARBA BANK ANNUAL REPORT 2023

COMMITTED TOWARDS  
A SUSTAINABLE TOMORROW

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  
**MISHAL AL-AHMAD AL-JABER AL-SABAH**  
THE AMIR OF THE STATE OF KUWAIT



H.H. SHEIKH  
**DR. MUHAMMAD SABAH AL-SALEM AL-SABAH**  
THE PRIME MINISTER OF THE STATE OF KUWAIT

إِنَّا لِلَّهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

We belong to Allah and to Him we shall return



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

1937-2023

“ On behalf of the members of the Board of Directors, the Executive Management, and all employees of Warba Bank, we extend our deepest condolences to the Arab and Islamic nations, to the people of Kuwait, the esteemed government, and the honorable Al-Sabah family, for the death of, His Highness, the late Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Amir of the State of Kuwait.

We ask Allah Almighty to bless the great deceased with His mercy and forgiveness, and to reside him in Jannah with the moral and the righteous of poeple, and to reward him with the best reward for what he gave to his homeland and nation, and to inspire the honorable ruling family and the Kuwaiti people with patience and comfort.

”

Hamad Musaed Al-Sayer  
Chairman

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# PROFILE, PURPOSE, VISION, MISSION AND VALUES

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## 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. At Warba Bank, we are committed to conducting business in adherence with the principles of Islamic Sharia. We prioritize digital banking products and services and take pride in being pioneers in this field. Our goal is to provide our valued customers with everything they need and more to meet their requirements and exceed their expectations.



## PURPOSE

Contributing to people, businesses, and society by empowering them to achieve their ambitions.



## VISION

Creating unique value in banking and beyond to unlock opportunities for people and businesses.



## MISSION

We deliver the best experience for our customers beyond the boundaries of banking, preserving our uniqueness and nurturing top talents while creating sustainable value for our shareholders and society.



## VALUES



### TRUST

We focus on our customers to gain their trust and serve their needs in the best possible way.



### INNOVATION

We continue to innovate in order to always improve the experience of our customers.



### PERFORMANCE

We aim to excel at execution and are confident to overcome any challenges.



### COLLABORATION

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



### AMBITION

We have the drive and enthusiasm to continuously surpass.

# CHAIRMAN'S MESSAGE

**Praise be to God, Lord of the universe, and blessing and peace be upon the best of all Messengers, our prophet Muhammad, his family, and his companions.**

**Dear Valued Shareholders,**

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

On behalf of myself and esteemed colleagues on the Board of Directors, executive management, and the dedicated staff of Warba Bank, it is with great pleasure that I present to you the Annual Report of Warba Bank for the year 2023. This comprehensive report encapsulates financial data, offering a succinct overview of the bank's activities throughout the year. It underscores remarkable achievements across various levels, instilling a sense of pride in us and marking a significant milestone in our ongoing growth and expansion journey year after year.

These achievements, by the grace of Allah foremost and ultimately, and through the concerted and complete efforts, began with a precise strategic vision. They were then overseen and executed with sincerity and excellence by the management, whose aim was not merely to achieve but to crown these achievements with goodness that Allah accepts, and which all commend

## **Growth of All Financial Indicators**

As we conclude the fiscal year 2023, Warba Bank proudly stands at the forefront, showcasing a commendable performance marked by strategic acumen and a robust foundation. Continuing the progress we have witnessed, with growth in earnings per share to achieve an increase at the end of 2023 of 12.4% as a result of a vision that was carefully formulated, studied, and implemented.

Our net profits have reached an unprecedented peak, totaling 19.68 million Kuwait Dinars, surpassing the 19.29 million achieved in 2022. Earnings per share stand at 8.05 Fils for 2023, compared to 7.16 Fils in 2022.

This remarkable financial upswing, amid intensified competition within the banking sector, is a direct result of the trust and confidence of our esteemed shareholders and valued customers in Warba Bank. It is a testament to the concerted efforts and dedication exhibited by our entire team, consistently striving to deliver exceptional service and innovative solutions—an ethos ingrained since the initiation of our strategic plan in 2022.



Our holistic efforts have yielded tangible results, evidenced by robust growth across key financial indicators. We have sustained stellar performance in return on assets, return on shareholders' equity, expense management, and profit maximization. Our proactive planning has enhanced asset quality indicators and bolstered coverage rates for non-performing loans.

Moreover, total assets have witnessed a robust surge, reaching 4.8 billion Kuwait Dinars, reflecting a growth rate of 15%. Operating revenues have similarly experienced an upswing, totaling 245 million Kuwait Dinars, representing a growth rate of 53%. This financial prowess has attracted a greater clientele and investor interest and led to a notable increase in customer deposits, reaching 2.9 billion Kuwait Dinars in 2023—a growth rate of 9%, surpassing figures from the preceding year.

Financial indicators underscore our positive trajectory. The total value of ownership rights in the bank has ascended to 391 million Kuwait Dinars, marking an increase from 17 million Kuwait Dinars in 2022. Our contributions extend beyond these metrics, actively shaping the economic landscape by supporting ambitious projects that align with customer visions, resulting in a surge in the financing portfolio to 3.5 billion Kuwait Dinars. This surge has been reflected in a growth rate of 10%, in harmony with the expanding customer base.

In terms of market shares, the overall market share in local financing has seen a 0.7% increase, resulting from the increase in Warba Bank corporate financing of 1.02.

It is noteworthy to highlight that Warba Bank's achievements transcend numerical milestones. We have successfully fortified our capital base, with the capital adequacy ratio increasing from 16.94% at the end of 2022 to 16.98% at the end of 2023.

Building on our outstanding financial performance in 2023, the Board of Directors recommended distributing 12.4 million Kuwait Dinars bonus shares, representing 6% of the nominal value (i.e. 6 shares for every 100 shares).

#### Our Human Resources

More than just employees, Warba Bank's human capital is one of its most essential assets. This is not surprising since we are very aware that Warba Bank's advancement is closely linked to the advancement of its employees. As such, we are proud of our meticulous selection of employees who are geared with extensive knowledge, experience, proficiency, and creativity, allowing them to adapt and respond to everyday challenges and situations. Their competence mirrors the bank's proficiency, and their distinction embodies Warba Bank's continuous strive for excellence.

Recognizing the importance of the key roles that our employees play in our success in serving you, we have adopted an approach and vision that has necessitated a form of leadership that seeks to merge the daring enthusiasm of youth with our long history of experience and sagacity. This hybridity preserves a form of equilibrium, allowing Warba Bank to always be open to new horizons and in step with every stride forward.

Warba Bank has, therefore, diligently pursued its talent development plan, striking a balanced approach between recruitment and nurturing national talents, with a rate surpassing 83.5%, thus fulfilling its role in contributing significantly to the national economy.

Warba Bank continues to be a leading entity in offering job opportunities to Kuwaiti citizens, attracting and developing national talents, with a high percentage of Kuwaiti hires in recent years, most of whom are recent graduates.

Moreover, at Warba Bank, we've gone beyond by implementing a comprehensive job rotation plan. This initiative directs Kuwaitis to take up middle and executive management positions, aligning with our commitment to nationalizing our workforce. This effort has not only made Warba Bank an appealing working environment for Kuwaiti youth seeking a competitive edge in the broader private sector and, more specifically, the banking industry, but it has also provided an expansive, limitless platform for creative and innovative talents.

#### Strategic Partnerships

Traditionally, Warba Bank places great importance on sports and youth activities, promoting them to school students across various educational stages. Since Warba Bank strongly believes in a sound mind in a healthy body, we have strategically partnered with the Kuwait School Sports Federation and Higher Education to sponsor the School League for 2023/2024. This initiative encourages sports as a healthy lifestyle, instilling in our student community the values of healthy competition and nurturing athletic talent within this age group.

#### Technological Investment

Since its inception, Warba Bank has firmly believed in technological investment, considering it the most strategic gateway to a future filled with vast, valuable opportunities. Given that technology is undeniably the future, defining the landscape for businesses in general and the banking sector specifically, Warba Bank launched an augmented reality campaign, "Warba World", as part of its bold digital transformation and innovation plan. Warba Bank pioneered this unique initiative in the marketing realm, making it the first of its kind in Kuwait. This initiative, which stems from a belief in our societal responsibility to offer everything we can to the community, provides a localized contextual touch to educate the community, both customers and non-customers, on financial matters through simplified Q&A materials.

#### Distinctive Services for Individuals

Forming an integral part of its identity built between its customers and investors, Warba Bank stands out with a myriad of banking services and products. The rapid progress and development in our current day and age compel us to be consistently in the position of leaders rather than followers, to establish our identity and distinctive mark in everything we offer. Year after year, we have proved to be one of the most distinguished Kuwaiti banking institutions in customer service.

This is evident in how, after studying new customer segments and categorizing them based on shared interests and hobbies, Warba Bank introduced Kuwait's first "Game Edition" prepaid card for E-Sports. This card is designed for a new customer segment unified by a common hobby and particular interest and is proof that we at Warba Bank are committed to continually seeking innovative services and unique products in the banking market.

#### Quality Initiatives

Warba Bank is more than just a bank; it is a life partner for its clients and a societal partner for the community. Its responsibility extends beyond the borders of its clients to encompass all members of society. At Warba Bank, we strive to go beyond merely our banking operations. In an active effort to be of service to the community, Warba Bank has been actively adopting qualitative societal initiatives that progress our society, advance our community, and facilitate people's lives.

Among the qualitative initiatives embraced by Warba Bank, in collaboration with strategic partners, include:

- "Saad" E-Learning Application: Warba Bank partnered with the "Saad" e-learning application to launch the first-of-its-kind electronic Quran competition in Kuwait titled "Qurra' Warba." The Warba Bank's team collaborated with the team from "Saad" app to utilize the latest methods and technologies in e-learning. The competition aimed to provide a high-tech competitive environment with a contemporary touch under the supervision of a selected group of authorized Quranic memorizers and specialized educational supervisors.
- Plastic Caps Collection at the Gulf University for Science and Technology: Warba Bank sponsored an initiative at the Gulf University for Science and Technology to collect plastic Bottle caps. The initiative aimed to raise awareness about sustainability, the danger of these materials to the environment, and the importance of recycling. The bank sponsored this initiative, where university students collected over 90,000 plastic caps, forming the word "Kuwait", earning a place in the Guinness World Records.
- "Let's Be Aware" Campaign: Warba Bank actively participates in the "Let's Be Aware" campaign in collaboration with the Central Bank of Kuwait and the Kuwait Banking Association. This campaign, which serves as a preventative measure to protect individuals and their finances, involves monthly activities to increase awareness in the community about electronic fraud by educating and alerting them about the latest developments.

#### Thanks and Appreciation

We also extend our congratulations to His Highness the Amir Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, on assuming the reins of leadership, pledging allegiance to him in hearing and obedience. We ask God to grant him good health, well-being, guidance, and wisdom in counsel and governance, and may God direct his steps to continue the journey initiated by the noble rulers of Al-Sabah family, a journey that aims to fulfill the hopes and aspirations of the loyal people of Kuwait, achieving further progress and prosperity under his esteemed leadership.

Our sincere gratitude goes to all Central Bank of Kuwait officials, led by His Excellency Mr. Basel Al-Haroun, who has dedicated a substantial amount of time and effort to making critical decisions to support and develop the Kuwait banking system. We also thank all regulatory bodies and partners for their continuous and dedicated efforts.

To the valued contributors of Warba Bank, our esteemed clients, you are our first and steadfast supporters, the reliable pillar upon which we lean to face all challenges that confront us to overcome them successfully. Your trust has been our driving force to succeed and serve you better. We express our heartfelt thanks and gratitude to you.

To the Fatwa and Sharia Supervisory Board members, your effort shines like the sun, and your opinions are the safe helm guiding our ship. May God illuminate your insights with correctness and guide your decisions with His wisdom. Our sincere thanks and appreciation to you.

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



**Hamad Musaed Al-Sayer**  
Chairman

# BOARD OF DIRECTORS



**MR. HAMAD MUSAED AL-SAYER**  
CHAIRMAN



**MR. BADER KHALID AL-SHALFAN**  
VICE CHAIRMAN



**MRS. BASMA HAMED AL-SANEA**  
BOARD MEMBER



**MR. KHALDOUN SHAKER AL-TABTABAEI**  
BOARD MEMBER



**MR. MUBARAK NASSER AL-SAYER**  
BOARD MEMBER



**MR. MOHAMMAD AHMAD AL-RUWAYEH**  
BOARD MEMBER



**MR. MOHAMED HAMED AL-SHALFAN**  
BOARD MEMBER



**MR. MOHAMED RIYAD AL-MUTAWA**  
BOARD MEMBER



**MR. MOHAMMAD ABDULREDHA SALEEM**  
BOARD MEMBER



**MR. MOHAMMAD ABDULAZIZ AL-BAHAR**  
BOARD MEMBER



**MS. MAY MOHALHAL AL MUDHAF**  
BOARD MEMBER

# SHARIA SUPERVISORY BOARD MEMBERS

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**SHEIKH DR. ISAM KHALAF AL-ENAZI**  
CHAIRMAN OF FSSB

Sheikh Dr. Isam Khalaf Al-Enazi is a faculty member at the Faculty of Sharia and Islamic Studies at Kuwait University. He holds a PhD in Islamic Jurisprudence from the University of Jordan and a master's degree in Islamic Sharia from Kuwait University.

He is a member of several prominent Sharia boards such as Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain Islamic Bank, Investment Dar (Previously), Boubyan Bank, Ahli United Bank, and Head of Sharia Supervisory Board at Warba Bank. Dr. Al-Enazi is one of the regular speakers in conferences and seminars focusing on both Islamic finance and Islamic jurisprudence. He has published numerous papers handling Islamic banking and finance - related issues.



**SHEIKH DR. MOHAMMAD OUD AL-FUZAI**  
MEMBER OF FSSB

Sheikh Dr. Mohammad Oud Al-Fuzai holds a PhD in Comparative Jurisprudence from the Faculty of Sharia and Law at Al-Azhar University. He is a member of the teaching staff at the Faculty of Sharia and Islamic Studies at Kuwait University. He is a member of Fatwa and Sharia Supervisory Boards of Zakat House, Boubyan Bank, and Warba Bank. He is a member of the Economic Committee of the Sharia Fatwa Board at the Ministry of Awqaf. He has many studies and researches about Sharia supervision on the activities of Islamic financial institutions.



**SHEIKH DR. ALI IBRAHIM AL- RASHED**  
MEMBER OF FSSB

Sheikh Dr. Ali Ibrahim Al-Rashed holds a PhD in Sharia (Cairo University - Arab Republic of Egypt), Member of the faculty in the College of Shariah - Kuwait University, Member of different Fatwa authorities in many Islamic investment institutions - inside and outside Kuwait, Member of the Shariah Committee in Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), a member of the Fatwa and Shari'a Supervisory Board at Boubyan Bank, Ahli United Bank, and Warba Bank, and has many researches in the field of Islamic finance.

# SHARIA SUPERVISORY BOARD REPORT

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## REPORT OF FATWA AND SHARIA SUPERVISORY BOARD FOR THE FISCAL YEAR ENDING ON 31/12/2023

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 31/12/2023. 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 31/12/2023, 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 31/12/2023, SSB held 17 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. Isam Khalaf Al-Enazi  
Chairman of FSSB



Sheikh  
Dr. Mohammad Oud Al-Fuzaie  
Member of FSSB



Sheikh  
Dr. Ali Ibrahim Al- Rashed  
Member of FSSB

إِنَّا لِلَّهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

We belong to Allah and to Him we shall return



**MR. DHARAR ABDULLAH AL-DAKHIL**  
CHIEF RISK OFFICER

**1977-2023**

“ As we come together to wrap up the final moments of 2023, celebrating a year marked by achievements and fulfilled goals in a world constantly undergoing rapid changes and where team spirit and strong resilience are essential, we are saddened to announce the passing of our dear brother and kind-hearted colleague, Dharar Abdullah Dakhil Al-Dakhil, Chief Risk Officer at Warba Bank.

Dharar departed on December 13, 2023, at the young age of 46, leaving behind a professional legacy marked by commitment and high values. His impact is unforgettable for those who had the privilege of working and interacting with him.

Today, we carry the weight of his absence, cherishing his memory and asking Allah to forgive Dharar and grant him paradise. Our heartfelt condolences go out to his family, with prayers that Allah gives them strength and patience during this difficult time.

Dharar's name and achievements will forever serve as a guiding light in our journey and mission, a compass pointing toward our core values. May Allah grant us the strength to bear this loss with patience and grant Dharar a place among the righteous in paradise.

In the cycle of life, we come from Allah, and unto Him, we shall ultimately return. ”

**With our deepest condolence,  
The Warba Bank Family**

# EXECUTIVE MANAGEMENT



**MR. SHAHEEN HAMAD AL-GHANEM**  
CHIEF EXECUTIVE OFFICER



**MR. ANWAR BADER AL-GHAITH**  
DEPUTY CHIEF EXECUTIVE OFFICER  
SUPPORT SERVICES & TREASURY



**MR. AHMAD FAISAL AL-GATAMI**  
CHIEF RETAIL BANKING OFFICER



**MR. THUWAINI KHALID AL-THUWAINI**  
CHIEF INVESTMENT BANKING OFFICER



**MR. HUSSAM SULIEMAN MUSTAFA**  
CHIEF INTERNAL AUDITOR



**MR. HAMAD FOUZAN AL-FOUZAN**  
CHIEF STRATEGIC PLANNING OFFICER



**MR. KHURSHED KAVAS SANJANA**  
ACTING CHIEF RISK OFFICER



**MR. ABDULLAH MAHMOUD AL-LANGAWI**  
CHIEF TREASURY OFFICER



**MR. FAISAL ABDULRAZAQ AL-NASSAR**  
CHIEF CORPORATE BANKING OFFICER



**MRS. LAYALI MOSTAFA AL-FAHAD**  
CHIEF OPERATIONS OFFICER



**MR. MOHAMED SABRY EISSA**  
CHIEF FINANCIAL OFFICER



**MS. MAALI ABDULLAH AL-RASHEED**  
CHIEF HUMAN RESOURCES & GENERAL SERVICES OFFICER



**MR. WAEL ELSAID SHAWAREB**  
CHIEF TECHNOLOGY OFFICER



**MR. WAEL AHMAD AWAD**  
ACTING CHIEF DIGITAL OFFICER



**THE SIGNING CEREMONY OF OUR  
STRATEGIC PARTNER WITH KUWAIT  
SCHOOL AND HIGH EDUCATION  
SPORTS FEDERATION**

23/10/2023



**WARBA BANK'S OFFICIAL  
STRATEGIC PARTNER  
FOR WARBA LEAGUE**

# Warba's Elite for Q1 2023



**MOST INNOVATIVE OF BANKING  
TECHNOLOGY - AUGMENTED  
REALITY - KUWAIT 2023**

AWARD FROM  
"INTERNATIONAL FINANCE MAGAZINE"

## The Doers



## The Team Players



## The Ambitious



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KEY INDICATORS

## INTRODUCTION

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 MANAGEMENT GROUP

The primary purpose of Risk Management at Warba Bank is to ensure the long-term financial sustainability and operational resilience of the Bank in the financial sector, which is continuously evolving in terms of complexity and sophistication, by continuing to foster a sound and prudent risk culture across all its business lines while strengthening the existing framework.

The Risk Management Group also ensures that the general level of risk is aligned with the Board approved strategy and that all business related risks are contained within the tolerance levels and the Risk Appetite statement of the Bank.

To achieve this, the Bank has established a comprehensive risk management framework to manage all material risks identified under the directives issued by the Central bank of Kuwait on the adoption of the Capital Adequacy Standards (Basel III), 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 Internal Audit Group (IAG) is an independent assurance and consulting activity within the Bank and is part of the 3rd Line of Defence (as defined by the Institute of Internal Auditors International Standards), Central Bank of Kuwait (CBK) and functions under the policies established by the Board Audit Committee. The roles, responsibilities and authorities of the Internal Audit Group are defined in its charter as approved by the Board Audit Committee and the Board of Directors.

The objective of the Internal Audit Group to assist the Board Audit Committee in effective discharge of their duties and to be a high performing Agile Internal Audit that meets the expectations of stakeholders and adheres to the Institute of Internal Auditors standards. While maintaining independence, act as business partner and trusted advisor, recognized as driving force behind a culture of effective governance, internal control, risk management, accountability, execution, and innovation to help in and improve achievement of the Bank objectives.

The Internal Audit Group adopts a risk-based Audit approach, the audit universe is risk rated based on approved risk assessment methodology covering various bank departments, processes, system, and products. Internal Audit Group maintains a 3-years audit plan and established annual Key Performance Indicators aligned with its strategic plan. The Board Audit Committee assumes the functional oversight over the Internal Audit Group and assess IAG performance.

Internal Audit Group issues its reports to the various stakeholders summarizing the audit results. Internal Audit Group provides the management and the Board Audit Committee with its opinion on the adequacy of controls adopted to mitigate the risks.

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), as well as the standards required by the Central Bank of Kuwait. Also ensuring the practices are aligned with the global best practices of the Internal Audit.

## CORPORATE BANKING GROUP

With the aim of offering our clients an enhanced banking experience, the Corporate Banking Group has been committed to improving online banking services and mobile app features. This includes the introduction of a payment link service, enabling users to review transaction status and generate reports. Our online corporate banking service now also includes the ability to apply for a Letter of Credit through the corporate online banking platform.

Furthermore, the group has introduced four new cards with specific functionalities and benefits for our Business Banking clients (Beyond) to meet their diverse needs. These cards include a debit card, a government expenses card, a deposit card, and a prepaid card. Additionally, a corporate card management service was introduced, enabling companies to issue new cards and manage existing ones, such as reloading card balances, resetting PINs, and canceling or replacing cards. Moreover, to elevate the customer experience even further, the Corporate Banking Group introduced a service that notifies customers about financing renewals through text message alerts.

Additionally, Corporate Banking Group achieved a significant 14% growth in the financing portfolio through the year 2023 given the strategic approach of expanding our customer base and introducing new financing products and banking services.

## RETAIL BANKING GROUP

Warba Bank is dedicated to monitoring developments and improving innovative solutions for both Warba & non-Warba customers, aiming to excel in performance and ensure maximum customer satisfaction. The Retail Banking Group consistently introduces innovative products and services, specifically designed to meet the expectations of our clients. These efforts are an integral part of our strategic plan, aimed at delivering distinctive value and solidifying our position as a trusted and innovative partner in private banking services.

In 2023, the Retail Banking Group achieved outstanding results, with a remarkable growth rate in the deposit portfolio surpassing 16%. Moreover, the financing portfolio witnessed a significant increase by over 6%. Furthermore, the Group successfully maintained lower percentages of nonperforming financing compared to the previous year, demonstrating a consistent improvement in its financial performance.

The Retail Banking Group strategically expanded its presence in key areas, in alignment with the adopted strategic plan, with the objective of enhancing the bank's branch network and providing improved customer service. Throughout the year, four new branches were opened in vital areas, including Al-Adan, the relocation of the Sharq Branch to the Ministries Complex, the Warehouse Mall branch to serve customers of car showrooms and agencies, and SiDi branch specifically dedicated to serving labor and low-income individuals. This expansion is aimed at offering banking services in diverse areas, with a prominent

focus on providing fast and exceptional banking experience for our customers. As a result, the total number of bank branches has now reached 21. As part of the strategic expansion plan to increase the bank's presence and expand customer service channels, the bank increased the number of ATMs to 142 machines strategically distributed in vital locations. Out of these, 30 machines are conveniently located within our branches, while 112 machines are in off-site locations.

The bank aspires to lead the retail banking sector by providing innovative solutions, products, services, and promotions, along with delivering an exceptional customer experience.

In line with our commitment to innovative investment solutions, the Retail Banking Group introduced customized solutions for high-net-worth clients. We have successfully marketed two Sharia-compliant Sukuk, as Warba Bank assumed pivotal roles as the joint lead manager and bookrunner for "KIPCO" Sukuk in Kuwaiti dinars, and as the sole global coordinator, lead manager, and bookrunner for "Daweo Engineering and Construction" Sukuk in U.S. dollars. Furthermore, the Group has strategically diversified its financial product portfolio in alignment with market demands. This includes the introduction of services such as car leasing, zero-profit financing offers for wedding event halls and constructions and interior design consultations. In addition to our innovative product offerings, we have also made significant strides in digital services. The Group seamlessly launched payment functionalities through Google Pay and Apple Pay, enabling our customers to make secure and convenient transactions. Furthermore, we have pioneered the implementation of contactless payment technology, ensuring a seamless and secure banking experience for our customers.

As part of its marketing initiatives, the Retail Banking Group has introduced exclusive offers for its esteemed clients. These include a salary transfer campaign, where new clients are eligible for an immediate gift of up to KD 15,000. Furthermore, our credit card cashback program allows customers to enjoy a cashback up to 6%, with a maximum monthly cashback amount of KD 500. In addition, our Sunbula Account prize campaign offers annual rewards exceeding KD 1,500,000. Moreover, in collaboration with Kuwait Airways, our summer campaign grants 30 lucky winners free miles that can be used for worldwide travel.

In conclusion, we reaffirm our dedication to Environmental, Social, and Governance (ESG) initiatives. As part of our efforts, we have implemented a comprehensive recycling program throughout all our branches and bank departments, allocating recycling bins. This step underscores our commitment to environmental sustainability and responsible waste management. Furthermore, our commitment extends to empowering women through various programs, including exclusive workshops designed specifically for women this year.

These initiatives align with our holistic ESG vision, where environmental responsibility and community empowerment are integral components of our guiding principles.

## THE INVESTMENT BANKING GROUP

The Investment Banking Group (IBG) continued to demonstrate resilient performance in 2023, despite the global financial landscape being dominated by significant challenges such as persistent inflationary pressures and geopolitical instabilities profoundly impacting markets. Regulatory changes, particularly ESG compliance, alongside rapid technological advancements, required agile adaptation. Additionally, the financial sector navigated through heightened market volatility, shifts in consumer behaviour towards digital and sustainable solutions, and signs of economic deceleration.

In the realm of real estate investments, these dynamics led to fluctuating asset valuations, with certain markets experiencing price corrections while others saw sustained growth due to demand-supply imbalances.

Similarly, the private equity and infrastructure asset class grappled with valuation challenges. The market volatility, coupled with regulatory changes and investor cautiousness, impacted private equity valuations and required a reassessment of traditional valuation models.

The war in Ukraine continued to weigh down on the European economy and the world and the breakout of the conflict in Gaza added an additional layer of complexity to global affairs. Despite these complexities, IBG successfully navigated through these turbulent waters, showcasing resilience and strategic foresight.

### The 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.

By Allah's grace first and foremost and followed by the meticulousness dedication and hard work of the team, IBD was successful in executing a suite of noteworthy transactions.

SSF overlooks all cross-border corporate and project finance opportunities across multiple business sectors including but not limited to aviation, oil & gas, infrastructure, power, and utilities. SSF also specializes in structuring and arranging syndicated structured solutions for the Bank's corporate banking clients.

In the structured and syndicated finance market, Warba Bank seized opportunities to be appointed as Mandated Lead Arranger (MLA) and Book runner on various transactions which include notable facilities such as:

- Acting as a Initial MLA on a USD 400 million Syndication financing facility for AWS Water Purification Company LLC – for the development, construction, and operation of a Water Treatment Plant in Zuluf, KSA awarded by Saudi Aramco;

- Acting as a Initial MLA on a USD 1.5 billion syndicated financing facility for Bahrain Mumtalakat Holding Co. B.S.C.;
- Acting as a Initial MLA on a USD 2 billion Syndication financing facility for Mirfa Seawater Treatment and Supply Company LLC – for the development, EPC, and commissioning of a seawater nanofiltration Plant in Abu Dhabi, UAE awarded by ADNOC ; and
- Acting as MLA on a USD 335MM senior secured project financing facility for Ar-Rass Solar Energy Company: executing a 700MW Solar Photo Voltaic power plant in KSA.

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

DCM achieved remarkable success as a Sukuk Arranger during 2023. Navigating a volatile financial landscape, DCM led innovative Sukuk issuances, expanded its reach to new markets, and significantly increased transaction volume, reinforcing Warba Bank's expertise in Islamic finance. DCM managed to skilfully execute five (5) appointments as a Joint Lead Manager and Bookrunner across seven (7) sukuk issuances and totalling USD ~19.4 billion. The list of the Sukuk issuances are as follows:

- KWD 66 million (USD 214 million) fixed coupon KIPCO Sukuk;
- KWD 37 million (USD 120 million) floating coupon KIPCO Sukuk (Combined both KIPCO issuances represent the first Kuwaiti corporate issuances);
- USD 600 million Air Lease Corporation Sukuk (First USA Corporate Sukuk);
- USD 600 million Dar Al-Arkan Sukuk;
- USD 200 million DAMAC Privately Placed Sukuk;
- USD 100 million Daewoo E&C Privately Placed Sukuk (First South Korean Sukuk issued by a corporate); and
- USD 100 tap million of the Daewoo E&C Privately Placed Sukuk.

FID is a dedicated function within IBD to support the bank's institutional brand awareness and standing in the local and international banking industry.

In 2023, FID focused on increasing the business lines both through its existing correspondent banking network and 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 15 new correspondent relationships. 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 follows 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 follows a Strategic Asset Allocation (SAA) framework that helps in maximizing risk adjusted return through asset class diversification. This allows for better risk management of 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.

### The Real Estate Investment Department

In view of the inflationary pressures and heightened interest rate environment persisting throughout 2023 which has caused a dislocation in the debt capital markets and, in turn, affected real estate values and decreased transaction volumes, the Real Estate Investment Department (REID) has primarily focused on preserving the value of its existing real estate portfolio and on implementing specific initiatives designed to produce operational efficiencies.

To this end, REID successfully negotiated loan modifications across its portfolio in 2023, resulting in better financing terms and improved capital structures. Furthermore, REID established a master legal structure through which to undertake all future investments, resulting in significant potential cost savings.

Despite anaemic transactional activity in the wider global real estate market, REID progressed its investment activity in 2023 through a USD 20m commitment to a new partnership created to invest in US self-storage assets. Moreover, REID achieved a successful and timely delivery of a Built-to-Rent (BTR) development project in the UK and was able to crystalize significant value increase upon completion. Finally, REID achieved a successful recapitalization of four of its multifamily investments through structuring a US Value-Add Multifamily Fund for distribution to Warba Bank's clients in close coordination with the Portfolio & Fund Management Department.

REID finished the year in compliance with the SAA targets set by the Bank.

### The Direct Investment Department

The Direct Investment Department ("DID") follows the Strategic Asset Allocation framework set by the group to manage investments across various asset classes.

The department's investment activity continued at a robust pace in 2023 with approximately USD 100 million in new or planned commitments being made to private equity and infrastructure funds. As at 31 December 2023, the department oversees aggregate commitments of USD 610 million across various strategies.

Since 2019, the team has successfully partnered with 30 "best-in-class" managers, investing across 37 distinct strategies. As a result, the portfolio today is well diversified across various geographies, sectors and vintages.

The infrastructure portfolio focuses on global, core/core+ strategies across various sectors, and primarily in OECD countries, with an emphasis on inflation protection and yield. 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.

### The Portfolios and Funds Management

Currently, our product shelf includes active funds in real estate, leasing, and money markets. The successful launch in 2023 of Portfolio and Fund Management Department (PFMD)'s first Kuwaiti domiciled money market funds denominated in both KWD and USD reflects department's desired expansion in the product offerings.

The initiation of fundraising for the department's second real estate fund in the fourth quarter of 2023 demonstrates a proactive stance in capitalizing on investment opportunities. The department's recent achievements in offering new products showcase a strategic and well-rounded approach to diversifying its product shelf.

The department is exploring additional product launches in private and public debt space in response to the burgeoning demand for Sharia-compliant income-generating funds, aligning with market trends, and showcasing adaptability. The focus on sustained, Shariah-compliant income, coupled with the resilience to navigate short-term volatility, reflects a keen awareness of market dynamics. The rigorous stress-testing of models against major risks, such as economic downturns, interest rate fluctuations, and inflation, showcases a proactive risk management strategy.

The total Assets Under Management (AUM) have shown considerable growth by 56% as compared to December 2022 thereby reaching approximately KWD 50 million.

## Fiduciary Services Departments

Fiduciary Services Department successfully managed to place a total of KWD 30 million through non-discretionary portfolios allowing Private Banking Clients to invest in Sukuks. In addition to launching the non-discretionary portfolio trading desk.

Despite a volatile economic backdrop, a persistent inflationary environment and the incendiary geopolitical issues in the region, total non-discretionary AUM reached KWD 313 million with approximately KWD 147 million of AUM being raised in 2023 reflecting AUM growth of 113% comparing to 2022.

The department is also developing a robust pipeline of products and new businesses for 2024 including Warba Online Trading System providing its customers with the ability to access a suite of products and services including equities, ETFs and Sukuk within key global and regional markets.

## INFORMATION TECHNOLOGY GROUP

Information Technology Group commitment to enhancing customer experience that reflected in embracing innovation, enhancing security, contributing to operational excellence, and acting as “Capability Driver” for all business lines in the Bank to support their growth, success story and services excellency for achieving overall Bank Strategy.

During the year 2023, ITG made a remarkable contribution to a series of initiatives as well as improving the existing systems. The following are highlights of ITG achievements:

### Core Banking System Revamping

ITG has been into high challengeable journey in a partnership with a top-notch technology provider to revamp the core banking system that will enable all business functions an enhancement of the customer experience, access to cloud agnostic tech stack, capability of containers and micro services, state of art distributed database design, readiness for open-banking and fintech initiatives through latest Open APIs, omni channel features and advanced Explainable Artificial Intelligence.

### Emerging Technologies

ITG is focusing on providing the latest advanced implementation of advanced emerging technologies in different pillars such as but not limited to cloud computing, in several solutions that serves the Bank’s customers as well as internal users, Robotic Process Automation (RPA), Data Analytics and Artificial Intelligence. Moreover, ITG has extended its activities out of Warba boundaries through positive contribution in different committees under the supervision of the Central Bank of Kuwait and Kuwait Banking Association such as but not limited to the Open Banking Committee who is responsible for the development of national open banking framework and guidelines.

## IT projects

ITG implemented several projects, solutions, services, systems, and programs that support the Bank’s digital transformation journey and development of a data-driven banking system.

Through the deployment of new tools and digitization initiatives, ITG has streamlined processes and improved customer experiences to improve profitability, productivity, sustainability, and increase market share such as but not limited to contactless transactions through Warba Bank ATMs, GCC RTGS Payments (AFAQ), card management service through corporate mobile app, enhance push notifications & SMS services, digital on-boarding through PACI integration, corporate invoicing through digital channels, strategy management solution for KPIs, performance management, Apple Pay for Visa & MasterCard products, Google Pay for Credit/Debit Mastercard products, electronic trading solution for Treasury customers, and launching new corporate cards for BEYOND customers as well as BEYOND Banking Corporate Mobile App.

### Cybersecurity

Cyber Security and Service Continuity division is working around the clock to ensure safe and secured environment through successful implementation of advanced Cyber security systems, and continuously benefit from threat intelligence to proactively address cybersecurity threats.

During Y2023, the Bank did not encounter any data breach or privacy violations resulting from missed controls, internal threats, or any external attacks.

Furthermore, self-assessment and testing of service continuity and availability are regularly conducted to ensure initiative-taking actions have been considered.

As we believe in Human Capital, the Bank has invested in continual human development programs concerning cyber security team development through advanced certification programs provided by the bank. Warba Bank in partnership with the Central Bank of Kuwait has contributed to the 2023 Cyber Security leadership program with two cybersecurity specialists. Additionally, Cybersecurity awareness program provided to all employees to strengthen the human factor in defeating cyber-attacks.

As a regulated entity, Warba Bank maintained its PCI-DSS v3.2.1 certificate during 2023 and is preparing to upgrade to PCI-DSS v4.0 during 2024. Also, the bank runs its operations complying with SWIFT CSP required mandates and compliancy.

### IT Operational Excellency

The IT Application Support department has achieved remarkable success in optimizing and maintaining the bank’s critical software applications. During Y2023, we reached Core System availability at 99.97%, with Incident Backlog below 2%.

## TREASURY GROUP

Warba Bank’s Treasury prevails in managing liquidity to meet business objectives regardless of stressed economic circumstances resulting from market volatility, continuously ensuring viable funds are extended to all departments by having stable strategies in place to prudently monitor market conditions and utilize opportunities to establish a cost-effective structure of funds.

Treasury continuously ensures diverse facilities of credit are available from respected local and international counterparties to maximize the sources of funds and ensure bank liquidity requirements are met within acceptable and minimal levels of risk.

Furthermore, Treasury constantly introduces and implements innovative products of Islamic derivatives, ensuring bank hedging requirements are met as well as providing the local market with financial tools based on its unique requirements.

From a technological standpoint, Treasury proudly participates in the digital transformation movement to improve banking capabilities by adopting top-notch available market solutions to satisfy customer expectations of instantaneous online banking while introducing the ability to execute electronic FX transactions with automated backing to meet the demand of optimal speeds by the market.

Through meticulous troubleshooting, initiative-taking monitoring, and efficient incident resolution, the team has significantly reduced downtime, ensuring seamless operations for the bank and enhancing overall customer satisfaction.

The team’s dedication to continuous improvement is evident in the successful implementation of streamlined support processes, leading to quicker response times and increased systems reliability. Additionally, the support has played a pivotal role in supporting the adoption of innovative technologies, contributing to the bank’s digital transformation, and reinforcing its position as a technologically advanced financial institution in Kuwait.

The team’s commitment to excellence has not only safeguarded the stability of essential banking applications but has also positioned Warba Bank as a leader in the ever-evolving landscape of information technology in the financial sector.

### Infrastructure

ITG has extended its investment in containerized platforms, resilient infrastructure that achieves high IT availability and continuity. Also, ITG expanded in cloud-based solutions as Platform-as-a-service (PaaS) and Solution-as-a-service (SaaS). Also, ITG continued its journey towards building Hyper Converged Infrastructure (HCI).

### Technical Support

We have been on a successful journey for upgrading the services desk platform to facilitate top-class services to internal customers. During Y2023, we have reached satisfaction levels exceeding 80%.

### IT Governance

ITG has also ensured compliance with the latest regulatory requirements, enhancing the trust and confidence of our customers.

ITG focuses its effort to actively contribute towards the enhancement and sustainability of overall IT Governance to maximize the efficiency and capabilities of Business Technology services and in conformance with the required level of compliance and assurance for the internal control environment.

In 2023, ITG has successfully accomplished the assessment through periodic surveillance for ISO 27001 certification and attained ISO 9001, and CBK cybersecurity compliance certifications.

Way forward, the Bank has started a journey to upgrade ISMS to comply with newly published standard ISO 27001:2022.

## DIGITAL GROUP

### Digital Group's Mission

In 2020, Warba Bank established the "Digital Group" to lead digital innovation and transformation, aligning with the bank's strategy and Central Bank of Kuwait regulations. This group integrates three key areas: the Digital Transformation Division, which focuses on leveraging new technologies for business improvement and operational efficiency; the Digital Factory (Al-Wateen), a hub for developing customer-centric digital solutions through collaborative teams using Agile methodology; and the Business Excellence Department, which enhances internal operations and decision-making through AI-driven data analysis and efficient workflows. These functions collectively drive the bank's digital evolution, ensuring alignment with long-term strategies and strengthening our position in the dynamic banking landscape.

### Digital Transformation Division

The Digital Transformation Division at our Bank is dedicated to embracing innovative technologies to reshape our business practices. This division focuses on identifying technological advancements that can enhance our digital presence, improve operational efficiency, and foster internal collaboration. It consists of two main areas: Innovation & Partnerships, which explores new technological trends to support the Bank's goals, and the Transformation Program Office, which implements these innovations. Together, they ensure our initiatives align with our overall digital strategy, driving the Bank's digital evolution.

### Digital Factory (Al-Wateen)

The Digital Factory at our Bank is an innovative hub where a team of skilled product owners, developers, designers, scrum masters, and strategists collaborate to develop our mobile platform. Central to their mission is a commitment to customer-focused digital solutions. Organized into specialized 'Squads', the Digital Factory focuses on diverse areas including consumer financing, loyalty programs, platform enhancement, and integrating external services. These multidisciplinary teams employ Agile methodology to efficiently manage and execute a variety of projects. Additionally, the Digital Factory encompasses the 'Al-Wateen Shield' team, dedicated to monitoring and resolving any customer issues and feedback for Warba Bank's mobile applications.

### Business Excellence

The Business Excellence Department, primarily through the MIS & Research Unit, has made significant strides in enhancing our internal operational capabilities and strategic decision-making processes. A key development this year has been the establishment of efficient workflows, markedly improving processing speeds, accuracy, and overall efficiency in internal service delivery. The creation of comprehensive dashboards for insights and analytics has enabled a more data-driven approach to decision-making, enriching our internal understanding of operational dynamics and trends. Particularly noteworthy is the integration of AI, employed

exclusively for internal use. This advancement has significantly enhanced our staff's ability to conduct sophisticated data mining and statistical analysis, yielding deeper insights and more precise predictions for internal strategy and planning. These efforts have been instrumental in reinforcing our commitment to innovation and operational excellence, solidifying our position for continued growth and success in the dynamic banking landscape.

There are a lot of achievements done by the Digital Group in 2023 for example but not limited to:

#### 1. SiDi digital wallet initiatives:

- A. Launched the SiDi gold draw with monthly and quarterly gold bullion prizes.
- B. Hosted the SiDi roadshow to enhance awareness and utilization of the digital wallet.
- C. Successfully onboarded over 20 corporate clients, broadening SiDi wallet's business applications.
- D. Integrated PACI authentication, streamlining the onboarding process and boosting security.

#### 2. Augmented and Virtual Reality projects:

- A. Developed AR Warba World (The City and The Island), providing interactive gaming experiences.
- B. Initiated VR Warba World (Career Experience) at career fairs for innovative recruitment.

#### 3. Enhancing customer centricity:

- A. Introduced a digital gift card program and established a comprehensive online marketplace.
- B. Revamped mobile payment processes for improved ease and security.
- C. Implemented personalized dashboards and Sharia Fatwas for customized user experiences.

#### 4. Operational efficiency and process automation:

- A. Developed tailored dashboards for multiple banking groups, increasing operational visibility.
- B. Automated essential processes like app issue resolution and Sharia Board requests.
- C. Enhanced support for Digital Factory's transaction geolocation and application profiles.

#### 5. Advancements in user experience:

- A. Introduced personalized dashboards, offering users a tailored and intuitive digital experience.
- B. Unveiled a redesigned home screen, improving navigation, accessibility, and clarity.

#### 6. Strategic collaborations and technological advancements:

- A. Partnership with telecommunications and internet service providers to offer exclusive services for customers and employees.
- B. Executed in-depth digital transformation assessments and diagnostics.
- C. Enhanced Super Transfer services, adding new international corridors.
- D. Partnership with a company specializing in geolocation-based transportation services.

#### 7. Customer interaction and engagement:

- A. Improved customer communication with a comprehensive, integrated complaint management system.
- B. Conducted creative engagement campaigns such as Deliveroo promos and sponsored draws.

#### 8. AI innovations:

- A. Launched THEKEY, an AI assistant on MS Teams, to streamline staff operations.
- B. Developed an AI-driven personal assistant, offering personalized financial guidance to customers.
- C. Utilized AI tools in the Warba Excellence program for banking product development.
- D. Launched an AI-powered personal assistant for enhanced financial decision-making.

#### 9. Rowad initiatives:

- A. Executed the Rowad 4.0 winners' trip to Dubai, providing exposure to global innovation centers like MasterCard Experience Centre and DIFC Innovation Hub.
- B. Successfully conducted the Warba Excellence program, a 6-week course utilizing AI tools for creating new banking products, supplemented with masterclasses and coaching sessions.

These achievements have significantly contributed to enhancing customer satisfaction and loyalty. We take pride in the strides we've made throughout 2023, and we eagerly anticipate further advancements and innovations in the years ahead.

## OPERATIONS GROUP

The Operations Group has commenced the strategic direction of operations internal control through improvement & support of its units in alignment with international best industry standard practices related to the operational management.

Additionally, the Group has worked on its readiness for the new system's implementation to support the modernization of its core banking processes.

As part of its efforts to improve the quality of our internal policies and procedures' documentations and achieve ultimate compliance, Operations Group has launched the Digital Portal for Policies and Procedures helping the Bank's direction to go paperless while achieving compliance with the standards. In support of that, the Operations Group has owned the development of the relevant policies to control the documented information using this systematic approach.

In collaboration with the Information Technology Group, the Operations Group has implemented further system and reporting enhancements that have enabled the scalability to be more efficient and effective through automation and mitigating related operational risks. These initiatives will continue as we strive to reduce volume sensitivity and control and reduce our processing costs.

Operations Group has played vital role in supporting the smooth rollout and improvements of key products with business groups and assuring their operational sustainability, such as SiDi Wallet, Mastercard Send and Corporate Online Salary Portal, in line with the Bank's digital strategy.

The Group has achieved multiple awards from JP Morgan Chase, known as Quality Recognition Awards, for achieving STP rates as high as over 99% for their payments.

Additionally, the Group successfully prepared the systems for a swift upgrade ISO 20022 adaptation.

## FUTURE OUTLOOKS

### Global Economy

According to the IMF's forecast, the baseline projection indicates a slowdown in global growth from 3.5% in 2022 to 3.0% in 2023 and further to 2.9% in 2024. These figures fall below the historical average of 3.8% recorded between 2000 and 2019. Advanced economies are expected to experience a deceleration from 2.6% in 2022 to 1.5% in 2023 and 1.4% in 2024 as the impact of policy tightening becomes more pronounced. Meanwhile, emerging markets and developing economies are expected to witness a slight decline in growth, from 4.1% in 2022 to 4.0% in both 2023 and 2024.

Global inflation is predicted to decline gradually from 8.7% in 2022 to 6.9% in 2023 and further to 5.8% in 2024 due to tighter monetary policies and lower international commodity prices. Core inflation is generally projected to decline more gradually, and in most cases, inflation is not expected to reach target levels until 2025.

### GCC Economy

The October 2023 Regional Economic Outlook report for the Middle East and Central Asia (ME&CA) region incorporates several assumptions for the presented projections. The report considers the continuation of established policies by national authorities, an average oil price of US\$80.49 per barrel in 2023 and US\$79.92 per barrel in 2024, and an average three-month nominal yield on US Treasury bills of 5.3% in 2023 and 5.4% in 2024. It is important to note that these considerations are working hypotheses rather than precise forecasts, and the uncertainties surrounding them contribute to the margin of error inherent in the projections. The figures and tables for 2023 and 2024 represent projections. Unless otherwise noted, these projections are based on statistical information available through late September 2023.

### Kuwait Economy

The GDP growth forecast for Kuwait stands at 1.6% for 2023 and 2.1% for 2024, which is significantly lower compared to the 7% growth recorded last year. The Kuwaiti economy is expected to experience a slowdown due to factors such as reduced oil output, a decline in consumer spending, political gridlock, and delayed reforms. However, fiscal policy is expected to play a crucial role this year, with non-oil growth averaging 4.1% year-over-year. The oil sector, which accounts for approximately 50% of GDP, is expected to shrink by 5.8% this year, following an expansion of 11.6% in 2022.

During the first three quarters of the previous year, OPEC+ pledged to raise oil production in response to disrupted Russian supply. However, in Q4 2022, quotas were cut to support prices, and this reduction is expected to be extended until the end of 2024. Nevertheless, the performance of the oil sector is expected to improve throughout the year, as oil prices are projected to remain above US\$85.7 per barrel.

### Kuwait Banking Sector

Total assets of local banks grew by KWD 1.62 billion (1.9%) to KWD 87.15 billion at the end of January 2024 against KWD 85.53 billion at the end of the comparative month. This was mainly driven by the rise in foreign assets by KWD 2.22 billion (9.7%) to KWD 25.14 billion, claims on private sector by KWD 1.03 billion (2.3%) to KWD 45.24 billion, and claims on public institutions increased by KWD 0.09 billion (2.6%) to KWD 3.69 billion.

On another front, interbank deposits, loans to banks, claims on government, claims on CBK and other assets fell by 24.8%, 20.4%, 15.2%, 9.5%, and 4.9%, respectively (in descending order based on the percentage of decline).

Claims on private sector represents the main source of local banks' assets. These claims accounted for 51.9% of the local banks' total assets in January 2024 against 51.7% at the end of the comparative month. It is worth noting that the average percentage during the comparison period reached 52.1%.

Foreign assets accounted for 28.9% of the local banks' total assets at the end of January 2024. This came from the rise in the balances of the following components; foreign investments, credit facilities to non-residents, loans to foreign banks, and other assets by 13.9%, 20.4%, 8.3%, and 15.5% respectively, on one hand, and decline in the balance of deposits with foreign banks by 2.1% on the other.

### Warba Bank

Warba Bank has achieved several significant milestones in 2023. A notable accomplishment is the publication of the 2022 sustainability report, "Committed Towards a Sustainable Tomorrow." This report, a pioneering initiative for Warba Bank, establishes the groundwork for future annual sustainability reports.

Given our primary focus on customer satisfaction, we launched a revamped and evolved retail application designed to enhance the overall customer experience for financial services.

Moreover, Warba Bank expanded its retail banking operations by inaugurating two new branches: The Warehouse Mall branch for auto sales and a dedicated branch for SiDi Customers.

In addition, Warba Bank launched a comprehensive car leasing program that offers a wide variety of vehicles with competitive pricing and numerous features. Additionally, we unveiled a new product called "Daewoo" Sukuk, specifically designed for the Al-Masi category.

Furthermore, in our continuous efforts to better serve our valued customers, we launched a new segment called "Al-Safwa Plus," which comes with a new card design along with value-added services for our customers.

Additionally, in collaboration with Dar Al-Sabaek, Warba Bank launched the SiDi Gold Draw Initiative, a draw that offers the opportunity to win gold prizes. The aim of this initiative is to increase customer acquisition for SiDi accounts.

Warba Bank also introduced a Gift Card service, enabling customers to purchase gift cards from various merchants. This service is accessible through the Warba application, allowing customers to browse and select gift cards from various categories, with online and in-store options.

Moreover, Warba Bank proudly launched "GAME EDITION" Kuwait's first and only gaming prepaid card, offering customers access to many benefits, including exclusive rewards and deals on gaming lounges, e-stores, and internet packages.

On the corporate banking front, Warba Bank has made significant advancements to enhance the dedicated Corporate and Business Banking application, "Beyond." This enhanced version offers multiple features specifically designed to better serve our clients by providing them with a tailored experience that connects them to their daily and strategic business needs. Additionally, four new corporate cards for "Beyond" were launched, featuring a "Card Management" feature that enables customers to manage debit, credit, government, and deposit cards.

Warba Bank achieved a significant milestone in the investment banking front with the successful launch of Warba KWD Money Market, our first Kuwait Domiciled Fund. We garnered an initial commitment of KWD 3.3 million and following obtaining approval from the Capital Markets Authority (CMA), we raised a further KWD 1.2 million. As a result, the total fund value increased to KWD 4.5 million.

Lastly, Warba Bank launched "Warba World" an augmented reality game available for both Warba and non-Warba customers. This innovative web game offers an enjoyable gaming experience and aims to enhance players' financial literacy.

It is worth mentioning that Warba Bank has won the prestigious award, the "Most Sustainable Bank in Kuwait 2023," presented by the International Business Magazine Awards.

Regarding credit ratings, Warba Bank has received an A rating from Fitch Ratings and a Baa2 rating from Moody's.

Warba Bank looks forward to a prosperous 2024. In line with our strategic goals, we are dedicated on embracing an all-encompassing customer-focused strategy, prioritizing enhancing customer experiences. We emphasize active engagement with our clientele, valuing their feedback and leveraging their valuable insights to provide outstanding products and services tailored to their requirements. Our primary focus is realizing our vision while generating enduring value for our shareholders and the broader community.

**Source: Central Bank of Kuwait, Oxford Economics, IMF, WorldBank.**

## INSTITUTIONAL CAPABILITIES

The institutional capacity at Warba Bank is represented by several factors, the most important of which is human investment, and our constant keenness to improve the work environment and everything related to the employee experience. As we in Warba Bank, fully believe that the greater the employees' well-being, the greater the productivity.

This aim is reflected through a thoughtful strategic work plan that the Human Resources and General Services Group works on throughout the year, as the group continues to enhance the workplace through initiatives centered around the employees in line with the Bank's strategy .

After the success achieved by our bank in the "Reaya" initiative for the year 2022 to support employees' professional talents, the bank selected a number of (8) employees to be ambassadors of the Reaya program for the year 2023 in several fields, including sports, arts, as well as innovation.

The support was not limited to the financial aspects, but it also witnessed granting employees special leave to attend external conferences and camps that would develop their skills or to participate in international tournaments of specialization.

This year also witnessed the launch of the new human resources system, which is available in its smart phone application, in order to keep pace with technology to provide convenience for employees aligned with the bank's digital strategy.

Our bank also continued to attract national talent at various administrative levels by participating in employment fairs in order to search for experienced talent, as the rate of nationalization this year reached 83.5%, which is an unprecedented rate. This year witnessed the launch of the virtual recruitment platform, which allows applicants to live the experience of applying to Warba Bank virtually through a game that simulates reality. Many workshops were also organized, which were the first of their kind in cooperation with LinkedIn and MasterCard during the annual job fair.

Given the importance of investing in education, this year we launched several training initiatives to develop employee skills. One of these initiatives included cooperation with ESADE Business University to qualify national cadres for future managerial positions, in addition to launching a comprehensive 360 Feedback guidance program for more than 100 managers at various levels to provide them with reports on their strengths and development points, which will be used to build a extensive development plan for the year 2024.

This year also witnessed an increase in the number of seats for postgraduate scholarships within the Rowad Educational Initiative in cooperation with the Gulf University for Science and Technology. This year also witnessed the launch of the Excellence Program in cooperation with the Digital Group, which aims to spread the culture of innovation through a 6-week training camp that resulted in several proposals for future products that contribute to achieving the vision and strategy of our bank.

Due to the importance of the balance between life and work, and as an extension of the flexible human resources policy, flexible working hours have been extended for employees, in addition to providing a special monthly permission for parents to visit schools and for their children to participate in various school activities, introducing a request for advance annual ticket allowance, improving paternity leave, Advance salary request and many improvements that benefit employees, which were worked on according to opinion polls that we were keen to share with employees to determine the points that should be worked on. With regard to the annual work environment survey, which is concerned with measuring the extent of our commitment to the aspirations of our employees and making the work environment attractive to them and to those who will join us in the future, the results of the survey analysis indicated a noticeable development in many indicators that were identified in advance and worked to develop during the year.

In continuation of the journey that began years ago to make Warba Bank more sustainable, we continued our sustainability initiative in cooperation with the United Nations by signing a memorandum of understanding for their development program, which witnessed the launch of an electronic training program that addresses sustainability strategies, its classification metrics, its standards and its disclosures, in addition to Awareness in the field of sustainability in banking services, specifically in the field of Islamic finance and its connection to sustainability. We have also developed a comprehensive corporate governance program for the Board of Directors consisting of risk management, environmental, social and corporate governance, anti-money laundering and terrorist financing, sanctions and fraud, and cybercrime in order to keep them constantly informed of developments in these areas to meet global expectations and economic trends.

We strongly believe that this will reflect on the performance of our bank and contribute to sustainable development initiatives in society.

## SOCIAL RESPONSIBILITY

Given that it's a fundamental element in shaping our relations with diverse segments of society, in 2023, Warba Bank reaffirmed its dedication to social responsibility - a vital contributor to developing and fostering a society equipped with critical skills to navigate regional and global transformations. We took on a pioneering role by initiating a multitude of social programs and endorsing diverse activities and events throughout the year, continuing its proactive engagement in Kuwaiti society. Warba Bank interacted with different segments of society, notably the youth, providing support across various fields and at all levels.

Warba Bank marked a significant advancement in its commitment to social responsibility by prioritizing sustainable projects. These initiatives are in harmony with the government's endeavors to conserve the environment, and its effort to create a substantial influence on protecting our planet Earth. In parallel to these endeavors, our activities and events throughout the year underscored the pivotal role of the private sector in supporting the local community.

With a determination to promote remarkable advancements in our social responsibility, we invested efforts in adopting socially and ethically responsible tools and products. This is evident in Warba Bank's extended support to diverse community segments, like backing sports activities that effectively mobilized Kuwaiti youth to achieve significant achievements, notably in e-sports. We sponsored the e-sports team of the Kuwaiti Football Club and the Kuwait national e-sports team in the West Asian Football Federation Championship. Additionally, we sponsored several athletes as ambassadors to Warba Bank in various domains.

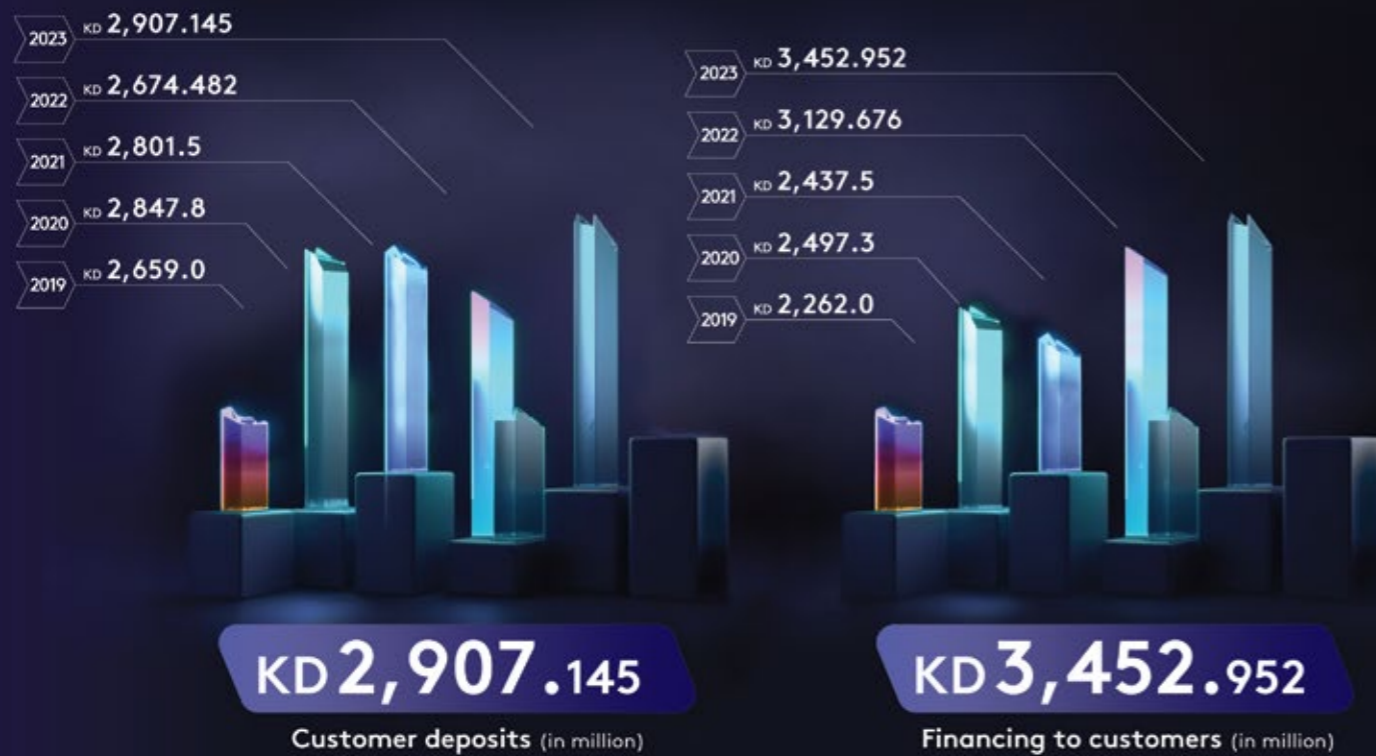
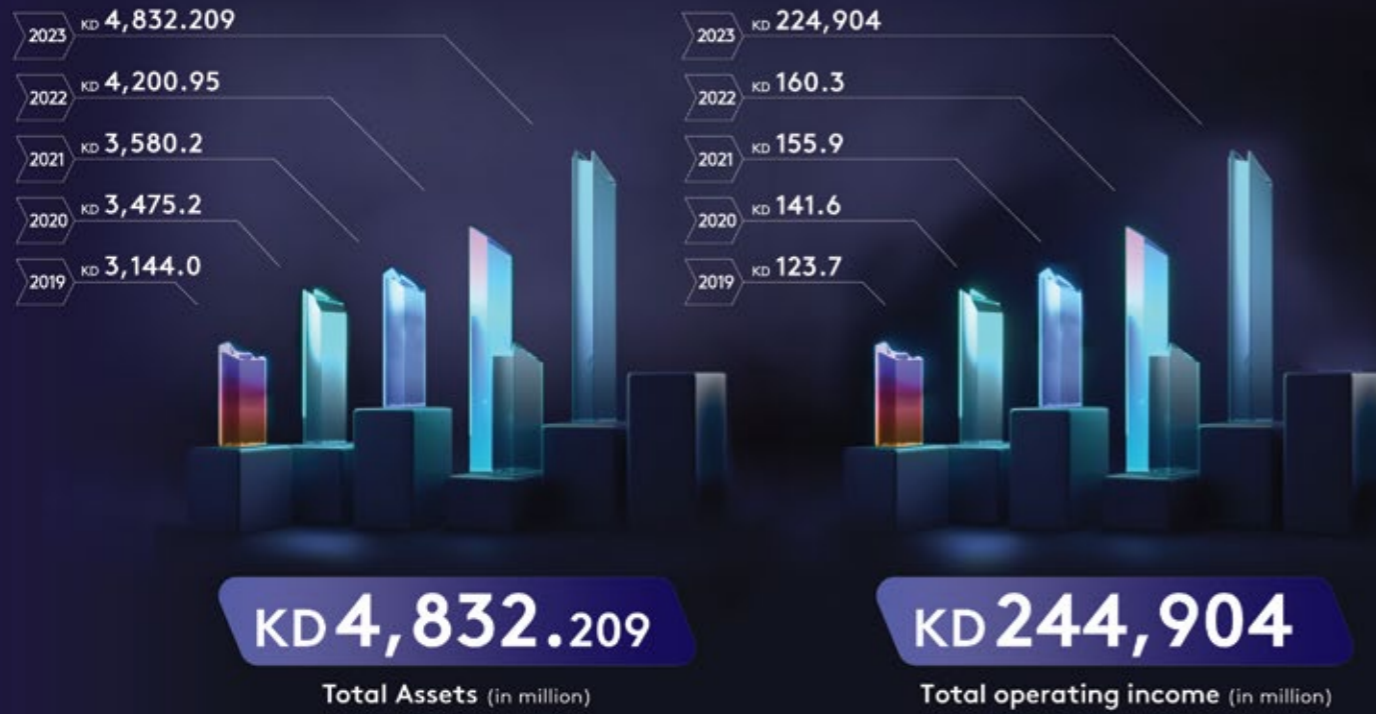
Given our commitment to raising awareness of the importance of environmental conservation and agriculture, Warba Bank signed a cooperation agreement with Al-Ghanim Moringa farm. This agreement aimed to set an example in promoting important contributions to the environment and adopting sustainable development practices.

Additionally, it is noteworthy to highlight Warba Bank's contributions to the sponsorship of the Green Island Season, which made a comeback in 2023. Moreover, we distributed over 6,000 Ramadan meals and various gifts in mosques across Kuwait during the holy month of Ramadan. Through the support and effort of a dedicated team of volunteers, the bank also engaged in a beach cleaning campaign on Um Al-Maradim Island, where numerous gifts were distributed to those who supported and were involved in the campaign.

In our ongoing dedication to implementing impactful community initiatives and in alignment with our strategic vision to consistently support customers and offer them the best services, Warba Bank successfully concluded the pioneering "Read with Warba" competition in Kuwait. The bank sought to harness cutting-edge e-learning methods and modern technology to facilitate Quranic education. With the participation of 1,088 individuals, comprising 686 men and 402 women, the competition concluded with 30 participants winning in both adult and youth categories.

These initiatives highlight Warba Bank's active role in social responsibility, making substantial contributions to societal improvement and fostering a sense of community and engagement among its diverse stakeholders.

# KEY INDICATORS



# Warba's Elite for Q2 2023

## The Doers



## The Team Players



## The Ambitious



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## INTRODUCTION

The Central Bank of Kuwait issued directives in June 2012 regarding Corporate Governance Rules and Regulations applicable to Kuwaiti banks. Warba Bank has diligently adhered to these guidelines by structuring its systems, organizations, and functions to ensure institutional control. The bank has also demonstrated a steadfast commitment to implementing the nine core principles of governance rules and regulations within the Kuwaiti banking sector, fostering a culture deeply ingrained within the Bank.

Furthermore, in September 2019, the Central Bank of Kuwait issued an update to these instructions, prompting Warba Bank to make significant strides in meeting the new requirements. Updates include revising charters for the board and its committees to align with the latest standards. Efforts are ongoing to fulfill additional requirements, such as appointing independent members to the board of directors as well as updating charters within the specified timeline.

Warba Bank's dedication to strong governance enables effective risk management. This commitment not only protects stakeholder interests but also safeguards against mismanagement and fraud, ensuring greater accountability and transparency.

Warba Bank takes pride in its robust governance framework, rooted in regulatory guidance, which enables the application of the best practices in governance.

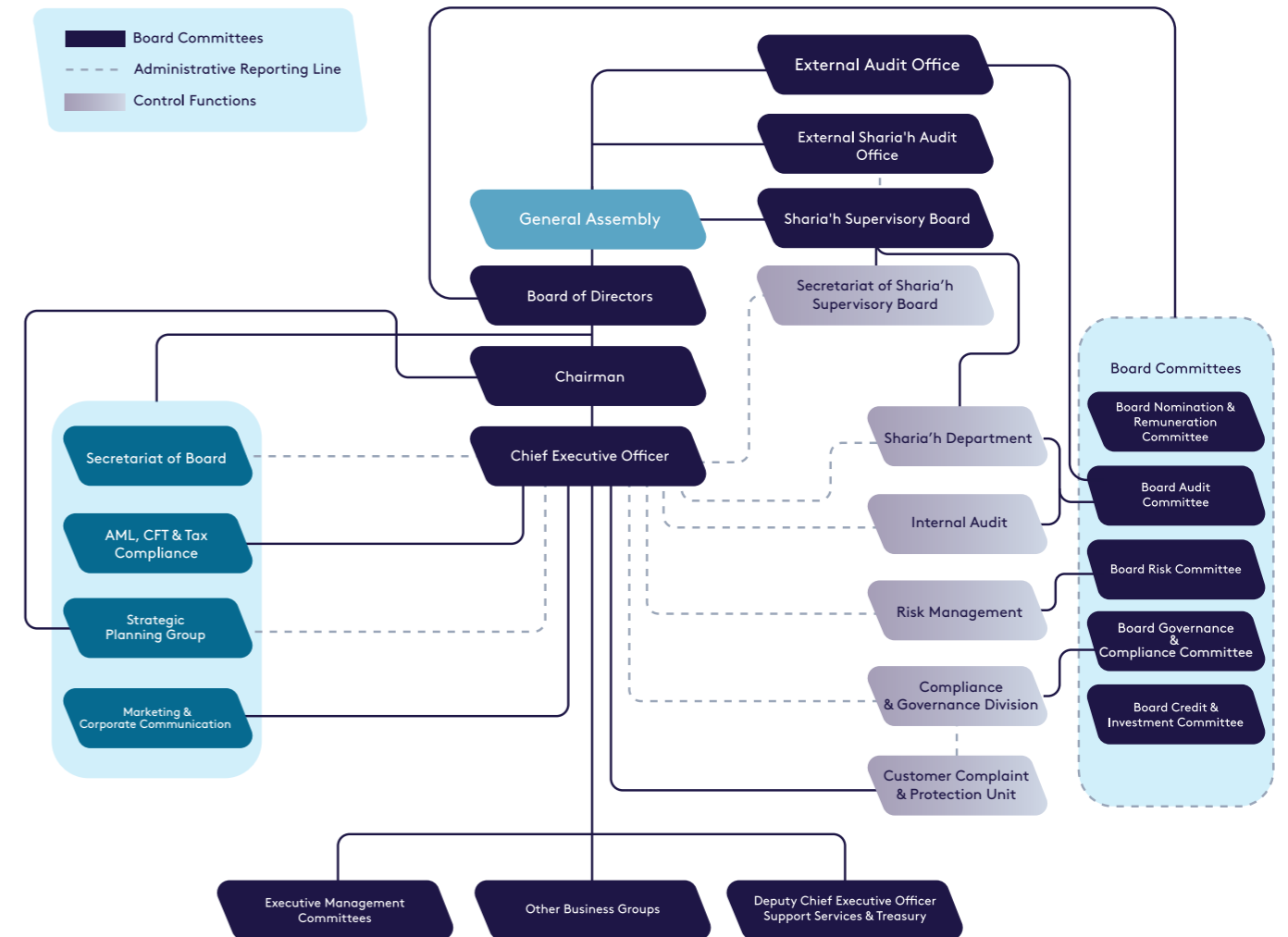
### WARBA BANK'S KEY SHAREHOLDERS (5% AND ABOVE)

Name	Shareholding Percentage
Kuwait Investment Authority (KIA)	15.9% Direct -1.644% Indirect
Al-Sayer Group Holding Company	10.242% Direct
Abdullah Saleh Al-Shalfan	10% Direct
The Public Institution for Social Security (PIFSS)	7.968% Indirect

## ORGANIZATIONAL STRUCTURE

The Bank has meticulously designed its organizational structure to prioritize transparency and clarity, facilitating efficient decision-making processes, fostering sound corporate governance practices, and delineating clear authority limits. This structure explicitly outlines the key responsibilities and

duties of the board of directors, executive management, as well as heads of supervisory and control functions within the Bank. Furthermore, the Bank's organizational framework has been recently updated to ensure compliance with all requirements set forth by the Central Bank of Kuwait.



## BOARD OF DIRECTORS

### ROLES AND RESPONSIBILITIES

The board of directors remains fully accountable for upholding the responsibilities outlined in the Articles of Association and Corporate Governance instructions, initially set forth by the Central Bank of Kuwait on June 20, 2012, and subsequently updated by the CBK on September 10, 2019. These directives aim to protect the interests of depositors, shareholders, creditors, and employees. In adherence to these corporate governance rules and instructions, the board of directors has not only endorsed all corporate governance policies but has also introduced new ones, ensuring their practical implementation. Additionally, the board has approved the Corporate Governance Manual and made it accessible on the Bank's website.

The board holds the responsibility of examining and approving the Bank's strategic plan, establishing budgets, assessing performance against targets, and prioritizing business objectives. Furthermore, it oversees the implementation of these strategies and approves policies governing various activities of the Bank.

Beyond strategic guidance, the board shields the Bank through vigilant vulnerability monitoring, ensuring effective risk management and internal controls. It evaluates the sufficiency and accessibility of systems in alignment with relevant laws and regulations and ensures the existence of comprehensive policies covering all Bank activities, subject to annual review for enhancements and improvements. Collaborating with executive management, the board regularly reviews policies and regulatory controls, including internal control and supervisory functions, to identify and address areas of weakness and risk to ensure continuous improvement. Moreover, it ensures that control and supervisory functions operate according to the required standards, receive necessary functional support, and perform with effectiveness and independence.

### BOARD MEMBERS TRAINING DURING 2023

Warba Bank places paramount importance on training programs tailored for its Board of Directors, recognizing their pivotal role in fostering leadership skills and enhancing governance practices. In July 2023, a comprehensive training session focused on "Risk Management" was organized and facilitated by a distinguished academic institution. Subsequently, in November of the same year, a two-day training initiative covered a range of critical topics such as corporate governance, anti-money laundering and counter-terrorist financing measures, cybersecurity, environmental and social governance (ESG), artificial intelligence, and sustainable leadership. This program was conducted in collaboration with a prominent consulting firm specializing in training and development. Additionally, a Sharia training program titled "Sharia Supervision Governance in Light of Kuwaiti Laws and Legislation" was delivered by a member of the Bank's Sharia Supervisory Board, ensuring alignment with Islamic principles and legal frameworks within Kuwait.

### BOARD MEMBERS FOR THE FIFTH SESSION (2022-2024)

At the Ordinary General Assembly meeting held on 30th March 2022 for the fiscal year that ended 31 December 2021, the Bank's board of directors was formed. This board comprises 11 members for the Fifth session (2022-2024), and includes 4 independent members.

### BRIEFS ON THE BOARD MEMBERS BRIEFS ON THE BOARD MEMBERS

#### 1. Mr. Hamad Musaed Al-Sayer Chairman - Elected

Al-Sayer holds a bachelor's degree in finance from Seattle University in the United States, earned in 1997, and an MBA from Maastricht University of Business Administration, completed in 2006. Since March 2019, he has been serving as the Vice Chairman of Warba Bank. Prior to this role, he had an extensive career path, starting with his tenure in the corporate finance sector at the National Bank of Kuwait from 1998 to 2003. Following this, Al-Sayer assumed the position of CEO at Al-Sayer Franchising General Trading and Contracting Company W.L.L., where he served from 2003 until June 2021.

Throughout his career, he held significant leadership roles, including Chairman and board member positions in various local and regional companies and financial institutions such as Al-Dhow Investment Company, United Securities Brokerage Company in Egypt, Al-Roeya Securities Company in the Sultanate of Oman, and FIMBank in Malta. In addition to his responsibilities at Warba Bank, Al-Sayer has been actively involved in other ventures, taking on the role of CEO at One Franchising Holding Company since July 2021. His diverse experience and leadership positions underscore his capability and expertise in the banking and financial sectors.

#### 2. Mr. Bader Khaled Al-Shalfan Vice Chairman - Elected

Al-Shalfan graduated with a bachelor's degree in business administration from Kuwait University in 2000. Since March 2019, he has served as a member of Warba Bank's board of directors, progressing to the position of Vice Chairman in March 2022, and continuing in this role to the present day. His professional journey commenced in 2001 when he joined the Ministry of Finance, undertaking roles as an officer and researcher in the Procurement Systems Department. Following this, he ventured into entrepreneurship, co-founding Health Company with a group of partners, where he has held the position of General Manager for over a decade. Additionally, in 2013, he established Bond International Real Estate Company, where he currently serves as General Manager. In this capacity, he offers advisory services and conducts studies in investment and real estate, both domestically and internationally.

#### 3. Mrs. Basma Hamed Al-Sanee

#### Board Member - Appointed by the Public Institution for Social Securities

Al-Sanee graduated with a bachelor's degree in business administration, specializing in Marketing, from the American University of Kuwait in 2008. Additionally, she obtained a higher diploma in Global Finance from the Chinese University of Hong Kong in 2012. Her pursuit of continuous learning led her to earn certificates in Strategic Management from Georgetown University in 2021 and Basics of Management from Harvard University in 2022.

Since March 2022, Al-Sanee has served as a member of the board of directors of Warba Bank, representing the Public Institution for Social Security (PIFSS). Her professional journey began in the training program of the Kuwait Investment Authority, where she gained valuable experience from 2008 to 2010. Subsequently, she joined PIFSS in 2010 and has steadily progressed through various roles within the organization, culminating in her appointment as Director of Real Estate Management.

In addition to her responsibilities at PIFSS, Al-Sanee holds positions as a board member in several companies, including Gravitas Holding PCC Ltd, Egycap Investments, and Kuwait Medical City Company.

#### 4. Mr. Khaldoun Shaker Al-Tabtabaei Board Member - Independent Elected

Al-Tabtabaei earned a bachelor's degree in business administration from George Washington University in the United States of America in 1998, followed by a master's degree in information systems management from the same university in 1999. In 2017, he furthered his education by obtaining a diploma in market operations from the University of Reading in the United Kingdom and the International Capital Markets Association (ICMA). Currently, he holds various advisory positions both locally and regionally.

Since February 2022, Al-Tabtabaei has served as an independent member of the Board of Directors of the Muscat Clearing and Depository Company affiliated with the Muscat Stock Exchange. Additionally, he has been an independent member of the Board of Directors of Warba Bank since March 2022. Al-Tabtabaei's professional journey has seen him contribute significantly to the financial sector. Most notably, he served as the CEO of the Kuwait Clearing Company from 2018 until 2021. During this tenure, he played a pivotal role in developing the Kuwaiti capital market and elevating the Kuwait Stock Exchange to the status of an emerging market on global indices such as Morgan Stanley (MSCI) and FTSE Russell. Al-Tabtabaei was an executive member of the tripartite committee for developing the Kuwaiti capital market formed by the Capital Markets Authority, where he also led the strategic transformation team. Additionally, he held the position of Vice President of the Africa and Middle East Central Depository Organization (AMEDA) and served as a member of the Board of Directors of the Federation of Arab Capital Markets (AFCM).

#### 5. Mr. Mubarak Nasser Al-Sayer

#### Board Member - Elected

Al-Sayer earned his bachelor's degree in business administration from Bowling Green State University in the United States of America in 1984. Since March 2022, he has served as a member of the board of directors of Warba Bank. With over 35 years of extensive experience in commerce, Al-Sayer has made significant contributions to various sectors. Since 2016, he has held the positions of board member and CEO of Al-Sayer Group Holding Company. Additionally, he serves as the Managing Partner in Nasser Mohamed Al-Sayer Group of Companies and holds the role of General Manager at Al-Dhow Holding Company. Throughout his career, Al-Sayer has held pivotal roles in numerous local companies, including Credit One Holding Company and Intel Consult Company. He has also served as a former member of the Board of Directors of the National International Holding Company.

#### 6. Mr. Mohamad Ahmad Al-Ruwayeh Board Member - Independent Elected

Al-Ruwayeh graduated with a bachelor's degree in law from Kuwait University in 1999, followed by a master's in Corporate Finance Law from the University of Westminster in the United Kingdom in 2009. Since March 2022, he has served as an independent member of the board of directors of Warba Bank. Additionally, Al-Ruwayeh is a member of the Kuwait Bar Association. He has accumulated extensive professional experience since 1999 at Ahmed Al-Ruwayeh Lawyers and Legal Advisors law firm.

#### 7. Mr. Mohammad Hamed Al-Shalfan Board Member - Elected

Al-Shalfan holds a bachelor's degree in civil engineering from Colorado University, obtained in 2002, and completed an MBA from DePaul University in the United States of America in 2008. Since March 2019, he has been an active member of Warba Bank's board of directors. Al-Shalfan's career trajectory commenced at Kuwaiti Manager Holding Company, where he served from 2003 to 2017, initially as Deputy General Manager for Operations in 2010, and later as the company's General Manager in 2013. Subsequently, in 2017, he transitioned to the role of executive partner at Sama Project Management Company. From May 2019 to June 2022, he held the positions of board member and CEO at Al-Masaken International Real Estate Development Company.

Currently, Al-Shalfan serves as the Chairman of the board of directors at INOVEST Company (B.S.C.). Throughout his career, he has been an integral member of the board of directors at numerous local and regional companies, including 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, Baitak Real Estate Company in Saudi Arabia, and Al-Masaken United Real Estate Company.

**8. Mr. Mohamad 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. He 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.

**9. Mr. Mohamad Abdulredha Saleem**  
Board Member - Elected

Saleem holds a bachelor's degree in business administration with a focus on Finance from Kuwait University, which he obtained in 1985. Since March 2016, he has been a member of Warba Bank's board of directors. Saleem's professional experience spans over 30 years at the Kuwait Investment Authority (KIA), where he held various positions before assuming the role of Treasury Department Manager in 2006, a position he continues to hold. Additionally, he currently serves as the Vice Chairman of the Arab Banking Corporation. Throughout his career, Saleem has held chairmanship and membership positions on the board of directors in several companies, including 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. He has also actively participated in numerous theoretical and practical courses at leading banks and global financial institutions, focusing on portfolio management, investment, and capital markets.

**10. Mr. Mohammad Abdulaziz Al-Bahar**  
Board Member - Independent Elected

Al-Bahar holds a bachelor's degree in industrial and systems Engineering from the University of Southern California in the United States of America, which he obtained in 1982. He furthered his education at the same university, earning a master's degree in operations research in 1985. Since March 2022, he has served as an independent member of the board of directors of Warba Bank. Al-Bahar began his professional career in 1983 at the Kuwait Institute for Scientific Research in the Department of Technical Economics, where he worked until 1985. Subsequently, he joined the Gulf Investment Corporation in 1985 and held the position of Vice President in Project Management until 2001. From 2001 to 2018, he served as the General Manager of Boubyan Petrochemical Company.

Throughout his career, Al-Bahar has held various leadership roles and board memberships in local and regional companies and banks across the fields of education, technology, and industry. Notable positions include chairmanship and membership of the boards of directors at Burgan Bank, Boubyan Plastic Industries Company, Kuwait Olefins Company, Tourism Projects Company, and the Gulf University for Science and Technology. Additionally, he has been involved with companies such as Nama Chemicals Company, the National Titanium Dioxide Company (Crystal), the Arab Insulation Industry Company (Insulations), and the Arab Industrial Fibers Company (Ibn Rushd) in Saudi Arabia.

**11. Ms. May Mohalhal Al-Mudhaf**  
Board Member - Independent Elected

Al-Mudhaf graduated with a bachelor's degree in economics from the American University of Beirut in 1980. In addition to her academic qualifications, she has completed several banking programs at prestigious institutions such as Harvard Business School, Harvard School of Government, New York School of Finance, and the Institute of Banking Studies. She is also an active member of professional associations including the Kuwait Economic Association, Kuwait Alumni Association, and The Arab Bankers of North America (ABANA).

With over three decades of banking experience, Al-Mudhaf is recognized as an experienced banker with extensive knowledge and industrial contacts. Since 2022, she has served as an independent board member of Warba Bank in Kuwait. Currently, she holds the position of Managing Partner at Novum Consulting, where she provides consultation services for high-net-worth individuals and financial institutions, offering guidance on various investment opportunities.

Throughout her career, Al-Mudhaf has held key leadership positions in renowned financial institutions. From 2013 to 2018, she served as CEO of First Abu Dhabi Bank in Kuwait. Prior to this role, she was the first General Manager of Burgan Bank from 2009 to 2012, overseeing treasury, financial institutions, investment management, and private banking. Earlier in her career, she served as Trustee Treasurer/General Manager at Commercial Bank of Kuwait from 2001 to 2006, and as Assistant General Manager of the Treasury Group at Gulf Bank of Kuwait from 1998 to 2001. She began her professional journey at Commercial Bank of Kuwait, where she spent 15 years advancing to the position of senior manager in the treasury department.

**BOARD COMMITTEES – MEMBERSHIP AND DUTIES**

The board of directors has instituted five board-level committees and delegated to them the responsibility to represent its interests in particular areas. These committees have been established in accordance with corporate governance principles observed in banking institutions and in compliance with relevant regulatory mandates.



**BOARD CREDIT & INVESTMENT COMMITTEE (BCIC)**

The committee thoroughly assesses, develops, and presents recommendations concerning financing and investment proposals, fees and commissions, the performance of the financing portfolio and investments, and legal actions pertaining to non-performing financing for the board's consideration and approval. Additionally, the committee holds specific delegated authority to approve credit financing and investment decisions. The committee comprises the following members:

Mr. Mohamad Abdulredha Saleem	Chairman
Ms. May Mohalhal Al-Mudhaf	Vice Chairman
Mr. Bader Khaled Al-Shalfan	Member
Mrs. Basma Hamed Al-Sanee	Member

**BOARD AUDIT COMMITTEE (BAC)**

The committee conducts a comprehensive review of the internal and external audit functions at the Bank, assessing their scope, effectiveness, and adequacy. It also examines key accounting issues with significant impacts on the Bank's financial information and internal controls. Ensuring sufficient resources are allocated to control functions falls within its purview. Additionally, the committee examines the Bank's financial statements before their submission to the board of directors, ensuring the adequacy of necessary provisions.

The BAC evaluates the performance of the chief internal auditor, including their remuneration. It also considers recommendations from executive management regarding the appointment and termination of external auditors, as well as determining their fees. The committee is comprised of the following members:

Mr. Mohammad Ahmad Al-Ruwayeh	Chairman
Mr. Mohammad Riyad Al-Mutawa	Vice Chairman
Mr. Khalidoun Shaker Al-Tabtabaei	Member
Mr. Mubarak Nasser Al-Sayer	Member
Mr. Mohammad Abdulaziz Al-Baher*	Member

## BOARD GOVERNANCE & COMPLIANCE COMMITTEE (BGCC)

The committee plays a pivotal role in aiding the board of directors in meeting governance obligations. It is tasked with preparing and updating the Bank's corporate governance manual, ensuring alignment with governance requirements and rules. Oversight of compliance by the Bank's related parties with governance standards is also within its remit. Additionally, the committee presents reports to the board of directors on these matters and scrutinizes the content intended for publication in the annual report concerning corporate governance. The committee comprises the following members:

Mr. Hamad Musaed Al-Sayer	Chairman
Mr. Mohammad Abdulredha Saleem	Vice Chairman
Mr. Mohammad Ahmad Al-Ruwayeh	Member

## BOARD RISK COMMITTEE (BRC)

The committee plays a vital role in supporting the board of directors in fulfilling its obligations regarding strategies, risk appetite, and managing risks inherent in financing and investment activities. It is tasked with delineating and refining the Bank's risk strategy, risk appetite, and other risk-related measures.

The committee is responsible for reviewing reports from the Risk Management Group, assessing the Bank's risk and control policies, and making recommendations for their approval by the board of directors. The committee is comprised of the following members:

Mr. Khaldoum Shaker Al-Tabtabaei	Chairman
Mr. Mubarak Nasser Al-Sayer	Vice Chairman
Mr. Mohamed Hamed Al-Shalfan	Member
Mr. Mohammad Riyad Al-Mutawa	Member
Mr. Mohammad Abdulaziz Al-Baher	Member

## BOARD NOMINATIONS & REMUNERATIONS COMMITTEE (BNRC)

The committee aids the board of directors in assessing the suitability of nominees for board membership, as well as nominees for the roles of CEO and CEO's deputies and assistants. Additionally, it oversees the effectiveness and implementation of the nomination policy, ensuring alignment with the Bank's objectives.

The committee is responsible for safeguarding the efficiency and integrity of compensation and rewards policies and practices within the Bank. The committee comprises the following members:

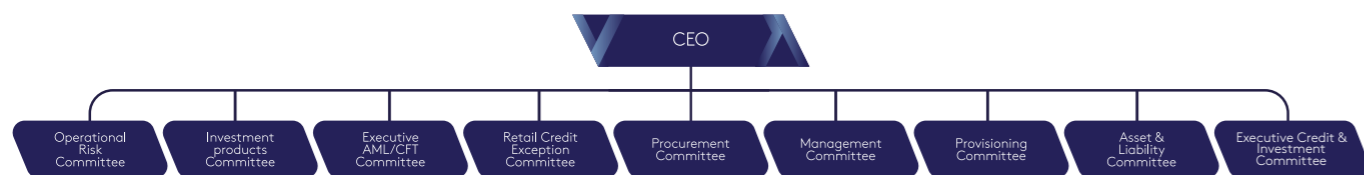
Ms. May Mohalhal Al-Mudhaf	Chairman
Mr. Bader Khaled Al-Shalfan	Vice Chairman
Mrs. Basma Hamed Al-Sanee	Member
Mr. Mohammad Hamed Al-Shalfan	Member
Mr. Mohammad Abdulaziz Al-Bahar	Member

## ATTENDANCE AT MEETINGS OF THE BOARD AND THE COMMITTEES OF THE BOARD DURING 2023:

Member	Title	BOD	BCIC	BAC	BRC	BGCC	BNRC
Mr. Hamad M. Al-Sayer	Chairman	12				7	
Mr. Bader K. Al-Shalfan	Vice Chairman	12	23				8
Mrs. Basma H. Al-Sanee	Member	11	22				7
Mr. Khaldoum S. Al-Tabtabaei	Independent Member	12		10	12		
Mr. Mubarak N. Al-Sayer	Member	6		5	7		
Mr. Mohammad A. Al-Ruwayeh	Independent Member	11		10		7	
Mr. Mohammad H. Al-Shalfan	Member	12			12		8
Mr. Mohammad R. Al-Mutawa	Member	11		10	12		
Mr. Mohammad A. Saleem	Member	11	20			7	
Mr. Mohammad A. Al-Bahar*	Independent Member	11		10	12		8
Ms. May M. Al-Mudhaf	Independent Member	12	22				7
<b>Total number of meetings</b>		<b>12</b>	<b>23</b>	<b>10</b>	<b>12</b>	<b>7</b>	<b>8</b>

## MANAGEMENT COMMITTEES – DUTIES AND RESPONSIBILITIES

The board of directors has endorsed the establishment of several executive-level committees to undertake ad-hoc tasks and responsibilities, supporting the chief executive officer (CEO) in the Bank's efficient administration. Mr. Shaheen Hamad Al-Ghanem, CEO of the Bank, chairs the majority of these committees.



### EXECUTIVE CREDIT & INVESTMENT COMMITTEE (ECIC)

The ECIC is authorized to evaluate all credit financing and investment proposals. It either approves these proposals or delegates them to the Credit & Investment Committee based on its authorized discretion. Moreover, the ECIC oversees and assesses the Bank's financing and investment portfolio, implementing necessary actions to maintain the robust performance of these 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 Wrequirements 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 tasked with analyzing and assessing all outstanding exposures within approved financing facilities and investments. Its objective is to determine if any exposure is impaired or exhibits signs of irregularity, necessitating provisions in alignment with internationally accepted financial reporting standards and Central Bank of Kuwait regulatory stipulations. Additionally, the committee is authorized to review debt write-offs and provide relevant recommendations to the board audit committee (BAC) and the board of directors.

### MANAGEMENT COMMITTEE "ManCom"

The committee is tasked with developing and implementing the Bank's vision and strategy. It meets regularly to facilitate the flow of information and to reach consensus views on decisions impacting the Bank's overall organization and positioning. The committee's responsibilities encompass various aspects, including but not limited to, the Bank's business plans, policies, processes, procedures, new product and service programs, special projects, human resources, and information technology. Additionally, it addresses and resolves any other issues not covered by specific committees.

### PROCUREMENT COMMITTEE

The procurement committee was established with the aim of ensuring that the procurement process for all goods, services, contracts, and works required for the Bank's operations is conducted appropriately, following a transparent, efficient, and timely approach and incorporating best practices in procurement. The primary role of the committee is to oversee the Bank's procurement needs, ensuring alignment with its objectives. The committee ensures that procurement activities are conducted timely, at the appropriate location, and at reasonable costs, while balancing overall corporate requirements such as consumption rationalization, transparency, and accountability. Additionally, it ensures that procurement activities adhere to the highest ethical standards, promoting fair and equitable treatment of suppliers and vendors providing services and goods to the Bank.

### Retail Credit Exceptions Committee ("RCEC")

The Retail Credit Exceptions Committee (RCEC) has been established to review all personal finance transactions necessitating careful and thorough examination. It provides insights on the feasibility of granting exceptions and makes decisions regarding approval or disapproval based on specific credit considerations and rationale, all within the framework of the Bank's long-term business objectives and acceptable risk tolerance parameters.

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

In compliance with CBK instructions dated 28th August 2019, Warba Bank has instituted a committee dedicated to reporting suspicious transactions. The committee is tasked with making final determinations regarding suspicious cases that warrant reporting to the Kuwaiti Financial Intelligence Unit. It consists of four members, with the AML/CFT officer serving as the chairperson, alongside representatives from the Compliance & Governance division, the legal department, and the Retail Banking Group.

The committee is responsible for compiling a quarterly report encompassing all agreed-upon suspicious transactions. This report is subsequently submitted to the Kuwait Financial Intelligence Unit, as well as to the board risk committee and the board of directors for review.

### Investment Products Committee ("IPC")

The Investment Products Committee (IPC) is tasked with overseeing the introduction, rollout, and management of investment products, offerings, and services licensed by the Capital Markets Authority to the Bank's current and potential clients. Its primary objective is to ensure that these activities align with the board of directors' approved strategy for asset management.

### Operational Risk Committee ("ORC")

The Operational Risk Committee (ORC) is a management-level committee established to overlook risks other than market, liquidity, and credit risk. It convenes at least once per quarter to evaluate and supervise the overall control environment of the Bank. The committee recommends or approves actions to mitigate risks exceeding the Bank's risk appetite if they were to materialize.

ORC's purview includes managing various risks such as operational risks, information security risks, IT risks, AML risks, legal risks, regulatory compliance risks, and Shariah risks. Additionally, it reviews and monitors the Bank's business continuity plans, ensuring the adoption of a structured process for their development, maintenance, and testing.

## THE EXECUTIVE MANAGEMENT

	Name	Title	Experience in years	Nationality	Education
1	Mr. Shaheen Hamad Al-Ghanem	Chief Executive Officer	35	Kuwait	Master
2	Mr. Anwar Bader Al-Ghaith	Deputy Chief Executive Officer Support Services & Treasury	26	Kuwait	Bachelor
3	Mr. Faisal Abdulrazaq Al-Nassar	Chief Corporate Banking Officer	25	Kuwait	Bachelor
4	Mr. Thuwaini Khalid Al-Thuwaini	Chief Investment Banking Officer	18	Kuwait	Bachelor
5	Mr. Hussam Sulieman Mustafa	Chief Internal Auditor	31	Jordan	Bachelor
6	Mr. Hamad Fouzan Al-Fouzan	Chief Strategic Planning Officer	18	Kuwait	Master
7	Khurshed Kavas Sanjana	Acting Chief Risk Officer	40	India	Bachelor
8	Mr. Abdullah Mahmoud Al-Lanqawi	Chief Treasury Officer	17	Kuwait	Master
9	Mr. Faisal Abdulrazaq Al-Nassar	Chief Corporate Banking Officer	25	Kuwait	Bachelor
10	Mrs. Laylai Mustafa Al-Fahad	Chief Operations Officer	30	Kuwait	Master
11	Mr. Mohamed Sabry Eissa	Chief Financial Officer	23	Egypt	Bachelor
12	Ms. Maali Abdullah Al-Rasheed	Chief Human Resources & General Services Officer	22	Kuwait	Master
13	Mr. Wael El-Said Shawareb	Chief Technology Officer	22	Egypt	Bachelor
14	Mr. Wael Ahmad Awad	Acting Chief Digital Officer	22	Egypt	Bachelor

### BRIEF ON THE EXECUTIVE MANAGEMENT

#### 1. Mr. Shaheen Hamad Al-Ghanem Chief Executive Officer

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 a broad and long experience of more than 34 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. Mr. Anwar Bader Al-Ghaith Deputy Chief Executive Officer Support Services & Treasury

Al-Ghaith holds a bachelor's degree in accounting from Kuwait University and boasts over 26 years of experience in both government and private financial sectors. His career commenced in 1997 as a Tax Inspector at the Ministry of Finance.

After three years of service, he transitioned to Kuwait Finance House in 2001, steadily climbing the ranks to become Head of Local Real Estate Operations. By 2005, he was appointed Operations Department Manager, ultimately assuming the role of Chief Operating Officer in 2011, where he oversaw banking operations, information technology, and human resources until 2014.

In 2014, he assumed the role of Acting Chief Executive Officer before joining Gulf Investment Corporation in 2015 as the Head of Operations Division. Following this, he served at the Central Bank of Kuwait in various capacities, including Executive Director for Organization & Administration, Executive Director for Information Technology & Banking Operations, and Acting Department Head for the Foreign Operations Department. In October 2020, Mr. Al-Ghaith joined Warba Bank, currently holding the position of Deputy Chief Executive Officer for Support Services & Treasury. Throughout his career, he has completed numerous training and leadership programs, including the Leadership Development Program at Harvard Business School in 2007. Additionally, he holds professional certifications such as Certified Islamic Banker from the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) in 2012 and is a certified and licensed External Auditor from the Ministry of Commerce in the State of Kuwait.

#### 3. Mr. Ahmad Faisal AlQatami Chief Retail Banking Officer

Mr. Al-Qatami holds a bachelor's degree in business administration in general management from Portland State University, complemented by over 22 years of invaluable experience in the banking and financial services sector. His professional journey commenced in 2001 at Kuwait Finance House, where he embarked on a path of growth and expertise across various roles in private banking and banking sectors. In 2010, Mr. Al-Qatami transitioned to Boubyan Bank, assuming the role of Manager in Private Banking, where his leadership and strategic acumen led to his appointment as the Acting Head of the Private Banking Department. Continuing his career trajectory, he joined Dimah Capital Investment in January 2016, contributing his expertise to the client relations department initially as a Senior Vice President and later as an Executive Vice President.

Bringing a wealth of experience and a proven track record of success, Mr. Al-Qatami joined Warba Bank in February 2023 as the Chief Retail Banking Officer.

Throughout his career, Mr. Al-Qatami has also served in various board member positions in several companies, further showcasing his leadership and commitment to the industry's growth and development.

#### 4. Mr. Thuwaini Khalid Al-Thuwaini Chief Investment Banking Officer

Mr. Al-Thuwaini holds a bachelor's degree in economics from the University of Maryland, College Park, and has attended several executive leadership development programs. With over 18 years of experience in banking and investment, including 6 years at Rasameel Structured Finance Company where he held various positions, he joined Warba Bank in January 2015. Currently, he serves as the Chief Investment Banking Officer.

#### 5. Mr. Hussam Sulieman Mustafa Chief Internal Auditor

Mustafa earned a bachelor's degree in accounting from Yarmouk University in Irbid, Jordan in 1989. His dedication to professional development is evident through his acquisition of numerous certifications, including Certified Fraud Examiner (CFE), Certified Internal Controls Auditor (CICA), Certified Information System Auditor (CISA), and Certified Bank Auditor (CBA). He is also a member of esteemed professional organizations such as the IIA, ISACA, and ACFE.

With over 31 years of experience in Internal Audit and Risk Management across conventional, regulatory, and Islamic banking sectors, as well as the investments industry in the region, Mustafa possesses extensive expertise in Fraud Risk Management, Internal Controls, and Enterprise Risk Management. His career commenced in 1989 as a Teller at Gulf Bank, followed by roles at the Central Bank of Jordan. He subsequently held various managerial positions at the National Bank of Abu Dhabi and Abu Dhabi Islamic Bank in the UAE before returning to Gulf Bank of Kuwait in 2014 as a General Manager and Chief Internal Auditor. In July 2022, Mustafa brought his wealth of experience to Warba Bank, assuming the role of Chief Internal Auditor (CIA).

#### 6. Mr. Hamad Fouzan Al-Fouzan Chief Strategic Planning Officer

Mr. Al-Fouzan holds an MBA from Imperial College London and a bachelor's degree in information science from the University of Arkansas, USA. With 18 years of experience, he specializes in IT leadership, digital transformation, innovation, and strategy planning. He has attended leadership and strategy programs at Harvard University, Wharton, and Booth. Beginning his career in 2005 at Zain, he later joined Boubyan Bank in 2006, where he progressed from Systems Engineer to Executive Manager for IT Systems Management. He then served as Head of Innovation and Partnerships, contributing to projects like the UK's Nomo Digital Bank under BLME. Joining Warba Bank in May 2021, he currently serves as the Chief Strategic Planning Officer.

**7. Mr. Khurshed Kavasa Sanjana**  
**Acting Chief Risk Officer**

Khurshed Sanjana holds a Bachelor of Commerce degree from the University of Bombay (1982) and a Bachelor of Science in Computer Science from The International University in Kansas City, Missouri, USA (1985). His commitment to continuous professional development is evidenced by his membership in the Institute of Financial Accountants in Kent, UK since 1994. Khurshed Sanjana joined Warba Bank in 2011 as the Head of Compliance, bringing with him a rich blend of academic and professional expertise. Prior to joining Warba Bank, he accumulated experience in the financial and investment sector, having worked at Kuwait Finance & Investment Company (2008-2011), Gulf Bank (1995-2008), and Burgan Bank (1992-1995). He commenced his career with Alghanim Industries in 1990.

During his tenure at Warba Bank, Khurshed has taken on various progressive leadership roles. Currently, he serves as the Acting Chief Risk Officer.

**8. Mr. Abdullah Mahmoud Al-Lanqawi**  
**Chief Treasury Officer**

Mr. Al-Lanqawi holds an MBA degree from Maastricht Business School of Management and a bachelor's in business administration from Kuwait University. His expertise spans across Assets & Liabilities Management, Investments, and Treasury Sales of Structured Products and Derivatives. Complementing his academic qualifications, he completed the prestigious "PLD program" from Harvard Business School and earned certifications such as the Certificate of Investment Management (CIM) and the Program of Investment Strategies and Portfolio Management (ISPM) from Wharton University of Pennsylvania, USA. Additionally, he holds a Dealing Certificate from the Financial Markets Association (ACI).

His professional journey commenced in Treasury at Ahli United Bank in 2006, where he rapidly climbed the ranks. By 2019, he had attained the position of General Manager of Treasury, showcasing his adeptness in financial management. In July 2022, Mr. Al-Lanqawi assumed the pivotal role of Chief Treasury Officer at Warba Bank. In this capacity, he leads the bank's treasury activities, focusing on optimal liquidity management, risk mitigation, and strategic investment initiatives.

Mr. Al-Lanqawi's leadership extends to charting the course for the bank's financial strategies, managing foreign exchange exposures, and aligning the bank's monetary policy stance with market dynamics and overall objectives.

**9. Mr. Faisal Abdulrazaq Al-Nassar**  
**Chief Corporate Banking Officer**

Mr. Al-Nassar holds a bachelor's degree in economics from the University of Colorado, USA, obtained in 1998. With over 25 years of experience in Corporate Banking & Corporate Finance, his career began in 1999 at the Bank of Kuwait & the Middle East, where he rose to Assistant Manager by 2003. He then joined Aayan Leasing & Investment Company in 2005 as Vice President – Treasury & Corporate Finance, later transitioning to Boubyan Bank as Senior Manager in the Corporate Banking Department in 2010. Since joining Warba Bank in 2012 as Senior Manager in the Corporate Banking Group, he has progressed to become the Chief Corporate Banking Officer since February 2021. He also holds certificates in Credit Management from the Institute of Banking Studies (1999) and completed a Leadership and Management Certificate program from Wharton University in 2022.

**10. Ms. Layali Mustafa Al-Fahad**  
**Chief Operations Officer**

Al-Fahad holds a master's degree in business administration from the International University of Islamic Sciences, complemented by a bachelor's degree in Business Administration from Arab Open University. With a career spanning over 30 years in the banking sector, she has cultivated extensive expertise in operations.

Commencing her professional journey in 1993 with the National Bank of Kuwait, Al-Fahad steadily advanced through various roles, culminating in her position as Senior Supervisor Credit Execution and Quality Assurance. In 2009, she transitioned to Burgan Bank, where she served as the Director of Asset and Liability Operations. Over the years, she assumed diverse responsibilities and ultimately held the position of Head of Operation, Asset and Liability Operations, and Credit Operations in 2016. In 2018, Al-Fahad joined Boubyan Bank, achieving the role of Deputy General Manager of the Banking Operation Group by 2022.

Her leadership extends beyond individual institutions, as evidenced by her chairing of the Operation Committee of the Kuwait Banking Association from 2013 to 2016. Al-Fahad has actively pursued professional development, completing notable courses such as "Managing strategically, leading for result" at Harvard Business School in 2013, the Oxford Women's Leadership development program in 2020, and obtaining a certificate of leadership in "A World Transformed" from Harvard Business School in 2022. In October 2022, Al-Fahad brought her wealth of experience and leadership capabilities to Warba Bank, assuming the role of Chief Operations Officer.

**11. Mr. Mohamed Sabry Eissa**  
**Chief Financial Officer**

Mohamed Eissa holds a bachelor's degree in accounting from Ain Shams University and is a Certified Public Accountant (CPA) certified by the California Board of Accountancy - USA, as well as a Certified International Public Sector Accountant (ACCA Cert IPSAS). His professional journey commenced in 1999 as an auditor, where he contributed to some of the largest international audit and consulting firms for over 23 years. During this time, he garnered extensive expertise in audit and internal control within Islamic banks and financial institutions, steadily advancing to various positions until he reached the role of Audit Principal in one of the largest audit and consultancy firms in the Middle East. In 2022, Mohamed Eissa joined Warba Bank as Chief Financial Officer.

**12. Ms. Maali Abdullah Al-Rasheed**  
**Chief Human Resources & General Services Officer**

Ms. Al-Rasheed holds an MBA from Maastricht School of Management and a bachelor's degree in general chemistry with an MIS Minor from Kuwait University. With over 22 years of experience, she is a seasoned Human Resources Executive with expertise across various HR domains such as total rewards, talent acquisition, HR operations, and organizational development. Prior to assuming the role of Chief Human Resources & General Services Officer at Warba Bank in 2021, she distinguished herself through a series of managerial and leadership positions at Burgan Bank Kuwait (2005-2021), ultimately taking the helm as Head of Human Resources and Development. Ms. Al-Rasheed has also completed Harvard Business School Executive Education and holds certifications as a Professional in Human Resources (PHR) from HRCI and a SHRM Certified Professional (SHRM-CP) from the Society for Human Resource Management.

**13. Mr. Wael Elsaid Shawareb**  
**Chief Technology Officer**

Shawareb holds a bachelor's degree in computer science from the Modern Academy, earned in 2002, and has over 22 years of experience in the field. His professional journey commenced as a Senior Information Security Engineer at Arab Trust Company from 2002 to 2005. Following this, he transitioned to Kuwait Finance House, where he served as Deputy Manager for Information Security and Infrastructure Planning from 2005 to 2012.

In 2013, Shawareb embarked on a new chapter in his career by joining Warba Bank as a Senior Director of Cyber Security and IT Governance. He played a pivotal role in establishing the Information Technology Group's infrastructure within the bank. Throughout his tenure at Warba Bank, Shawareb has been recognized with two notable awards: the "Cloud Trailblazer Award" and the "DevOps Rockstar" award, underscoring his exceptional contributions to the organization.

Demonstrating his commitment and expertise, Shawareb steadily advanced within Warba Bank, assuming roles of increasing responsibility. He currently serves as the Chief Technology Officer, overseeing the bank's technological operations and driving innovation in line with its strategic objectives.

**14. Mr. Wael Ahmad Awad**  
**Acting Chief Digital Officer**

Awad holds a bachelor's degree in computer science engineering from the Faculty of Electronic Engineering, Al-Monofia University, Egypt. With over 22 years of experience in the banking industry, his journey began in 2000 as a System Officer in the Information Technology department at Ahli Bank of Kuwait, where he served for 7 years. In 2007, he transitioned to Kuwait Finance House, assuming the role of an IT Business Consultant in the Information Systems Planning department within the information technology sector. Joining Warba Bank in 2013, Awad continued to enhance his professional qualifications, obtaining certifications such as Certified Associate in Project Management in 2006, Certified Manager from ICPM in 2015, and completing the Executive Leadership Program from the University of Chicago Booth School of Business in 2017.

Throughout his tenure at Warba Bank, Awad held various leadership positions, showcasing his expertise and leadership acumen. In recognition of his contributions and capabilities, Awad was appointed as Acting Chief Digital Officer in April 2022.

## Compensation Policy (Salary & Remuneration)

The Bank's Compensation Policy aligns with the strategies established by the Board of Directors, adhering to provisions outlined in the Labor Law of the Private Sector, Corporate Governance mandates from the Central Bank of Kuwait, and recommendations from the Nomination and Remuneration Committee. This policy mirrors international best practices, aiming to incentivize and reward employees for their exceptional performance. Additionally, compensation plays a crucial role in attracting talented individuals with expertise and efficiency, across various industries, to join Warba Bank. The Bank prioritizes regular updates to this policy, evident through specific indicators designed to reflect individual or team performance. These updates ensure flexibility to adapt to labor market variables, requirements, and benchmarks through organized and standardized methodologies.

Financial performance measures such as revenue, profits, cash flow, and return on equity-based objectives are established, alongside other economic objectives associated with Risk-Adjusted Return on Capital (RAROC). Moreover, non-financial or non-economic performance measures assess compliance with internal controls, teamwork, and other qualitative criteria, recognizing staff contributions beyond financial and economic aspects. The Bank places significant emphasis on updating these measures, recognizing that human capital offers more than just financial and economic contributions.

The compensation package for employees includes several components categorized as follows:

- **Basic salary:** Paid monthly and determined based on the employee's job evaluation rating and the Bank's grading system.
- **Allowances:** Monthly payments provided to employees along with their salary, tailored to the nature of their work.
- **Annual Bonus:** Reward given to employees at the end of the year, contingent upon both the employee's performance assessment and the Bank's performance.
- **Incentives:** Schemes designed to motivate staff to enhance production and improve performance.
- **Other benefits:** This encompasses various perks such as travel tickets, medical insurance, tuition allowance, end-of-service benefits, as well as remunerations approved by the Board of Directors in collaboration with the Board Nominations and Remunerations Committee, and the Board Risk Committee.

The annual compensation package, comprising both fixed and variable components, undergoes review by the Nominations & Remunerations Committee and subsequently receives approval from the Board of Directors. In the year ending 31/12/2023, the Nominations & Remunerations Committee held 8 meetings to address this matter.

Additionally, the Bank collaborates with an external consultant to conduct a thorough review of its compensation policy, schemes, and procedures. This measure ensures that Warba Bank adheres to the implementation of the compensation policy and procedures in accordance with the CBK instructions concerning Sharia's Governance Rules in Kuwaiti Islamic Banks issued in December 2016, as well as 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 2023 amounted to KD 66 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 2023, including the CEO, CFO, CRO, and CIA, amounted to KD 2,263,341.379.

\*This amount includes basic salaries, allowances, entitlements, and end-of-service benefits.

Additionally,\* One employee has been undertaken with doing some of the work of the six key executives during 2023.

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

Total compensations paid to the executive management for 2023 (CEO and his deputies and/or other senior executives subject to the approval of regulatory and supervisory bodies, i.e., 14 individuals) amounted to KD 3,727,280.585 inclusive of basic salaries, allowances, entitlements, and end-of-service benefits.

Total compensations paid to the Financial Control and Risk employees, i.e., (14) employees, amounted to KD 1,626,206.00, inclusive of basic salaries, allowances, entitlements, and end-of-service benefits.

Total compensations paid to the risk-taking employees, i.e., 16 employees, amounted to KD 3,432,161.67, inclusive of basic salaries, allowances, entitlements, and end-of-service benefits. This category includes top management, group and department 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

Warba Bank is dedicated to mitigating and controlling the risks associated with money laundering and terrorism financing, aligning with the laws and regulations set forth by the Central Bank of Kuwait (CBK). This commitment includes adapting policies and procedures to comply with AML/CFT laws, such as Law No. 106 of 2013, CBK instructions dated 23/7/2013 and amended instructions 507/2023 issued on 16.02.2023, and subsequent regulatory guidelines.

The bank implements Know-Your-Customer (KYC) and due diligence principles based on risk assessment throughout customer relationships, following international guidelines and best practices recommended by the FATF. To combat money laundering, Warba Bank ensures the effectiveness of its human resources and systems in identifying suspicious transactions. Staff receive quarterly training and guidance on AML/CFT patterns issued by the KFIU.

In accordance with CBK instructions dated 28/8/2019, Warba Bank has established an AML/CFT committee to make decisions regarding suspicious transactions and report them to the KFIU. Warba Bank also complies with the USA Foreign Account Tax Compliance Act (FATCA) requirements and engages a global audit firm approved by the Ministry of Finance to verify compliance and review FATCA reports. The bank successfully uploaded the FATCA report for 2022 to the Ministry of Finance's website before the deadline in May 2023.

Furthermore, Warba Bank implements the common reporting standards agreement signed by Kuwait on 19/08/2016. The bank engages an approved audit firm to review processes and ensure compliance with CRS requirements. The CRS report for 2022 was prepared, sent to the Ministry of Finance, and successfully uploaded to the ministry's website within the specified timeline in May 2023.

## Compliance

The Compliance & Governance Division plays a crucial role in ensuring Warba Bank's adherence to regulations and instructions in Kuwait, safeguarding the institution from violations and penalties acting as the second line of defense. Our division, epitomized by our slogan "We comply to protect our growth. Throughout 2023, the division achieved significant milestones, bolstering bank-wide compliance with regulatory instructions and corporate governance systems and rules. laws. This involved updating policies and procedures to facilitate employee compliance and support implementation efforts. Moreover, the Division prioritized enhancing staff compliance by conducting comprehensive awareness programs covering regulatory requirements across all bank activities. These initiatives underscore our unwavering commitment to upholding regulatory standards and fostering a culture of compliance within Warba Bank.

## Code of Business Conduct and Ethics

Warba Bank upholds the highest standards of ethical conduct, which govern the practices and activities of all staff members, whether they are working for the bank or representing its interests. The board of directors of Bank Warba establishes a policy for code of conduct and ethics within its commitment to enhance professional behavior standards. This is to ensure Bank Warba's continued operation with honesty, integrity, and the required credibility, as well as to maintain the bank's reputation. The policies on code of conduct and ethics include the following:

- Integrity.
- Conflict of interest.
- confidentiality.
- Compliance with laws and regulations.
- Encouraging the reporting of unlawful/unethical Behavior.
- Fair dealing policy for all bank employees with bank clients, suppliers, and other third parties.

Members of the board of directors review and sign their commitment to these policies, and Bank Warba employees regularly review these policies and confirm their adherence to them. Additionally, the bank works on promoting comprehensive awareness regarding professional conduct standards and work ethics through direct training and awareness materials distributed throughout the year.

## Disclosure and Transparency

In accordance with instructions from the Central Bank of Kuwait, Capital Markets Authority, and Bursa Kuwait, corporate governance standards emphasize the importance of accurate and timely disclosure of all material information concerning the Bank. To fulfill this requirement, Warba Bank has established a dedicated Disclosure & Transparency Unit within the Compliance & Governance Division.. This unit is responsible for ensuring the timely disclosure of significant information to Bursa Kuwait (Kuwait Stock Exchange) and the Capital Markets Authority. The Bank utilizes various channels for disclosure, including its website, annual reports, financial statements, product information, and press releases distributed through media outlets.

## Adequacy of Internal Controls

Warba Bank's board of directors is responsible to review and approve the effectiveness of the Bank's internal control system. This system is crucial to ensure operational efficiency, internal and external reporting quality, compliance with regulations, and risk management. Senior management is tasked with establishing and maintaining this system to mitigate the risk of failure and achieve the Bank's objectives, understanding that it provides reasonable, though not absolute, assurance against gross loss.

The board, assisted by its committees, routinely evaluates the effectiveness of the internal control systems as evaluated by various internal control functions. It ensures these functions are adequately positioned, staffed, and resourced to carry out their duties independently and effectively. The board also scrutinizes management letters from external financial auditors, along with reports on accounting records and internal control systems, to ensure compliance and effectiveness. The board attests that as of December 31, 2023, the internal control systems are sufficient to provide reasonable assurance regarding Warba Bank's objectives.

Based on CBK's instructions, the Bank has engaged an independent external auditor in 2023 to conduct an independent review report on the Bank's internal controls for 2022. The report was presented to the board audit committee and the board of directors in the meeting held on 21/06/2023. The report was submitted to the CBK on 22/06/2023 and indicated that the accounting and other records and internal controls systems, in the areas examined, were established and maintained in accordance with the requirements of manual general directives issued by CBK on 15/6/2003 and the memo issued by CBK dated 10/01/2023 in respect of conducting internal control review for 2022.

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 31/12/2022 and the actions taken by the Bank to address the exceptions mentioned in the report are considered satisfactory.

The follow-up report issued by the external auditors for the periods ending 30/09/2023 and 31/12/2023 concerning the report on accounting and other records and internal control systems for the year ended 31/12/2022 was sent to CBK on 25/09/2023 and 24/12/2023 and concluded that the Bank has resolved all findings in the said report.

## THE SHARIA SUPERVISORY BOARD MEETING

The Sharia Supervisory Board consists of three members appointed by the General Assembly, in order to carry out the Board's work and ensure Warba Bank's commitment to the teachings of Islamic Sharia. The Sharia Supervisory Board held 17 meetings during the year 2023.

### Names of the members of the Shari'a Committee and the number of meetings it held during the year 2023

Name	Number of Meetings	Number of Attendance	Attendance Percentage
Sheikh Dr. Isam Khalaf Al-Enazi Chairman of FSSB	17	17	100%
Sheikh Dr. Mohammad Oud Al-Fuzaie Member of FSSB	17	17	100%
Sheikh Dr. Ali Ibrahim Al- Rashed Member of FSSB	17	17	100%

Financing facilities received by members of the Fatwa & Shari'a Supervisory Board amounts to KD 55,836 as of 31 December 2023.

# EXTERNAL AUDITOR REPORT ON INTERNAL CONTROL REVIEW

## External Auditor Report on Internal Control Review

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The Board of Directors  
Warba Bank  
P.O.Box 1220, Safat 13013  
State of Kuwait

11 June 2023

Dear Sirs,

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

In accordance with our letter of engagement dated 31 January 2023, we have examined the accounting and other records and internal control systems of WARBA Bank K.S.C.P. ('the Bank') for the year ended 31 December 2022:

We covered the following departments and activities of the Bank:

- Corporate Governance
- Confidentiality of Customer Information
- Financial Securities Activities
- Entity Wide Control Environment
- Fraud and Embezzlement
- Treasury Group
- Investment Banking Group
- Human Resources and General Services Group
- Financial Control Group
- Corporate Banking Group
- Retail Banking Group
- Operations Group
- Risk Management Group
- Compliance and Governance Division
- AML, CFT and Tax Compliance Department
- Internal Audit Group
- Sharia'h Department
- Information Technology Group
- Legal Department
- Digital Group
- Strategic Planning Group
- Complaints and Customer Protection Unit
- Marketing and Corporate Communications Division

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) circular dated 10 January 2023 considering the requirements contained in the Manual of General Directives issued by the CBK on 15 June 2003, Pillar IV of corporate governance instructions in respect of risk management and internal controls issued by the CBK on 20 June 2012 and its amendments on 10 September 2019, instructions dated 14 May 2019 concerning anti money

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## External Sharea Audit Report

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laundering and combating financing of terrorism and the related instructions, instructions dated 9 February 2012 regarding confidentiality of customer's information and financial securities activities of the Bank and activities and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases and the letter from the Central Bank of Kuwait dated 10 January 2023 regarding the request of assigning an external auditor to express an opinion on the adequacy of the procedures in the review and archive unit.

As members of the Board of Directors of the Bank, you are responsible for establishing and maintaining adequate accounting and other records and internal control systems, taking into consideration the expected benefits and relative costs of establishing such systems and complying with the requirements contained in the CBK instructions mentioned in the above paragraph. The objective of this report is to provide reasonable, but not absolute, assurance on the extent to which the adopted procedures and systems are adequate to safeguard the assets against loss from unauthorized use or disposition; that key risks are properly monitored and evaluated; that transactions are executed in accordance with established authorization procedures and are recorded properly; and to enable you to conduct the business in a prudent manner.

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

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

- a) The accounting and other records and internal control systems of the Bank were established and maintained in accordance with the requirements of the Manual of General Directives issued by the CBK on 15 June 2003 and letter issued by CBK on 10 January 2023,
- b) The findings raised in the examination and assessment of the internal controls do not have a material impact on the fair presentation of the financial statements of the Bank for the year ended 31 December 2022, and
- c) The actions taken by the Bank to address the findings referred in the report are satisfactory.

Yours faithfully,



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



شورى للاستشارات الشرعية  
Shura Sharia Consultancy

### External Sharia Audit Report of Warba Bank (K.S.C.P)- Kuwait for the Fiscal Year Ended 31 December 2023

**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 2023, 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 2023 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:

1. Instructions of the of the Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016.
2. External Sharia Audit Standard (No. 6) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
3. 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**.





شورى للاستشارات الشرعية  
Shura Sharia Consultancy

### 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:

1. Planning for external Sharia audit based on the potential Sharia risks.
2. 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.
3. Assessment of the potential Sharia risks based on the **Bank's** Sharia risks matrix.
4. Design external Sharia audit programs based on the results of the potential Sharia risks assessment.
5. Using external Sharia audit programs in examining transactions on products, operations and activities executed by **the Bank**, on a sample basis.
6. 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**.



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

8. 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 75 field audit visits. The first visit was on 8/10/2023 and the last one was on 10/01/2024.

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

- |  |                                   |  |
|--|-----------------------------------|--|
| - Sharia Supervisory Board Secretariat | - Sharia Audit and Follow up Unit | - Sharia Supervisory Unit                        |
| - Treasury group                       | - Credit operations Department    | - Corporate Banking Group                        |
| - Operations group.                    | - Retail Banking Group            | - Cards Department                               |
| - Branches Department                  | - Direct Sales Unit               | - Financial Control group                        |
| - Trade Finance operations Department  | - Personal Finance Department     | - Human Resources and General Services group     |
| - Legal Department                     | - Risk Management group           | - Information system Tech. group                 |
| - Review Department                    | - Central Sales Department        | - Sales Support and Retail operations Department |

**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.
  - Review **the Bank's** policy related to reporting on Sharia violations - if any - in the executed activities and operations.
  - Review the policies and procedures related to correcting Sharia violations - if any -.



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3. Review the resolutions and fatwas issued by the **Sharia Supervisory Board** during the fiscal year ended 31/12/2023, 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. Review **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**.



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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. Review **Sharia Supervisory Board's** report for the fiscal year ended 31/12/2023.

**Dr. Yazeed M. Alqattan**

**Shura Sharia Consultancy**

28 Jumada Alakhir 1445 AH  
10 January 2024

**State of Kuwait**



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شورى للاستشارات الشرعية

# CAPITAL ADEQUACY DISCLOSURES

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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 Shari'a 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 2023, Tier 1 "Core Capital" amounted to KD392,314 thousand (2022: KD 373,279 thousand), and Tier 2 "Supplementary Capital" amounted to KD 29,351 thousand (2022: KD 27,892 thousand) as detailed below:

Capital Structure	2022 (KD'000)	2023 (KD'000)
<b>Tier (1) Capital</b>		
<b>A Common Equity Tier 1 (CET1)</b>		
1- Directly issued qualifying common share capital plus related stock surplus	286,375	298,735
2- Eligible Minority Interest in Consolidated Subsidiaries	-	-
3- Retained earnings (loss)	20,328	13,804
4- Other reserves	(3,232)	5,529
5- Proposed dividends	(6,000)	-
<b>Total (A) CET1 before deductions</b>	<b>297,471</b>	<b>318,068</b>
Deductions from CET1		
1- Treasury shares	-	-
2- Dividends (Declared but not incurred)	-	-
3- Goodwill	-	-
4- Other deductions	-	-
<b>Total (A) CET1 after deductions</b>	<b>297,471</b>	<b>318,068</b>
<b>B Additional Tier 1 (AT1)</b>	<b>75,808</b>	<b>74,246</b>
Deduction from AT1	-	-
<b>Total (B) AT1 after deductions</b>	<b>75,808</b>	<b>74,246</b>
<b>Total (A+B) Tier 1 after Deductions</b>	<b>373,279</b>	<b>392,314</b>
<b>Tier (2) Supplementary Capital</b>		
1- Capital Eligible as T2	-	-
2- General provisions	27,892	29,351
<b>Total Tier (2) Supplementary Capital before deductions</b>	<b>27,892</b>	<b>29,351</b>
Deduction from Tier (2) Supplementary Capital	-	-
<b>Total Tier (2) Supplementary Capital after deductions</b>	<b>24,308</b>	<b>29,351</b>
<b>Total Available Capital (Tier 1 &amp; Tier 2) before adjustments</b>	<b>448,151</b>	<b>421,665</b>
Other Adjustments	-	-
<b>Total Available Capital (Tier 1 &amp; Tier 2) After adjustments</b>	<b>448,151</b>	<b>421,665</b>

Of which the proposed bonus stock dividends amount to KD 12,360 thousand.

As at 31 December 2023, Profit Equalization Reserve and Investment Risk Reserve amounted to KD Nil (2022: KD Nil).

## 1. 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	2022 (KD'000)	2023 (KD'000)
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	286,375	298,735
2	20,328	13,804
3	(3,232)	5,529
4	-	-
5	-	-
6	(6,000)	-
<b>7</b>	<b>297,471</b>	<b>318,068</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
8	-	-
9	-	-
10	-	-
11	-	-
12	-	-
13	-	-
14	-	-
15	-	-
16	-	-
17	-	-
18	-	-
19	-	-
20	-	-
21	-	-
22	-	-
23	-	-
24	-	-
25	-	-

Item	2022 (KD'000)	2023 (KD'000)
26	-	-
27	-	-
28	-	-
<b>29</b>	<b>-</b>	<b>-</b>
<b>30</b>	<b>302,573</b>	<b>318,068</b>
<b>Additional Tier 1 capital: instruments</b>		
31	75,808	75,808
32	75,808	75,808
33	-	-
34	-	-
35	-	-
36	-	-
<b>37</b>	<b>75,808</b>	<b>75,808</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>		
38	-	-
39	-	(1,562)
40	-	-
41	-	-
42	-	-
43	-	-
<b>44</b>	<b>-</b>	<b>(1,562)</b>
<b>45</b>	<b>75,808</b>	<b>74,246</b>
<b>46</b>	<b>373,279</b>	<b>392,314</b>
<b>Tier 2 capital: instruments and provisions</b>		
47	-	-
48	-	-
49	-	-
50	-	-
51	27,892	29,351
<b>52</b>	<b>27,892</b>	<b>29,351</b>

Item	2022 (KD'000)	2023 (KD'000)
<b>Tier 2 capital: regulatory adjustments</b>		
53	-	-
54	-	-
55	-	-
56	-	-
<b>57 National specific regulatory adjustments</b>	-	-
<b>58 Total regulatory adjustments to Tier 2 capital</b>	-	-
<b>59 Tier 2 capital (T2)</b>	27,892	<b>29,351</b>
<b>60 Total capital (TC = T1 + T2)</b>	401,171	<b>421,665</b>
<b>61 Total risk weighted assets (after applying 50% additional weighting)</b>	2,368,231	<b>2,483,686</b>
<b>Capital ratios and buffers</b>		
<b>62 Common Equity Tier 1 (as a percentage of risk weighted assets)</b>	12.56%	<b>12.81%</b>
<b>63 Tier 1 (as a percentage of risk weighted assets)</b>	15.76%	<b>15.80%</b>
<b>64 Total capital (as a percentage of risk weighted assets)</b>	16.94%	<b>16.98%</b>
<b>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)</b>	8.00%	<b>9.50%</b>
66 of which: capital conservation buffer requirement	1.00%	2.50%
67 of which: bank specific countercyclical buffer requirement	-	0.00%
68 of which: D-SIB buffer requirement	-	0.00%
<b>69 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)</b>	4.74%	<b>4.99%</b>
<b>National minimal</b>		
<b>70 National Common Equity Tier 1 minimum ratio: 7.0%</b>	189,458	<b>235,950</b>
<b>71 National Tier 1 minimum ratio: 8.5%</b>	224,982	<b>273,205</b>
<b>72 National total capital minimum ratio excluding CCY and DSIB: 10.5%</b>	272,347	<b>322,879</b>
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
77 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	82,481	86,561
78 Cap on inclusion of provisions in Tier 2 under standardized approach	27,892	29,351
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	-	-

## 2. 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 2023

Step 1 & 2 of the reconciliation requirements	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	Reference
<b>Assets</b>			
Cash and balances with banks	207,811	207,811	
Placements with banks and CBK	425,786	425,786	
Financing receivables	3,452,952	3,452,952	
<b>of which maximum general provisions (netted above) capped for Tier 2 inclusion</b>	<b>29,351</b>	<b>29,351</b>	<b>a</b>
Financial assets at fair value through profit or loss	162,253	162,253	
Financial assets at fair value through other comprehensive income	369,934	369,934	
Investments in joint ventures	119,271	119,271	
Investment properties	1,675	1,675	
Others assets	76,514	76,514	
Property and equipment	16,013	16,013	
<b>Total Assets</b>	<b>4,832,209</b>	<b>4,832,209</b>	
<b>Liabilities</b>			
Due to banks	1,162,849	1,162,849	
Depositors accounts	2,907,145	2,907,145	
Issued Sukuk	304,331	304,331	
Other liabilities	66,689	66,689	
<b>Total Liabilities</b>	<b>4,441,014</b>	<b>4,441,014</b>	
<b>Equity</b>			
Share Capital	206,000	206,000	b
Share Premium	80,375	80,375	c
Statutory Reserve	8,871	8,871	d
Retained Earnings	23,484	23,484	
<b>of which retained earnings eligible for (CET1)</b>	<b>11,124</b>	<b>11,124</b>	<b>e</b>
<b>of which proposal for bonus shares</b>	<b>-</b>	<b>-</b>	
<b>of which loss adjustment from postponement of installments</b>	<b>2,680</b>	<b>2,680</b>	
Fair value reserve	(4,517)	(4,517)	g
Forex reserve	1,175	1,175	h
Proposed bonus stock dividends	12,360	12,360	k
<b>Equity attributable to Shareholders of the Bank</b>	<b>315,388</b>	<b>315,388</b>	
Perpetual Tier 1 Sukuk	75,808	75,808	l
Of which reciprocal investment in local banks T1 sukuk	(1,573)	(1,573)	J
<b>Total Equity</b>	<b>391,196</b>	<b>391,196</b>	
<b>Total Liabilities and Equity</b>	<b>4,832,209</b>	<b>4,832,209</b>	

Step 3 of the reconciliation requirements:

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
<b>No.</b>	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Share Capital	218,360	b+k
2	Share Premium	80,375	c
3	Statutory Reserve	8,871	d
4	Retained Earnings	13,804	e+f
5	Fair value reserve	(4,517)	g
6	Forex Reserve	1,175	h
7	Proposed dividends	-	
<b>8</b>	<b>Common Equity Tier 1 capital (CET1)</b>	<b>318,068</b>	
<b>Additional Tier 1 capital: Instruments</b>			
9	Perpetual Tier 1 Sukuk	75,808	i
10	<b>Additional Tier 1 capital</b>	(1,562)	j
11	<b>Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital)</b>	<b>74,246</b>	
	<b>Tier 2 Capital : Instruments and provisions</b>	<b>392,314</b>	
12	Tier 2 Instruments		
13	General provisions included in Tier 2 capital	-	
14	<b>Tier 2 Capital</b>	29,351	a
15	<b>Total Capital (Total capital = Tier 1 + Tier 2)</b>	<b>29,351</b>	
		<b>421,665</b>	

\* Of which the proposed bonus stock dividends amount to KD 12,360 thousand.

Step 1 & 2 of the reconciliation requirements:

31 December 2022

Step 1 & 2 of the reconciliation requirements	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	Reference
<b>Assets</b>			
Cash and balances with banks	146,634	146,634	
Placements with banks and CBK	278,895	278,895	
Financing receivables	3,129,676	3,129,676	
<b>of which maximum general provisions (netted above) capped for Tier 2 inclusion</b>	<b>27,892</b>	<b>27,892</b>	<b>a</b>
Financial assets at fair value through profit or loss	139,592	139,592	
Financial assets at fair value through other comprehensive income	295,413	295,413	
Investments in joint ventures	107,880	107,880	
Investment properties	16,193	16,193	
Others assets	69,321	69,321	
Property and equipment	17,353	17,353	
<b>Total Assets</b>	<b>4,200,957</b>	<b>4,200,957</b>	
<b>Liabilities</b>			
Due to banks	792,766	792,766	
Depositors accounts	2,674,482	2,674,482	
Issued Sukuk	304,057	304,057	
Other liabilities	55,735	55,735	
<b>Total Liabilities</b>	<b>3,827,040</b>	<b>3,827,040</b>	
<b>Equity</b>			
Share Capital	200,000	200,000	b
Share Premium	80,375	80,375	c
Statutory Reserve	6,803	6,803	d
Retained Earnings	8,966	8,966	
(of which retained earnings eligible for (CET1)	20,328	20,328	e
Of which Proposed dividends	6,000	6,000	f
of which loss adjustment from postponement of installments	5,362	5,362	
Fair value reserve	(9,759)	(9,759)	g
Forex reserve	(276)	(276)	h
Proposed dividends and bonus shares	12,000	12,000	
<b>Equity attributable to Shareholders of the Bank</b>	<b>298,109</b>	<b>298,109</b>	
Perpetual Tier 1 Sukuk	75,808	75,808	i
<b>Total Equity</b>	<b>373,917</b>	<b>373,917</b>	
<b>Total Liabilities and Equity</b>	<b>4,200,957</b>	<b>4,200,957</b>	

Step 3 of the reconciliation requirements: Equity attributable to Shareholders of the Bank

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
<b>No.</b>	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Share Capital	206,000	b+f
2	Share Premium	80,375	c
3	Statutory Reserve	6,803	d
4	Retained Earnings	20,328	e
5	Fair value reserve	(9,759)	f
6	Forex Reserve	(276)	g
7	Proposed dividends	(6,000)	h
8	<b>(Common Equity Tier 1 capital (CET1)</b>	<b>297,471</b>	
<b>Additional Tier 1 capital: Instruments</b>			
9	Perpetual Tier 1 Sukuk	75,808	i
10	<b>Additional Tier 1 capital</b>	<b>75,808</b>	
11	<b>Tier 1 Capital (Tier 1 = Common Tier 1 capital + (Additional Tier 1 capital)</b>	<b>373,279</b>	
<b>Tier 2 Capital : Instruments and provisions</b>			
12	Tier 2 Instruments	-	
13	General provisions included in Tier 2 capital	27,892	a
14	<b>Tier 2 Capital</b>	<b>27,892</b>	
15	<b>(Total Capital (Total capital = Tier 1 + Tier 2)</b>	<b>401,171</b>	

### 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:

##### 2023

No.	Ratio Description	Total Required Capital (%)	Available Capital (%)
1.	Total Capital Adequacy Ratio	13.00%	16.98%
2.	Tier 1 Capital Adequacy Ratio	11.00%	15.80%
3.	CET1 Capital Adequacy Ratio	9.50%	12.81%

##### 2022

No.	Ratio Description	Total Required Capital (%)	Available Capital (%)
1.	Total Capital Adequacy Ratio	11.50%	16.94%
2.	Tier 1 Capital Adequacy Ratio	9.50%	15.76%
3.	CET1 Capital Adequacy Ratio	8.00%	12.56%

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	2022 KD'000	2023 KD'000
<b>No. On-balance sheet exposures</b>		
1 On-balance sheet items (excluding Sharia compliant hedging contracts, but including collaterals)	4,282,333	4,917,099
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	-	(1,562)
3 <b>Total on-balance sheet exposures (excluding Sharia compliant hedging contracts) (sum of lines 1 and 2)</b>	4,282,333	4,915,537
<b>Exposures to Sharia compliant hedging contracts</b>		
4 Replacement cost associated with all Sharia compliant hedging contracts (i.e. net of eligible cash variation margin)	459	512

Item		2022 KD'000	2023 KD'000
5	Add-on amounts for potential future exposures "PFE" associated with all Sharia compliant hedging contracts	133	33
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" )	-	
<b>9</b>	<b>Total exposures of Sharia compliant hedging contracts (sum of lines 4 to 8)</b>	<b>592</b>	<b>545</b>
<b>Other off-balance sheet exposures</b>			
10	Off-balance sheet exposure (before any adjustment for credit conversion factors)	1,433,141	2,052,245
11	(Adjustments for conversion to credit equivalent amounts)	(1,217,163)	(1,774,954)
<b>12</b>	<b>Off-balance sheet items (sum of lines 10 and 11)</b>	<b>215,978</b>	<b>277,291</b>
<b>Capital and total exposures</b>			
<b>13</b>	<b>Tier 1 capital</b>	<b>373,279</b>	<b>392,314</b>
<b>14</b>	<b>Total exposures (sum of lines 3, 9 and 12)</b>	<b>4,498,903</b>	<b>5,193,373</b>
<b>Leverage ratio</b>			
<b>15</b>	<b>Leverage ratio (Tier 1 Capital (13)/total exposures (14))</b>	<b>8.30%</b>	<b>%7.55</b>

As stated above, the Bank's leverage ratio for the present period is 7.55% compared to 8.30% in the previous year. The decrease in the leverage ratio is mainly due to the following:

- An increase in on- and off-balance sheet exposures compared to the previous year resulting from an increase in the Bank's assets in addition to an increase in letters of guarantee and letter of credits issued to customers.

Summary comparison of accounting assets versus leverage ratio exposure measure:

Item		2022 KD'000	2023 KD'000
<b>No. On-balance sheet exposures</b>			
1	Total assets as per published financial statements	4,200,957	4,832,209
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	592	545
5	Off-balance sheet exposures (i.e. equivalent credit amounts)	215,978	277,291
6	Other exposures	81,376	83,328
<b>Total exposures in calculation of leverage ratio (sum of the above items)</b>		<b>4,498,903</b>	<b>5,193,373</b>

#### FOURTH: RISK WEIGHTED ASSETS

##### 1. Credit risk

The minimum required capital for credit risk exposures as at 31 December 2023 was KD297,813 thousand (31 December 2022: KD 250,327 thousand) as detailed below:

**2023  
(KD'000)**

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Cash items	9,861	9,861	-	-
2	Claims on sovereigns	540,769	540,769	85,627	11,131
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	53,920	53,920	1,197	156
5	Claims on multilateral development banks	91,194	91,194	-	-
6	Claims on banks	422,626	422,626	123,073	15,999
7	Claims on corporates	2,719,881	2,187,404	1,305,577	169,725
8	Regulatory retail exposure	633,601	618,989	361,611	47,009
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	32,877	27,250	8,109	1,054
11	Goods and commodities positions	7,736	7,736	4,530	589
12	Real estate investments	133,174	133,174	155,971	20,276
13	Investment and financing with customers	231,195	99,628	84,507	10,986
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	316,539	316,539	160,671	20,888
<b>Total</b>		<b>5,193,373</b>	<b>4,509,090</b>	<b>2,290,873</b>	<b>297,813</b>

**2022  
(KD'000)**

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Cash item	8,095	8,095	-	-
2	Claims on sovereigns	505,133	505,133	94,384	10,854
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	90,011	90,011	12,633	1,453
5	Claims on multilateral development banks	83,029	83,029	-	-
6	Claims on banks	283,234	283,234	97,095	11,166
7	Claims on corporates	2,122,006	1,728,635	1,085,862	124,874
8	Regulatory retail exposure	611,003	602,528	358,811	41,263
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	29,662	23,418	9,050	1,041
11	Goods and commodities positions	-	-	-	-
12	Real estate investments	136,301	136,301	162,737	18,715
13	Investment and financing with customers	337,489	226,331	198,992	22,884
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	292,940	292,940	157,192	18,077
<b>Total</b>		<b>4,498,903</b>	<b>3,979,655</b>	<b>2,176,756</b>	<b>250,327</b>

The minimum required capital for financing receivable as at 31 December 2023 was KD 222,144 thousand (31 December 2022: KD 199,191 thousand) as detailed below:

#### 2023 (KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Claims on sovereigns	-	-	-	-
2	Claims on public sector institutions	<b>105,624</b>	<b>105,624</b>	<b>54,906</b>	<b>7,138</b>
3	Claims on banks	-	-	-	-
4	Claims on corporates	<b>53,920</b>	<b>53,920</b>	<b>1,245</b>	<b>162</b>
5	Regulatory retail exposure	-	-	-	-
6	Qualifying residential housing financing facilities	<b>87,105</b>	<b>87,105</b>	<b>43,608</b>	<b>5,669</b>
7	Past due exposures	<b>2,393,571</b>	<b>1,861,401</b>	<b>1,131,231</b>	<b>147,060</b>
8	Investment and financing with customers	<b>633,419</b>	<b>618,807</b>	<b>376,546</b>	<b>48,951</b>
9	Other exposures	-	-	-	-
<b>Total</b>		<b>3,537,710</b>	<b>2,853,734</b>	<b>1,708,800</b>	<b>222,144</b>

#### 2022 (KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Claims on sovereigns	114,808	114,808	61,564	7,080
2	Claims on public sector institutions	88,493	88,493	12,161	1,398
3	Claims on banks	112,915	112,915	52,167	5,999
4	Claims on corporates	1,916,726	1,575,339	971,994	111,779
5	Regulatory retail exposure	610,889	602,528	372,265	42,810
6	Qualifying residential housing financing facilities	-	-	-	-
7	Past due exposures	29,656	23,417	9,450	1,087
8	Investment and financing with customers	337,489	226,331	210,163	24,169
9	Other exposures	-	68,392	42,335	4,869
<b>Total</b>		<b>3,210,976</b>	<b>2,812,223</b>	<b>1,732,099</b>	<b>199,191</b>

## 2. Market Risk

Market Risk-weighted exposure during the financial year 2023 amounted to KD 5,800 thousand (31 December 2022: KD 2,725 thousand), based on the standardized approach. The minimum required capital for market risk exposures amounts to KD 754 thousand (31 December 2022: KD 313 thousand).

## 3. Operational Risk

Operational Risk-weighted exposures calculated during the year 2023 amounted to KD 187,013 thousand (31 December 2022: KD 188,750 thousand) as per the Basic Indicator Approach. The minimum required capital for operational risk exposures amounts to KD 24,312 thousand (31 December 2022: KD 21,706 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)

2023  
(KD'000)

SN	Description of Credit Risk Exposures	Net Credit Exposure	Rated Exposures	Unrated Exposures
1	Cash item	9,861	-	9,861
2	Claims on sovereigns	540,769	510,152	30,617
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	53,920	-	53,920
5	Claims on multilateral development banks	91,194	91,192	2
6	Claims on banks	422,626	391,137	31,489
7	Claims on corporates	2,719,881	153,483	2,566,398
8	Regulatory retail exposure	633,601	-	633,601
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	32,877	-	32,877
11	Goods and commodities positions	7,736	-	7,736
12	Real estate investments	133,174	-	133,174
13	Investment and financing with customers	231,195	-	231,195
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	316,539	-	316,539
<b>Total</b>		<b>5,193,373</b>	<b>1,145,964</b>	<b>4,047,409</b>

2022  
(KD'000)

SN	Description of Credit Risk Exposures	Net Credit Exposure	Rated Exposures	Unrated Exposures
1	Cash item	8,095	-	8,095
2	Claims on sovereigns	505,133	459,826	45,307
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	90,011	12,634	77,377
5	Claims on multilateral development banks	83,029	83,027	2
6	Claims on banks	283,234	254,677	28,557
7	Claims on corporates	2,122,006	81,288	2,040,718
8	Regulatory retail exposure	611,003	-	611,003
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	29,662	-	29,662
11	Goods and commodities positions	-	-	-
12	Real estate investments	136,301	-	136,301
13	Investment and financing with customers	337,489	-	337,489
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	292,940	-	292,940
<b>Total</b>		<b>4,498,903</b>	<b>891,452</b>	<b>3,607,451</b>

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

**2023**  
(KD'000)

SN	Description of Credit Risk Exposures	Credit Risk Exposures	Self Financed	Financed From Investment Accounts
1	Cash item	9,861	9,861	-
2	Claims on sovereigns	540,769	228,047	312,722
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	53,920	9,231	44,689
5	Claims on multilateral development banks	91,194	15,611	75,583
6	Claims on banks	422,626	112,884	309,742
7	Claims on corporates	2,719,882	576,235	2,143,647
8	Regulatory retail exposure	633,601	108,472	525,129
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	32,877	5,629	27,248
11	Goods and commodities positions	7,736	1,324	6,412
12	Real estate investments	133,174	22,797	110,377
13	Investment and financing with customers	231,195	39,577	191,618
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	316,538	119,224	197,314
<b>Total</b>		<b>5,193,373</b>	<b>1,248,892</b>	<b>3,944,481</b>

**2022**  
(KD'000)

SN	Description of Credit Risk Exposures	Credit Risk Exposures	Self Financed	Financed From Investment Accounts
1	Cash item	8,095	8,095	-
2	Claims on sovereigns	505,133	192,749	312,384
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	90,011	17,457	72,554
5	Claims on multilateral development banks	83,029	16,104	66,925
6	Claims on banks	283,234	82,467	200,767
7	Claims on corporates	2,122,006	480,179	1,641,827
8	Regulatory retail exposure	611,003	118,510	492,493
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	29,662	5,758	23,904
11	Goods and commodities positions	-	-	-
12	Real estate investments	136,301	26,436	109,865
13	Investment and financing with customers	337,489	65,456	272,033
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	292,940	130,623	162,317
<b>Total</b>		<b>4,498,903</b>	<b>1,143,834</b>	<b>3,355,069</b>

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

**2023**  
(KD'000)

SN	Description of Credit Risk Exposures	Average Credit Risk Exposures	Average Self Financed	Average Financed From Investment Accounts
1	Cash item	10,905	10,905	-
2	Claims on sovereigns	555,322	227,074	328,248
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	70,779	12,820	57,959
5	Claims on multilateral development banks	90,283	16,265	74,018
6	Claims on banks	384,059	101,722	282,337
7	Claims on corporates	2,541,737	550,266	1,991,471
8	Regulatory retail exposure	627,235	112,992	514,243
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	30,150	5,427	24,723
11	Goods and commodities positions	3,811	670	3,141
12	Real estate investments	142,584	25,706	116,878
13	Investment and financing with customers	334,531	60,493	274,038
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	303,646	122,581	181,065
<b>Total</b>		<b>5,095,042</b>	<b>1,246,921</b>	<b>3,848,121</b>

**2022**  
(KD'000)

SN	Description of Credit Risk Exposures	Average Credit Risk Exposures	Average Self Financed	Average Financed From Investment Accounts
1	Cash item	8,095	8,095	-
2	Claims on sovereigns	505,133	192,749	312,384
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	90,011	17,457	72,554
5	Claims on multilateral development banks	83,029	16,104	66,925
6	Claims on banks	283,234	82,467	200,767
7	Claims on corporates	2,122,006	480,179	1,641,827
8	Regulatory retail exposure	611,003	118,510	492,493
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	29,662	5,758	23,904
11	Goods and commodities positions	-	-	-
12	Real estate investments	136,301	26,436	109,865
13	Investment and financing with customers	337,489	65,456	272,033
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	292,940	130,623	162,317
<b>Total</b>		<b>4,498,903</b>	<b>1,143,834</b>	<b>3,355,069</b>

## 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

2023  
(KD'000)

SN	Description of Credit Risk Exposures	MENA	North America	Europe	Asia	Others	Total
1	Cash item	9,861	-	-	-	-	9,861
2	Claims on sovereigns	514,136	-	13,984	12,649	-	540,769
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	51,930	-	-	1,990	-	53,920
5	Claims on multilateral development banks	91,194	-	-	-	-	91,194
6	Claims on banks	355,457	5,475	58,957	2,737	-	422,626
7	Claims on corporates	2,595,403	31,522	15,530	77,426	-	2,719,881
8	Regulatory retail exposure	633,601	-	-	-	-	633,601
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	32,877	-	-	-	-	32,877
11	Goods and commodities positions	7,736	-	-	-	-	7,736
12	Real estate investments	1,675	94,068	37,431	-	-	133,174
13	Investment and financing with customers	231,195	-	-	-	-	231,195
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	170,259	100,806	29,169	16,305	-	316,539
<b>Total</b>		<b>4,695,324</b>	<b>231,871</b>	<b>155,071</b>	<b>111,107</b>	<b>-</b>	<b>5,193,373</b>

2022  
(KD'000)

SN	Description of Credit Risk Exposures	MENA	North America	Europe	Asia	Others	Total
1	Cash item	8,095	-	-	-	-	8,095
2	Claims on sovereigns	471,452	7,760	11,874	14,047	-	505,133
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	90,011	-	-	-	-	90,011
5	Claims on multilateral development banks	83,029	-	-	-	-	83,029
6	Claims on banks	220,422	12,332	44,615	5,865	-	283,234
7	Claims on corporates	2,037,566	33,602	9,823	41,015	-	2,122,006
8	Regulatory retail exposure	611,003	-	-	-	-	611,003
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	29,662	-	-	-	-	29,662
11	Goods and commodities positions	-	-	-	-	-	-
12	Real estate investments	16,193	106,442	13,666	-	-	136,301
13	Investment and financing with customers	337,489	-	-	-	-	337,489
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	201,662	41,579	11,444	6,866	31,389	292,940
<b>Total</b>		<b>4,106,584</b>	<b>201,715</b>	<b>91,422</b>	<b>67,793</b>	<b>31,389</b>	<b>4,498,903</b>

## Maturities of total "Credit Risk" exposures

2023  
(KD'000)

SN	Description of Credit Risk Exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	9,861	-	-	9,861
2	Claims on sovereigns	407,486	40,882	92,401	540,769
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	45,508	8,412	-	53,920
5	Claims on multilateral development banks	-	44,664	46,530	91,194
6	Claims on banks	360,679	15,571	46,376	422,626
7	Claims on corporates	1,569,433	820,210	330,238	2,719,881
8	Regulatory retail exposure	7,093	10,927	615,581	633,601
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	32,877	-	-	32,877
11	Goods and commodities positions	-	7,736	-	7,736
12	Real estate investments	-	-	133,174	133,174
13	Investment and financing with customers	216,263	14,072	860	231,195
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	28,468	3,544	284,527	316,539
<b>Total</b>		<b>2,677,668</b>	<b>966,018</b>	<b>1,549,687</b>	<b>5,193,373</b>

2022  
(KD'000)

SN	Description of Credit Risk Exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	8,095	-	-	8,095
2	Claims on sovereigns	375,559	47,604	81,970	505,133
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	60,241	28,252	1,518	90,011
5	Claims on multilateral development banks	-	2,088	80,941	83,029
6	Claims on banks	191,525	53,340	38,369	283,234
7	Claims on corporates	1,426,023	547,079	148,904	2,122,006
8	Regulatory retail exposure	1,721	9,102	600,180	611,003
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	29,662	-	-	29,662
11	Goods and commodities positions	-	-	-	-
12	Real estate investments	-	-	136,301	136,301
13	Investment and financing with customers	319,113	15,738	2,638	337,489
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	22,872	952	269,116	292,940
<b>Total</b>		<b>2,434,811</b>	<b>704,155</b>	<b>1,359,937</b>	<b>4,498,903</b>

## Main sectors of total Credit Risk exposures

2023  
(KD'000)

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
1	Cash item	-	-	-	-	9,861	9,861
2	Claims on sovereigns	-	16,157	-	435,145	89,467	540,769
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	53	-	-	-	53,867	53,920
5	Claims on multilateral development banks	-	91,194	-	-	-	91,194
6	Claims on banks	-	422,626	-	-	-	422,626
7	Claims on corporates	652,900	242,081	1,308,126	-	516,774	2,719,881
8	Regulatory retail exposure	-	-	-	-	633,601	633,601
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	999	-	10,022	-	21,856	32,877
11	Goods and commodities position	7,736	-	-	-	-	7,736
12	Real estate investments	-	-	133,174	-	-	133,174
13	Investment and financing with customers	-	-	92,706	-	138,489	231,195
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	-	-	-	-	316,539	316,539
<b>Total</b>		<b>661,688</b>	<b>772,058</b>	<b>1,544,028</b>	<b>435,145</b>	<b>1,780,454</b>	<b>5,193,373</b>

2022  
(KD'000)

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
1	Cash item	-	-	-	-	8,095	8,095
2	Claims on sovereigns	2,016	1,549	-	390,325	111,243	505,133
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	31,407	-	-	1,518	57,086	90,011
5	Claims on multilateral development banks	-	83,029	-	-	-	83,029

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
6	Claims on banks	-	283,234	-	-	-	283,234
7	Claims on corporates	534,286	156,669	1,162,309	-	268,742	2,122,006
8	Regulatory retail exposure	-	-	-	-	611,003	611,003
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	999	-	10,022	-	18,641	29,662
11	Goods and commodities position	-	-	-	-	-	-
12	Real estate investments	-	-	136,301	-	-	136,301
13	Investment and financing with customers	-	-	80,866	-	256,623	337,489
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	-	-	-	-	292,940	292,940
<b>Total</b>		<b>568,708</b>	<b>524,481</b>	<b>1,389,498</b>	<b>391,843</b>	<b>1,624,373</b>	<b>4,498,903</b>

### 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, 2023, the value of the irregular financing facilities (impaired), including the Bank's accounts receivable, amounted to KD 33,232 thousand after excluding the deferred revenues and due profits (31 December 2022: KD 39,111 thousand) and KD 16,181 thousand (31 December 2022: KD 20,544 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 2023, the Bank's provisions are KD 100,211 thousand including a general provision of KD 86,417 thousand (31 December 2022: KD 100,987 thousand including a general provision of KD 82,416).

#### Irregular and past due exposures as per standard portfolios:

2023  
(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	29,867	12,816	12,168	648	148,152
3	Regulatory retail exposures	3,365	3,365	1,446	1,919	37,437
4	Real estate investments	-	-	-	-	-
5	Investment and financing with customers	-	-	-	-	-
<b>Total</b>		<b>33,232</b>	<b>16,181</b>	<b>13,614</b>	<b>2,567</b>	<b>185,589</b>

2022  
(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	36,598	18,031	17,070	961	269,952
3	Regulatory retail exposures	2,513	2,513	1,191	1,322	19,470
4	Real estate investments	-	-	-	-	-
5	Investment and financing with customers	-	-	-	-	-
<b>Total</b>		<b>39,111</b>	<b>20,544</b>	<b>18,261</b>	<b>2,283</b>	<b>289,422</b>

#### Irregular and past due exposures as per geographical location:

2023  
(KD000)

SN	Description of geographical location	Impaired	Net Impaired after deducting acceptable guarantees	Specific Provision	Net Facilities	Past Due
1	MENA	24,180	16,181	13,614	2,567	183,600
2	Europe	-	-	-	-	-
3	Asia	-	-	-	-	-
4	Rest of the World	9,052	-	-	-	1,989
<b>Total</b>		<b>33,232</b>	<b>16,181</b>	<b>13,614</b>	<b>2,567</b>	<b>185,589</b>

2022  
(KD'000)

SN	Description of geographical location	Impaired	Net Impaired after deducting acceptable guarantees	Specific Provision	Net Facilities	Past Due
1	MENA	30,072	15,426	13,143	2,283	289,422
2	Europe	-	-	-	-	-
3	Asia	-	-	-	-	-
4	Rest of the World	9,039	5,118	5,118	-	-
<b>Total</b>		<b>39,111</b>	<b>20,544</b>	<b>18,261</b>	<b>2,283</b>	<b>289,422</b>

#### Irregular and past due exposures by industrial sector:

2023  
(KD'000)

SN	Description of Industrial Sector	Impaired	Specific Provision	Net Facilities	Past Due
1	Manufacturing & Trade	2,777	1,620	375	19,106
2	Banks and financial institutions	-	-	-	-
3	Constructions and real estates	27,078	10,548	273	99,611
4	Others	3,377	1,446	1,919	66,872
<b>Total</b>		<b>33,232</b>	<b>13,614</b>	<b>2,567</b>	<b>185,589</b>

2022  
(KD'000)

SN	Description of Industrial Sector	Impaired	Specific Provision	Net Facilities	Past Due
1	Manufacturing & Trade	2,227	580	863	47,055
2	Banks and financial institutions	-	-	-	-
3	Constructions and real estates	34,369	16,490	97	126,948
4	Others	2,515	1,391	1,323	115,419
<b>Total</b>		<b>39,111</b>	<b>18,261</b>	<b>2,283</b>	<b>289,422</b>

#### Aging of Irregular and past due exposures:

2023  
(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	6,603	1,666	2,534	22,429	33,232
2	Past Due	185,589	-	-	-	185,589
<b>Total</b>		<b>192,192</b>	<b>1,666</b>	<b>2,534</b>	<b>22,429</b>	<b>218,821</b>

2022  
(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	-	7,764	3,275	28,072	39,111
2	Past Due	289,422	-	-	-	289,422
<b>Total</b>		<b>289,422</b>	<b>7,764</b>	<b>3,275</b>	<b>28,072</b>	<b>328,533</b>

#### General Provisions Balance:

SN	Distribution of General Provisions to credit risk exposures	2022 (KD'000)	2023 (KD'000)
1	Claims on sovereigns	771	749
2	Claims on public sector institutions	889	539
3	Claims on banks	1,025	1,015
4	Claims on corporates*	70,400	75,648
5	Regulatory retail exposures	5,989	6,176
6	Real estate investments	-	-
7	Investment and financing with customers	3,342	2,290
<b>Total</b>		<b>82,416</b>	<b>86,417</b>

\* As at 31 December 2023, claims on corporates include precautionary provisions of KD 50,369 thousand (31 December 2022: KD 50,369 thousand).

SN	Distribution of General Provisions to geographical location	2022 (KD'000)	2023 (KD'000)
1	MENA*	81,851	85,564
2	Europe	319	369
3	Asia	156	401
4	Rest of the World	90	83
<b>Total</b>		<b>82,416</b>	<b>86,417</b>

\* As at 31 December 2023, MENA includes precautionary provisions of KD 50,369 thousand (31 December 2022: KD 50,369 thousand).

### 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

2023  
(KD'000)

SN	Description of Credit Risk Exposure	Total Credit Exposure	Eligible Collaterals	Banking Guarantees
1	Cash item	9,861	-	-
2	Claims on sovereigns	540,769	-	-
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	53,920	-	-
5	Claims on multilateral development banks	91,194	-	-
6	Claims on banks	422,626	-	-
7	Claims on corporates	2,719,881	532,478	-
8	Regulatory retail exposure	633,601	14,612	-
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	32,877	5,627	-
11	Goods and commodities positions	7,736	-	-
12	Real estate investments	133,174	-	-
13	Investment and financing with customers	231,195	131,567	-
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	316,539	-	-
<b>Total</b>		<b>5,193,373</b>	<b>684,284</b>	<b>-</b>

2022  
(KD'000)

SN	Description of Credit Risk Exposure	Total Credit Exposure	Eligible Collaterals	Banking Guarantees
1	Cash item	8,095	-	-
2	Claims on sovereigns	505,133	-	-
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	90,011	-	-
5	Claims on multilateral development banks	83,029	-	-
6	Claims on banks	283,234	-	-
7	Claims on corporates	2,122,006	393,371	-
8	Regulatory retail exposure	611,003	8,475	-
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	29,662	6,244	-
11	Goods and commodities positions	-	-	-
12	Real estate investments	136,301	-	-
13	Investment and financing with customers	337,489	111,158	-
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties.	-	-	-
16	Other exposures	292,940	-	-
<b>Total</b>		<b>4,498,903</b>	<b>519,248</b>	<b>-</b>

### 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 2023 is 82% (31 December 2022: 89%) calculated as follows:**

SN		2022	2023
1	Current assets (KD '000)	2,948,966	<b>3,335,143</b>
2	Current liabilities (KD '000)	3,323,070	<b>4,055,840</b>
	<b>Current ratio</b>	89%	<b>82%</b>

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

**2023**  
(KD'000)

SN	Categories of funding	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Current account	243,566	-	-	<b>243,566</b>
2	Unrestricted investment account	2,569,826	1,016,704	224,193	<b>3,810,723</b>
3	Restricted investment account	-	-	-	-
4	Other Deposits	15,703	-	-	<b>15,703</b>
	<b>Total</b>	<b>2,829,095</b>	<b>1,016,704</b>	<b>224,193</b>	<b>4,069,992</b>

2022  
(KD'000)

SN	Categories of funding	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Current account	219,001	-	-	219,001
2	Unrestricted investment account	2,300,885	747,528	189,726	3,238,139
3	Restricted investment account	-	-	-	-
4	Other Deposits	10,108	-	-	10,108
	<b>Total</b>	<b>2,529,994</b>	<b>747,528</b>	<b>189,726</b>	<b>3,467,248</b>

### 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 outflow 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 2023 was KD 495 Million of which Central Bank reserves constituted about 64.9%. Average cash outflows over a 30-day horizon amounted to KD 965 Million while average inflows from assets were KD 595 Million.

Bank's LCR of 134% (based on average of last three months' position) was above the minimum 100% prescribed by CBK for 2023. 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 2023**

Item	Description	"value in KD'000"	
		Value before applying inflows rates (average)*	Value after applying inflows rates (average)*
<b>High-Quality Liquid Assets (HQLA)</b>			
1	Total HQLA (before adjustments)		512,906
<b>Cash Outflows</b>			
2	Retail deposits and small business	529,894	93,443
3	• Stable deposits		
4	• Less stable deposits	529,894	93,443
5	Unsecured wholesale funding excluding the deposits of small business customers:	1,364,871	796,458
6	• Operational deposits		
7	• Non-operational deposits (other unsecured commitments)	1,364,871	796,458
8	Secured Funding		
9	Other cash outflows, including:		
10	• Resulting from Shari'ah 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	<b>1,511,034</b>	<b>75,552</b>
14	Other contractual cash outflows obligations	-	-
15	<b>Total Cash Outflows</b>		<b>965,453</b>
<b>Cash Inflows</b>			
16	Secured lending transactions		
17	Inflows from fully performing exposures (as per the counterparties)	1,050,848	594,593
18	Other cash Inflows		
19	<b>Total Cash Inflows</b>	<b>1,050,848</b>	<b>594,593</b>
<b>Liquidity Coverage Ratio (LCR)</b>		<b>Total Adjusted Value</b>	
20	Total HQLA (after adjustments)		495,333
21	Net Cash Outflows		370,923
22	<b>LCR</b>		<b>134%</b>

\*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 2023, the bank's NSFR was at 106.5% compared to the minimum requirement of 100%. The total ASF after assigning weights (ASF Factors) was KD 2,910 Million while the RSF after applying weights was KD 2,732 Million.

NSFR common disclosure template as at 31 December 2023

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
<b>Available Stable Funding (ASF):</b>						
1	Capital					
2	Regulatory Capital	421,665	-	-	-	421,665
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits and investment accounts from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	937,421	132,571	18,858	981,851
7	Wholesale funding:					
8	Operational deposits and investment accounts	-	-	-	-	-
9	Other wholesale funding	-	2,593,241	360,125	332,110	1,506,926
10	Other liabilities:					
11	NSFR Shariah-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	66,688	52,950	-	9,078	-
<b>13</b>	<b>Total ASF</b>	-	-	-	-	<b>2,910,441</b>
<b>Required Stable Funding (RSF):</b>						
14	Total NSFR Shariah-compliant high-quality liquid assets (HQLA)	585,324	-	-	-	44,834
15	Deposits and investment accounts held at other financial institutions for operational purposes	-	-	-	-	-
<b>16</b>	<b>Performing financing and securities:</b>					
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	34,370	446,696	9,428	-	71,718
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:	-	2,097,894	478,613	734,818	2,023,072
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	-	-	-	83,792	71,223
<b>24</b>	<b>Other assets:</b>					
25	Physical traded commodities, including gold	-	-	-	-	-

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
26	Assets posted as initial margin for Shari'ah-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'ah-compliant hedging contract assets	-	-	-	-	-
28	NSFR Shari'ah-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	399,895	54,320	1,046	50,587	442,552
30	Off Balance Sheet Items	1,231,760	107,027	58,827	-	78,235
<b>31</b>	<b>Total RSF</b>	-	-	-	-	<b>2,731,634</b>
<b>32</b>	<b>NSFR (%)</b>	-	-	-	-	<b>106.5%</b>

## 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).

2023  
(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	1,302	1,393	2,487	934	69	6,185
Liabilities	1,069	1,591	1,715	749	133	5,257
<b>Net Impact</b>	<b>233</b>	<b>(197)</b>	<b>772</b>	<b>184</b>	<b>(64)</b>	<b>927</b>

2023  
(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	(1,302)	(1,393)	(2,487)	(934)	(69)	(6,185)
Liabilities	(1,069)	(1,591)	(1,715)	(749)	(133)	(5,257)
<b>Net Impact</b>	<b>(233)</b>	<b>197</b>	<b>(772)</b>	<b>(184)</b>	<b>64</b>	<b>(927)</b>

2022  
(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	96	153	247	88	7	591
Liabilities	110	148	205	60	21	544
<b>Net Impact</b>	<b>(14)</b>	<b>5</b>	<b>42</b>	<b>28</b>	<b>(14)</b>	<b>46</b>

2022  
(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	(96)	(153)	(247)	(88)	(7)	(591)
Liabilities	(110)	(148)	(205)	(60)	(21)	(544)
<b>Net Impact</b>	<b>14</b>	<b>(5)</b>	<b>(42)</b>	<b>(28)</b>	<b>14</b>	<b>(46)</b>

## 5.5 Equity Risk in the Banking Book

As of 31 December 2022, the Bank's investments in equity positions other than sukuk amounted to KD 150,089 thousand (31 December 2021: KD 134,512 thousand) as detailed below:

Investment types	2022 (KD'000)	2023 (KD'000)
Quoted equity security	12,474	15,557
Unquoted equity security	10,497	9,631
Unquoted Portfolios and Funds	113,536	129,517
Other unquoted investments	13,582	12,408
<b>Total</b>	<b>150,089</b>	<b>167,113</b>

All equity investments are recorded at fair value.

During the year 2023, the Bank did not record realized losses from sale of equity investments (2022: KD Nil thousand) in the income statement and recorded unrealized gains from change in fair value of the quoted securities amounting to KD 1,750 thousand (31 December 2022: KD 4,884 thousand) in the other comprehensive income.

The minimum required capital for equity investment as at 31 December 2023 was KD 13,239 thousand (31 December 2022: KD 10,685 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 Shari'a 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 Shari'a.

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:

### 2023

SN	Account Category	Q1	Q2	Q3	Q4
1	Saving accounts	1.512%	1.447%	1.512%	1.573%

### 2022

SN	Account Category	Q1	Q2	Q3	Q4
1	Saving accounts	1.157%	1.240%	1.439%	1.496%

## SEVENTH: SHARI'A REGULATIONS

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

The Internal Shari'a 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 Shari'a 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 2023 amounted to KD 60 thousand (31 December 2022: KD 60 thousand).

## EIGHTH: BANK'S REMUNERATION POLICIES

### Board Nominations & Remunerations Committee

The Committee is chaired by Mrs. Mai Muhallal Al-Mudhaf, and includes as members Mr. Bader Khalid Al-Shalfan, Ms. Basma Hamed Al-Sane, Mr. Mohammed Hamed Al-Shalfan and Mr. Mohammed Abdulaziz Al-Bahar. 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:

- 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 8 meetings, and the total remunerations paid to its members is KD 87.250 thousand for the year ending on 31 December 2023 (31 December 2022: KD 94 Thousand).

### Compensation according to various staff categories at Warba Bank:

1. 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.
1. 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.
1. 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.
1. 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.

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:

1. Job evaluation is used to determine the fair financial value of individual functions within the Bank.
2. 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
3. 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.
4. 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 2023. (2022: No employees were awarded remunerations on signing employment contracts (sign-on awards))

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

#### 2023

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
<b>Fixed remuneration</b>			
1	Cash-based	2,078,798	-
2	Shares and share-linked instruments	-	-
3	Other	59,826	-
<b>Variable remuneration</b>			
4	Cash-based	1,390,422	198,234
5	Shares and share-linked instruments	-	-
6	Other	-	-
<b>Total</b>		<b>3,529,046</b>	<b>198,234</b>

#### 2022

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
<b>Fixed remuneration</b>			
1	Cash-based	1,906,470	-
2	Shares and share-linked instruments	-	-
3	Other	73,802	-
<b>Variable remuneration</b>			
4	Cash-based	1,225,004	226,885
5	Shares and share-linked instruments	-	-
6	Other	-	-
<b>Total</b>		<b>3,205,276</b>	<b>226,885</b>

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

2023

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
<b>Fixed remuneration</b>			
1	Cash-based	1,906,470	-
2	Shares and share-linked instruments	-	-
3	Other	73,802	-
<b>Variable remuneration</b>			
4	Cash-based	1,225,004	226,885
5	Shares and share-linked instruments	-	-
6	Other	-	-
<b>Total</b>		<b>3,205,276</b>	<b>226,885</b>

2022

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
<b>Fixed remuneration</b>			
1	Cash-based	1,703,770	-
2	Shares and share-linked instruments	-	-
3	Other	68,859	-
<b>Variable remuneration</b>			
4	Cash-based	1,017,144	183,640
5	Shares and share-linked instruments	-	-
6	Other	75,901	-
<b>Total</b>		<b>2,865,674</b>	<b>183,640</b>

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

2023

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	-	3,529,046
2	Material Risk Takers	16	-	3,205,276
3	Financial & Control Functions	14	82,955	1,564,376

2022

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	136,982	3,236,655
2	Material Risk Takers	17	-	2,865,674
3	Financial & Control Functions	14	81,574	1,308,578



**MOST SUSTAINABLE  
BANK KUWAIT 2023**  
AWARD FROM  
"INTERNATIONAL BUSINESS MAGAZINE"

# Warba's Elite for Q3 2023

## The Doers



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# EXTERNAL AUDITOR REPORT



Building a better  
working world

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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 2023, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 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 (the "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 financing facilities*

The recognition of credit losses on cash and non-cash financing facilities ("financing facilities") is the higher of Expected Credit Loss determined under International Financial Reporting Standard 9: *Financial Instruments* ("IFRS 9"), according to 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 financing facilities (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 ECL 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.

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 financing facilities*' 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.

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.

With respect to the ECL, we have selected samples of financing facilities outstanding, including 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 the requirements of IFRS 9, determined in accordance with the 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. 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 financing facilities (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 2023 Annual Report*

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditors' report thereon. 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 2023 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 IFRS as adopted by the 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 ISA 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 ISA, 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 2023 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2023 that might have had a material effect on the business of the Bank or on its financial position.

BADER A. AL-ABDULJADER  
LICENCE NO. 207-A  
EY  
(AL AIBAN, AL OSAIMI & PARTNERS)

DR. RASHEED M. AL - QENAE  
LICENCE NO. 130  
OF KPMG AL-QENAE & PARTNERS  
MEMBER FIRM OF KPMG INTERNATIONAL

13 February 2024  
Kuwait

## CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

	Notes	2023 KD'000	2022 KD'000
<b>ASSETS</b>			
Cash and bank balances	3	207,811	146,634
Placements with banks and the CBK		425,786	278,895
Financing receivables	4	3,452,952	3,129,676
Financial assets at fair value through profit or loss	5	162,253	139,592
Financial assets at fair value through other comprehensive income	6	369,934	295,413
Investment in joint ventures	7	119,271	107,880
Investment properties	8	1,675	16,193
Other assets		76,514	69,321
Property and equipment		16,013	17,353
<b>TOTAL ASSETS</b>		<b>4,832,209</b>	<b>4,200,957</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions	9	1,162,849	792,766
Depositors' accounts	10	2,907,145	2,674,482
Sukuk issued	11	304,331	304,057
Other liabilities		66,688	55,735
<b>TOTAL LIABILITIES</b>		<b>4,441,013</b>	<b>3,827,040</b>
<b>EQUITY</b>			
Share capital	12	206,000	200,000
Share premium		80,375	80,375
Statutory reserve	12	8,871	6,803
Fair value reserve		(4,517)	(9,759)
Foreign currency translation reserve		1,175	(276)
Retained earnings		11,124	8,966
		303,028	286,109
Proposed dividend	12	12,360	12,000
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>		<b>315,388</b>	<b>298,109</b>
Perpetual Tier 1 Sukuk	13	75,808	75,808
<b>TOTAL EQUITY</b>		<b>391,196</b>	<b>373,917</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,832,209</b>	<b>4,200,957</b>

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

  
**HAMAD MUSAED AL SAYER**  
 CHAIRMAN

  
**SHAHEEN HAMAD AL GHANEM**  
 CHIEF EXECUTIVE OFFICER

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 KD'000	2022 KD'000
Placements and finance income		224,809	129,302
Finance costs and distribution to depositors		(180,782)	(81,062)
<b>Net finance income</b>		<b>44,027</b>	<b>48,240</b>
Net investment income	14	10,845	23,721
Net fee and commission income	15	5,283	5,576
Other income		3,074	926
Foreign exchange gain		893	733
<b>Net operating income</b>		<b>64,122</b>	<b>79,196</b>
Staff costs		(26,448)	(22,590)
General and administrative expenses		(8,709)	(6,036)
Depreciation expense		(5,783)	(6,449)
<b>Net operating expenses</b>		<b>(40,940)</b>	<b>(35,075)</b>
<b>Net operating profit before provision for impairment and credit losses</b>		<b>23,182</b>	<b>44,121</b>
Provision for impairment and credit losses	16	(2,508)	(23,855)
<b>Profit before tax and board of directors' remuneration</b>		<b>20,674</b>	<b>20,266</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(186)	(182)
National Labour Support Tax (NLST)		(543)	(525)
Zakat		(212)	(205)
Board of directors' remuneration		(66)	(66)
<b>NET PROFIT FOR THE YEAR</b>		<b>19,667</b>	<b>19,288</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (EPS)</b>	17	<b>8.05 fils</b>	<b>7.16 fils</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 KD'000	2022 KD'000
<b>Net profit for the year</b>		<b>19,667</b>	<b>19,288</b>
<b>Other comprehensive income (loss)</b>			
Other comprehensive income (loss) that will be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
Net change in fair value		<b>7,245</b>	<b>(17,854)</b>
Changes in allowance for expected credit losses	16	<b>212</b>	<b>695</b>
Reclassification to profit or loss	14	<b>(336)</b>	<b>337</b>
Net gains (losses) on debt instruments at fair value through other comprehensive income		<b>7,121</b>	<b>(16,822)</b>
Exchange differences on translation of foreign operations		<b>1,415</b>	<b>(164)</b>
Share of other comprehensive (loss) income of investment in joint venture	7	<b>(129)</b>	<b>572</b>
Net exchange differences recycled to profit or loss on derecognition of investment in a joint venture		<b>36</b>	<b>-</b>
<b>Total items that are or may be reclassified to profit or loss</b>		<b>8,443</b>	<b>(16,414)</b>
Other comprehensive (loss) income that will not be reclassified to profit or loss subsequently			
Net change in fair value of equity investments at fair value through other comprehensive income		<b>(1,750)</b>	<b>4,884</b>
<b>Total items that will not be reclassified to profit or loss</b>		<b>(1,750)</b>	<b>4,884</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		<b>6,693</b>	<b>(11,530)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>26,360</b>	<b>7,758</b>

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Retained earnings KD'000	Sub-total KD'000	Proposed dividend KD'000	Equity attributable to shareholders		Total equity KD'000
									of the Bank KD'000	Perpetual Tier 1 Sukuk KD'000	
<b>As at 1 January 2023</b>	<b>200,000</b>	<b>80,375</b>	<b>6,803</b>	<b>(9,759)</b>	<b>(276)</b>	<b>8,966</b>	<b>286,109</b>	<b>12,000</b>	<b>298,109</b>	<b>75,808</b>	<b>373,917</b>
Net profit for the year	-	-	-	-	-	19,667	19,667	-	19,667	-	19,667
Other comprehensive income	-	-	-	5,242	1,451	-	6,693	-	6,693	-	6,693
Total comprehensive income for the year	-	-	-	5,242	1,451	19,667	26,360	-	26,360	-	26,360
Issue of bonus shares (Note 12)	6,000	-	-	-	-	-	6,000	(6,000)	-	-	-
Cash dividends (Note 12)	-	-	-	-	-	-	-	(6,000)	(6,000)	-	(6,000)
Transferred to the statutory reserve (Note 12)	-	-	2,068	-	-	(2,068)	-	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 13)	-	-	-	-	-	(3,081)	(3,081)	-	(3,081)	-	(3,081)
Proposed dividend (Note 12)	-	-	-	-	-	(12,360)	(12,360)	12,360	-	-	-
<b>At 31 December 2023</b>	<b>206,000</b>	<b>80,375</b>	<b>8,871</b>	<b>(4,517)</b>	<b>1,175</b>	<b>11,124</b>	<b>303,028</b>	<b>12,360</b>	<b>315,388</b>	<b>75,808</b>	<b>391,196</b>
As at 1 January 2022	200,000	80,375	4,777	1,607	(112)	7,882	294,529	-	294,529	121,270	415,799
Net profit for the year	-	-	-	-	-	19,288	19,288	-	19,288	-	19,288
Other comprehensive loss	-	-	-	(11,366)	(164)	-	(11,530)	-	(11,530)	-	(11,530)
Total comprehensive (loss) income for the year	-	-	-	(11,366)	(164)	19,288	7,758	-	7,758	-	7,758
Transferred to the statutory reserve	-	-	2,026	-	-	(2,026)	-	-	-	-	-
Redemption of Perpetual Tier 1 Sukuk (Note 13)	-	-	-	-	-	-	-	-	-	(45,109)	(45,109)
Foreign Currency Translation from Redemption of Perpetual of Tier 1 Sukuk	-	-	-	-	-	353	353	-	353	(353)	-
Profit paid on Perpetual Tier 1 Sukuk (Note 13)	-	-	-	-	-	(4,531)	(4,531)	-	(4,531)	-	(4,531)
Proposed dividend (Note 12)	-	-	-	-	-	(12,000)	(12,000)	12,000	-	-	-
At 31 December 2022	200,000	80,375	6,803	(9,759)	(276)	8,966	286,109	12,000	298,109	75,808	373,917

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 KD'000	2022 KD'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax and board of directors' remuneration		20,674	20,266
Adjustments for:			
Net investment income	14	(10,845)	(23,721)
Gain on de-recognition of leases		-	161
Provision for employees' end of service benefits		1,227	1,221
Depreciation expense		5,783	6,449
Provision for impairment and credit losses	16	2,508	23,855
		<b>19,347</b>	<b>28,231</b>
Changes in operating assets and liabilities:			
Placements with banks and the CBK		(41,730)	(91,557)
Financing receivables		(307,840)	(694,463)
Other assets		(7,518)	(25,540)
Due to banks and other financial institutions		370,083	280,195
Depositors' accounts		232,663	385,564
Other liabilities		9,997	81
End of service benefits paid		(269)	(493)
Taxes paid		(743)	(757)
<b>Net cash flows from (used in) operating activities</b>		<b>273,990</b>	<b>(118,739)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase/capital contributions of financial assets at FVTPL		(27,505)	(30,077)
Proceeds from sale/redemption of financial assets at FVTPL		6,753	19,745
Purchase of financial assets at FVOCI		(205,014)	(92,110)
Proceeds from sale of financial assets at FVOCI		137,772	54,461
Additions to investment in joint ventures		(15,338)	(27,144)
Proceeds from sale/redemption of investment in joint ventures		578	48,619
Proceeds from sale of an investment property		1,650	3,179
Purchase of property and equipment		(3,338)	(2,308)
Dividends received from financial assets		4,241	5,709
Other investment income received		502	614
Distributions received from joint ventures		4,463	5,502
Rental income received		83	135
<b>Net cash flows used in investing activities</b>		<b>(95,153)</b>	<b>(13,675)</b>

## FINANCING ACTIVITIES

Net movement on Sukuk issued		274	2,033
Payment of lease liabilities		(4,487)	(2,976)
Redemption of Perpetual Tier 1 Sukuk		-	(45,109)
Profit paid to holders of Perpetual Tier 1 Sukuk		(3,081)	(4,531)
Cash dividends paid	12	(5,150)	-
<b>Net cash flows used in financing activities</b>		<b>(12,444)</b>	<b>(50,583)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>166,393</b>	<b>(182,997)</b>
Cash and cash equivalents at 1 January		302,469	485,466
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	3	<b>468,862</b>	<b>302,469</b>
<b>Additional information on operational cash flows</b>			
Finance costs paid		169,896	69,873
Finance income received		215,723	125,968

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2023

#### 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 corporate, retail and investment banking activities in accordance with the principles of Islamic Shari'a, as approved by the Bank's Shari'a Supervisory Board.

The annual general assembly meeting ("AGM") of the shareholders of the Bank held on 20 March 2023 approved the consolidated financial statements for the year ended 31 December 2022. Distributions proposed by the Board of Directors and approved by the shareholders of the Bank for the year then ended are provided in Note 12 (31 December 2021: Nil).

The consolidated financial statements of the Bank and its wholly owned special purpose vehicles (collectively, the "Group") for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 10 January 2024. 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:

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

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

The consolidated financial statements 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), investment properties and forward currency swaps, all of which have been measured at fair value.

The Bank presents its consolidated 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) which is also the Group's functional currency. 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 2023. 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 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgments 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.

Management reviewed the accounting policies and made updates to the information disclosed in note 2.4 Summary of material accounting policies (2022: Summary of significant accounting policies) in certain instances in line with the amendments.

The amendments did not impact the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

##### International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the Organization for Economic Co-operation and Development (OECD's) BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The amendments had no material impact on the Group's consolidated financial statements.

##### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is effective for reporting periods beginning on or after 1 January 2023. 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. Limited scope exceptions apply.

As part of this determination, the Group assessed credit cards and similar products that include insurance coverage. 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. The Group has determined that insurance risk associated with an individual customer has not been assessed in setting the price of the contracts as these products are offered at the same price to all applicants, and therefore they are exempt from IFRS 17.

The Group has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have a material impact on the consolidated financial statements for the year ended 31 December 2023.

Other amendments and interpretations apply for the first time in 2023, but do not have an impact on the Group's consolidated financial statements.

## 2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

#### Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no material impact on the Group's consolidated financial statements.

### 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.

General requirements for disclosure of sustainability-related financial information (IFRS S1) and Climate-related disclosures (IFRS S2) – 1 January 2024

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

Lack of Exchangeability (Amendments to IAS 21) – 1 January 2025

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

### 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

In addition, the Group has adopted Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than '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 2023. 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.

### 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### 2.4.1. Basis of consolidation (continued)

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; and
- 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.

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 %	
			2023	2022
<b>Themar Al-Omania Company L.L.C.</b>	Real estate	Sultanate of Oman	100	100
<b>Warba Tier 1 (2) Sukuk Limited</b>	Financial securities	Cayman Islands	100	100
<b>Warba Advisory Ltd.</b>	Corporate Management Services	Cayman Islands	100	100

## 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 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 Group 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.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Profit income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

The details of these conditions are outlined below.

#### Murabaha

Murabaha is an agreement relating to the sale of commodities at cost plus an agreed upon profit margin, whereby the seller informs the buyer of the price at which the deal will be completed and also the amount of profit to be recognised. Murabaha is a financial asset originated by the Group.

## 2.4 . SUMMARY OF MATERIAL 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)

##### Ijara

The lease contract return is concluded between the Group (the lessor) and the customer (the lessee), whereby the Group achieves a by charging rents on the leased assets to the customers.

##### Tawarruq

It is a product in which a customer buys goods from the Group on a deferred payment basis and then sells them immediately for cash to another party.

##### Mudaraba

It is an agreement between two parties whereby one of them provides funds (rabb al-mal) and the other makes efforts and provides expertise (mudarib) and he is responsible for investing these funds in a specific company or special activity in exchange for a pre-agreed percentage of the mudaraba revenues if there are profits, while in the event of a normal loss, the rabb al-mal will bear the loss of his money while the mudarib will bear the loss of his efforts. However, in case of negligence or breach of any of the terms and conditions of the mudaraba agreement, only the mudarib will bear the losses. The Group acts as a mudarib when accepting funds from depositors and as a rabb al-mal when investing these funds on a mudaraba basis.

##### Wakala

Wakala is an agreement whereby the Group provides an amount of money to a client under a wakala agreement, who invests this amount according to specific conditions in exchange for agreed fees. The agent is obligated to return the amount in case of negligence or violation of any of wakala's terms and conditions.

##### Business model assessment

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- 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); and
- The expected frequency, value and timing of sales are also important aspects of the Group'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 Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

##### The SPPP test

As a second step of its classification process the Group 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).

## 2.4 . SUMMARY OF MATERIAL 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)

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 Group 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 Group 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 ; and
- 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, losses and ECL 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.

#### Equity instruments at FVOCI

Upon initial recognition, the Group 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.

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

## 2.4 . SUMMARY OF MATERIAL 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)

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

These financial liabilities are subsequently measured at amortised cost using the effective profit rate 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 and sukuk issued are classified as "financial liabilities other than at fair value through profit or loss".

#### Financial guarantees, letters of credit and undrawn loan commitments

The Group 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 Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated 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.

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.

## 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 2.4.3. De-recognition due to substantial modification or terms and conditions (continued)

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; and
- 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.

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 material 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 100% of net exposure i.e. after deduction of approved collaterals in accordance with CBK guidelines.

## 2.4. SUMMARY OF MATERIAL 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)

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 more than 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 more than 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; or
- Purchase of a financial asset at a deep discount that reflects the incurred credit loss.

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. These measures are adjusted to be in line with IFRS as adopted by CBK.

#### 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.

## 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

#### 2.4.4. Impairment of financial assets (continued)

##### 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 Group 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.

##### 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 profit rate 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 2.4.4. Impairment of financial assets (continued)

#### 2.4.5. Write-offs

Financial assets are written off either partially or in their entirety only when the Group 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:

- 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).

## 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 2.4.7. Derivative financial instruments and hedge accounting (continued)

#### Cash flow hedges(continued)

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.

### 2.4.8. Investment in joint ventures

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.

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 consolidated 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 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 consolidated 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 the consolidated statement of 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 the consolidated statement of 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 the consolidated statement of 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 and equipment up to the date of change in use.

## 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 2.4.10. Property and equipment

Property and equipment are 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 the consolidated statement of 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	40 years
• Furniture, fixtures and equipment	5 years
• Motor vehicles	5 years
• Leasehold Improvements	5 years
• Computer hardware and software	5 years
• Key Money	10 years

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

## 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 2.4.11. Impairment of non-financial assets (continued)

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 consolidated 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 benefits

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.

### 2.4.13. 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.

#### Fees 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 fees and commission income from a diverse range of financial services it provides to its customers. Fees 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 income

Finance income includes income from Wakala, Murabaha and Ijara investments and is calculated using effective profit rate method.

#### Dividend income

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

## 2.4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 2.4.13. Revenue recognition (continued)

#### Net investment income

Net investment income includes all gains and losses from changes in fair value and dividends.

### 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.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 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.

The Group has a payable balance to KFAS of KD 368 thousand included under other liabilities in the consolidated statement of financial position, out of which KD 182 thousand has been paid subsequent to the year end.

#### 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 Group 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 Group 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 consolidated 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 consolidated financial statements, as they are not assets of the Group (Note 25).

### 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 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 consolidated 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.

### 2.4.24. Finance cost

Finance cost is directly attributable to due to banks and financial institutions and depositors' accounts. All finance costs are expensed in the period they occur.

## 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 judgements

#### 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.

#### 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.

The Group classifies property as property and equipment when it is acquired for owner occupation.

#### 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. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### 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.

#### Impairment of financial instruments and expected credit losses of financial instruments – as per IFRS 9 according to the CBK guidelines

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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 criteria 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 unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

#### 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:

	2023 KD'000	2022 KD'000
<b>Cash</b>	<b>9,382</b>	7,845
Current account with the CBK	163,937	117,833
Current accounts with commercial banks	34,492	20,956
<b>Total cash and bank balances</b>	<b>207,811</b>	146,634
Placements with the CBK whose original maturity is within three months or less	124,232	114,141
Placements with banks whose original maturity is within three months or less	136,819	41,694
<b>Total cash and cash equivalents</b>	<b>468,862</b>	302,469

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, Ijara and Wakala contracts. Wherever necessary, financing receivables are secured by acceptable forms of collateral to mitigate the related credit risk.

	2023 KD'000	2022 KD'000
Murabaha receivables	3,136,581	2,823,145
Ijara receivables	558,990	485,292
Wakala receivables	23,425	38,244
Others	33,614	44,072
Less: deferred profit	(204,857)	(165,664)
Financing receivables before provision for impairment	3,547,753	3,225,089
Less: Provision for impairment as per CBK guidelines	(94,801)	(95,413)
	<b>3,452,952</b>	3,129,676

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

	2023 KD'000	2022 KD'000
Corporate	2,185,508	1,951,420
Individuals	1,362,245	1,273,669
Financing receivables before provision for impairment	3,547,753	3,225,089
Less: Provision for impairment as per CBK guidelines	(94,801)	(95,413)
	<b>3,452,952</b>	3,129,676

During the year, the Group has recovered KD 2,981 thousand from written off deals in the prior years (2022: KD 369 thousand). The amount is recorded under other income in the consolidated statement of profit or loss.

The available provision balance on non-cash facilities of KD 5,414 thousand (2022: KD 5,577 thousand) is included under other liabilities in the consolidated statement of financial position.



#### 4. FINANCING RECEIVABLES (continued)

An analysis of the carrying amounts of contingent liabilities and commitments (non-cash facilities), and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK regulations is as follows:

	As at 31 December 2023			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
<b>Non-cash facilities</b>				
High	173,693	3,265	-	176,958
Standard	113,362	41,421	-	154,783
Past due or impaired	-	-	3,752	3,752
	<b>287,055</b>	<b>44,686</b>	<b>44,686</b>	<b>335,493</b>

	As at 31 December 2022			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
<b>Non-cash facilities</b>				
High	75,825	3,700	-	79,525
Standard	101,929	39,322	-	141,251
Past due or impaired	-	-	4,504	4,504
	<b>177,754</b>	<b>43,022</b>	<b>4,504</b>	<b>225,280</b>

An analysis of the changes in the ECL in relation to non-cash facilities computed under IFRS 9 in accordance with the CBK guidelines is as follows:

	For the year ended 31 December 2023			
	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 2023	2,067	2,687	4,498	9,252
Transfer from Stage 1	(31)	31	-	-
Transfer from Stage 2	57	(57)	-	-
Additional (reversal) ECL for the year	156	298	(730)	(276)
<b>At 31 December 2023</b>	<b>2,249</b>	<b>2,959</b>	<b>3,768</b>	<b>8,976</b>

	For the year ended 31 December 2022			
	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 2022	2,804	3,170	3,854	9,828
Transfer from Stage 1	(408)	408	-	-
Transfer from Stage 2	181	(181)	-	-
(Reversal) additional ECL for the year	(510)	(710)	644	(576)
At 31 December 2022	<b>2,067</b>	<b>2,687</b>	<b>4,498</b>	<b>9,252</b>

The expected credit losses calculated as per IFRS 9 according to the CBK guidelines amounted to KD 49,231 thousand as of 31 December 2023 (2022: KD 51,479 thousand), which is less than provisions computed as required by the CBK guidelines amounting to KD 100,215 thousand as of 31 December 2023 (2022: KD 100,990 thousand).

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 KD'000	2022 KD'000
Equity instruments - quoted	15,557	12,474
Funds - unquoted	141,925	121,368
Other securities - unquoted	4,771	5,750
	<b>162,253</b>	<b>139,592</b>

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

	2023 KD'000	2022 KD'000
Quoted Sukuk	360,303	284,916
Unquoted equity instruments	9,631	10,497
	<b>369,934</b>	<b>295,413</b>

During the year ended 31 December 2023, the management has performed a review of the financial assets at fair value through other comprehensive income (Sukuk) to assess the ECL. Based on the assessment, the management has recognised ECL of KD 212 thousand (2022: KD 695 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 2023			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
Gross carrying amount as at 1 January 2023	258,394	26,522	-	284,916
New assets purchased (payments and assets derecognised during the year), net	62,030	3,695	-	65,725
Fair value and exchange movements	8,194	1,468	-	9,662
<b>At 31 December 2023</b>	<b>328,618</b>	<b>31,685</b>	<b>-</b>	<b>360,303</b>

	31 December 2023			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
ECL allowance as at 1 January 2023	368	605	-	973
Impact due to purchase/de-recognition	307	181	-	488
Re-measurement of ECL	(62)	(214)	-	(267)
<b>At 31 December 2023</b>	<b>613</b>	<b>572</b>	<b>-</b>	<b>1,185</b>

## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

	31 December 2022			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
Gross carrying amount as at 1 January 2022	224,074	34,066	-	258,140
New assets purchased (payments and assets derecognised during the year), net	29,325	(2,849)	-	26,476
Transfer between stages	4,695	(4,695)	-	-
Fair value and exchange movements	300	-	-	300
At 31 December 2022	258,394	26,522	-	284,916

	31 December 2022			
	Stage 1 KD'000	Stage 2 KD'000	Stage 3 KD'000	Total KD'000
ECL allowance as at 1 January 2022	303	357	16,606	17,266
Impact due to purchase/de-recognition	124	165	-	289
Impact on year end ECL of exposures transferred between stages during the year	(137)	137	-	-
Re-measurement of ECL	78	(54)	382	406
Amounts written off	-	-	(16,988)	(16,988)
At 31 December 2022	368	605	-	973

## 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:

	2023 KD'000	2022 KD'000
As at 1 January	107,880	104,891
Net additions (disposals)	14,768	(8,652)
Share of results (Note 14)	(200)	16,308
Distributions received	(4,463)	(5,502)
Foreign currency translation adjustment	1,415	263
Share of other comprehensive (loss) income of investment in joint venture	(129)	572
As at 31 December	119,271	107,880

The major joint ventures of the Group are as follows:

Name of joint venture	Principal activities	Country of incorporation	% Equity interest	
			2023	2022
Ridge at Robinson	Real Estate Investment	USA	99	99
Bella Vida	Real Estate Investment	USA	98	98
Broadstone Durham	Real Estate Investment	USA	98	98
Cortland Greengate Property	Real Estate Investment	UK	55	55
Jefferson Palm Beach Fund	Real Estate Investment	USA	98	78
Attiva Malone	Real Estate Investment	USA	98	98
Tapestry Westland Property	Real Estate Investment	USA	98	98
GCM Infinium	Real Estate Investment	UK	99	12

## 7. INVESTMENT IN JOINT VENTURES (continued)

The following table illustrates summarised financial information of the Group's investment in the joint ventures:

	2023 KD'000	2022 KD'000
<b>Summarised statement of financial position of the joint ventures:</b>		
Current assets	10,020	6,574
Non-current assets	141,978	123,654
Current liabilities	(6,972)	(1,476)
<b>Equity</b>	<b>145,026</b>	<b>128,752</b>
<b>Group's share in equity</b>	<b>119,271</b>	<b>107,880</b>
<b>Group's carrying amount of the investment</b>	<b>119,271</b>	<b>107,880</b>
<b>Summarised consolidated statement of profit or loss of the joint ventures:</b>		
Revenue	(10)	22,692
Administrative and other expenses	(191)	(481)
(Loss) profit for the year	(201)	22,211
Group's share of (loss) profit for the year	(200)	16,308
Share of other comprehensive (loss) income	(129)	572

The joint ventures had no capital commitments as at 31 December 2023 (2022: KD Nil) and no contingent liabilities as at 31 December 2023 and 2022.

## 8. INVESTMENT PROPERTIES

	2023 KD'000	2022 KD'000
Opening balance at 1 January	16,193	18,715
Sale during the year	(14,600)	(2,602)
Fair value adjustment to investment properties (Note 14)	82	80
Closing balance at 31 December	1,675	16,193

During the year, the Group sold a property with carrying value of KD14,600 thousand (2022: KD2,602 thousand) for cash consideration of KD16,500 thousand (2022: KD3,179 thousand). The realised gain of KD1,900 thousand (2022: KD577 thousand) is included under net investment income in the consolidated statement of profit or loss.

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 the market comparison approach considering the nature and usage of each property. 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 an increase of KD82 thousand compared to its carrying values as at 31 December 2023 (2022: increase of KD80 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.

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.

## 8. INVESTMENT PROPERTIES (continued)

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.

	2023	2022
	KD'000	KD'000
Rental income derived from investment properties	94	155
Direct operating expenses	(67)	(52)
Net rental income arising from investment properties (Note 14)	27	63

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 (KD 154 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

The authorised, issued, and fully paid-up share capital as at 31 December 2023 comprise of 2,060,000 thousand shares (2022: 2,000,000 thousand shares) of a par value of 100 fils each.

### Statutory reserve

In accordance with the Companies' Law, and the Bank's Memorandum of Incorporation and Articles of Association, as amended, 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 2,068 thousand was transferred to the statutory reserve during the year ended 31 December 2023 (2022: KD 2,026 thousand).

### Voluntary reserve

In accordance with the Bank's Articles of Association and Memorandum of Incorporation, as amended, 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.

No transfers have been proposed by the Board of Directors to the voluntary reserve in the current and prior year.

### Dividends made and proposed

- The ordinary annual general assembly meeting ("AGM") of the Bank's shareholders held on 20 March 2023 approved 3% bonus shares and a cash dividend of 3 fils per share aggregating to KD 6,000 thousand and KD 6,000 thousand respectively, for the year ended 31 December 2022. Cash dividend amounting to KD 5,150 thousand was paid during the year and dividends payable as at 31 December 2023 amounted to KD 850 thousand and recorded within "other liabilities" in the consolidated statement of financial position.
- The shareholders of the Bank at the extra-ordinary general assembly ("EGM") held on 27 March 2023 approved the increase of Bank's authorised, issued, and fully paid share capital by issuing 60,000 thousand bonus shares at 3% of the authorised and paid-up share capital (i.e. 3 shares for each 100 shares) amounting to KD 6,000 thousand to the shareholders registered in the Bank's records as at the end of the record date on 13 April 2023. The legal procedures relating to the issuance of bonus shares have been completed during the year.
- The Board of Directors recommended distribution of 6% bonus shares (2022: 3% cash dividend and 3% bonus shares) on outstanding shares as at 31 December 2023. The bonus shares are subject to the Shareholders' Annual General Meeting approval and completing the necessary regulatory requirements.

## 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.

The Tier 1 Sukuk issued in 2017 amounting to USD 250 million, callable in 14 March 2022, was partially redeemed on 29 November 2021 through a tender buy-back amounting to USD 101.9 million at a price of 101.42% of the 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 ended 31 December 2021. On 14 March 2022, the first call date, the remaining portion of the Tier 1 Sukuk was fully redeemed by way of exercising the sukuk Call Option amounting to USD 148.1 million (KD 45.3 million) at a price of 100% of their nominal value. The Bank made the last profit payment on 13 March 2022.

On 29 November 2021, the Bank, through a Shari'a compliant Sukuk arrangement, issued Tier 1 Sukuk amounting to USD 250 million (KD 75.8 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. The Bank made profit payments during the year on 25 May and 28 November 2023.

#### 14. NET INVESTMENT INCOME

	2023 KD'000	2022 KD'000
Realised gain (loss) on sale of debt instruments at fair value through other comprehensive income	336	(337)
Share of results of investment in joint ventures (Note 7)	(200)	16,308
Dividend income	4,241	5,709
Net rental income from investment properties (Note 8)	27	63
Gain on sale of investment property	1,900	577
Fair value adjustment to financial assets at fair value through profit or loss	1,158	362
Fair value adjustment to investment properties (Note 8)	82	80
(loss) gain on sale of a joint venture	(28)	285
Other investment income	3,329	674
	<b>10,845</b>	<b>23,721</b>

#### 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 2,005 thousand (2022: KD 1,790 thousand).

#### 16. PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

	2023 KD'000	2022 KD'000
Provision for expected credit losses for investments in Sukuk (Note 6)	212	695
Provision for (reversal of) expected credit losses for placements with banks	55	(70)
Provision for impairment as per CBK guidelines on credit facilities (Note 4)	1,107	23,224
Impairment on other assets	1,134	6
	<b>2,508</b>	<b>23,855</b>

#### 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.

	2023	2022
Net profit for the year (KD'000)	19,667	19,288
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	(3,081)	(4,531)
	<b>16,586</b>	<b>14,757</b>
Weighted average number of shares outstanding ('000)	<b>2,060,000</b>	<b>2,060,000</b>
Basic and diluted EPS (fils)	<b>8.05</b>	<b>7.16</b>

\* The comparative basic and diluted EPS has been restated to reflect the impact of bonus shares issued in 2023.

There have been no other transactions involving ordinary shares between the reporting date and the date of authorisation of these 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. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulation of Central Bank of Kuwait.

##### 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.

	2023 KD'000	2022 KD'000
Salaries and benefits	3,541	3,235
End of service benefits	187	190
Directors' remuneration*	544	538
	<b>4,272</b>	<b>3,963</b>

\* 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 2023 is subject to the approval of the annual general assembly meeting (AGM).

The AGM of the shareholders of the Bank held on 20 March 2023 approved directors' remuneration for the year ended 31 December 2022 amounting to KD 66 thousand.

## 18. RELATED PARTY DISCLOSURES (continued)

### 18.2. Balances and transactions with Bank's board of directors' members, key management personnel and major shareholders:

Details of the balances of board of directors' members, executive officers and major shareholders are as follows:

	Number of BOD members, executive officers or major shareholders		Number of related parties		2023 KD'000	2022 KD'000
	2023	2022	2023	2022		
<b>Board Members</b>						
Financing facilities (secured)	1	1	-	-	2	5
Credit cards	1	1	-	-	-	-
Depositors' accounts	7	5	27	24	6,417	6,013
Contingent liabilities (letter of guarantees)	-	-	4	4	734	5,671
<b>Executive Officers</b>						
Financing facilities (secured)	7	6	1	-	1,307	532
Credit cards	3	3	-	-	5	19
Depositors' accounts	14	14	17	18	4,795	2,674
<b>Major Shareholders</b>						
Depositors' accounts	3	2	39	39	677,346	516,369

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.

Details of the transactions of board of directors' members, executive officers and major shareholders are as follows:

	2023 KD'000	2022 KD'000
<b>Board Members</b>		
Placement and finance income	-	107
Net fees and commission income	9	48
Finance costs and distribution to depositors	189	86
<b>Executive Officers</b>		
Placement and finance income	175	8
Finance costs and distribution to depositors	190	345
<b>Major Shareholders</b>		
Finance costs and distribution to depositors	32,587	12,850

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

	2023 KD'000	2022 KD'000
Acceptances and letters of credit	71,624	49,710
Letter of guarantees	263,873	175,570
Contingent liabilities	335,497	225,280
Capital and other commitments	200,394	199,383

## 19. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

As at 31 December 2023, capital and other commitments includes irrevocable commitments to extend credit amounted to KD 125,854 thousand (2022: KD 128,887 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; and
- 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 Board 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 mainly includes 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.

The Group considers exposures as defaulted when the external rating is recognized as a default grade as per the relative rating scale of the recognized rating agencies.

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; and
- borrower is deceased.

## 20. RISK MANAGEMENT (continued)

### 20.2. Credit risk (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 lifetime 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' 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 24,488 thousand (2022: KD 24,265 thousand) from KD 22,098 thousand (2022: KD 21,565 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 39,825 thousand higher than the reported allowance for credit losses as at 31 December 2023. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

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 18,005 thousand (2022: KD 17,711 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	
	2023 KD'000	2022 KD'000
Balances with banks	198,429	138,789
Placements with banks and the CBK	425,786	278,895
Financing receivables	3,452,952	3,129,676
Financial assets at fair value through other comprehensive income (investment in Sukuk)	360,303	284,916
Other assets	9,467	26,376
	<b>4,446,937</b>	<b>3,858,652</b>
Acceptances and letters of credit	71,267	49,461
Letter of guarantees	258,816	170,242
<b>Total</b>	<b>330,083</b>	<b>219,703</b>
<b>Total credit risk exposure</b>	<b>4,777,020</b>	<b>4,078,355</b>

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 2023 amounted to KD 91,194 thousand (2022: KD 83,031 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:

	2023		2022	
	Financial assets KD'000	Off-balance sheet items KD'000	Financial assets KD'000	Off-balance sheet items KD'000
Geographic region:				
Kuwait	3,437,539	299,972	3,001,954	181,172
Other Middle East	788,605	2,176	684,488	3,120
Rest of the World	220,793	27,935	172,210	35,411
	<b>4,446,937</b>	<b>330,083</b>	<b>3,858,652</b>	<b>219,703</b>

## 20. RISK MANAGEMENT (continued)

### 20.2. Credit risk (continued)

#### Risk concentrations of the maximum exposure to credit risk (continued)

	2023		2022	
	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	1,192,040	31,263	901,060	26,384
Construction and Real Estate	1,368,993	154,029	1,223,059	93,696
Trading and Manufacturing	521,868	80,120	458,179	55,408
Personal	629,096	-	604,150	-
Services	193,876	54,435	243,993	42,099
Other	541,064	10,236	428,211	2,116
	<b>4,446,937</b>	<b>330,083</b>	<b>3,858,652</b>	<b>219,703</b>

#### 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 2023, 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 as per the Group's credit rating system.

	Neither past due nor impaired		Past due or impaired	Total KD'000
	High quality KD'000	Standard quality KD'000	KD'000	
<b>2023</b>				
Balances with banks	198,429	-	-	198,429
Placements with banks and the CBK	419,155	6,753	-	425,908
Financing receivables	1,663,009	1,669,676	215,068	3,547,753
Financial assets at fair value through other comprehensive income (investment in Sukuk)	276,447	83,856	-	360,303
Other assets	3,823	6,784	-	10,607
	<b>2,560,863</b>	<b>1,767,069</b>	<b>215,068</b>	<b>4,543,000</b>

## 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	
2022				
Balances with banks	138,789	-	-	138,789
Placements with banks and the CBK	262,656	16,304	-	278,960
Financing receivables	1,530,054	1,371,005	324,030	3,225,089
Financial assets at fair value through other comprehensive income (investment in Sukuk)	172,526	112,390	-	284,916
Other assets	25,328	1,151	1,032	27,511
	<u>2,129,353</u>	<u>1,500,850</u>	<u>325,062</u>	<u>3,955,265</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
2023				
Financing receivables	<u>126,069</u>	<u>17,232</u>	<u>42,288</u>	<u>185,589</u>
2022				
Financing receivables	<u>252,802</u>	<u>30,103</u>	<u>6,486</u>	<u>289,391</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 2023 was KD 246,090 thousand (2022: KD 318,154 thousand). The collaterals consist of cash, securities, sukuk, letters of guarantee, real estate assets and other forms of collateral.

## 20. RISK MANAGEMENT (continued)

### 20.3. Market risk (continued)

#### Market risk management (continued)

#### 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.

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).

## 20. RISK MANAGEMENT (continued)

### 20.3.3 Currency risk (continued)

Currency	2023			2022		
	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	(2,736)	818	+1	(2,602)	921
EUR	+1	(221)	63	+1	(188)	91
GBP	+1	(238)	307	+1	(60)	62

### 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.

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 2023 would have increased equity by KD 741 thousand (2022: KD 624 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 table below 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:

	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
<b>2023</b>					
<b>Assets</b>					
Cash and balances with banks	207,811	-	-	-	207,811
Placements with banks and the CBK	425,786	-	-	-	425,786
Financing receivables	1,676,075	619,060	266,331	891,486	3,452,952
Financial assets at fair value through profit or loss	-	-	-	162,253	162,253
Financial assets at fair value through other comprehensive income	27,496	18,594	54,242	269,602	369,934
Investments in joint ventures	-	-	-	119,271	119,271
Investment properties	-	-	-	1,675	1,675
Other assets	28,468	11,089	191	36,766	76,514
Property and equipment	-	-	-	16,013	16,013
	<b>2,365,636</b>	<b>648,743</b>	<b>320,764</b>	<b>1,497,066</b>	<b>4,832,209</b>
<b>Liabilities</b>					
Due to banks and other financial institutions	817,259	98,342	88,277	158,971	1,162,849
Depositors' accounts	2,011,838	581,264	248,821	65,222	2,907,145
Sukuk issued	-	-	154,331	150,000	304,331
Other liabilities	55,708	-	-	10,980	66,688
	<b>2,884,805</b>	<b>679,606</b>	<b>491,429</b>	<b>385,173</b>	<b>4,441,013</b>
	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
<b>2022</b>					
<b>Assets</b>					
Cash and balances with banks	146,634	-	-	-	146,634
Placements with banks and the CBK	237,868	41,027	-	-	278,895
Financing receivables	1,807,968	486,514	156,290	678,904	3,129,676
Financial assets at fair value through profit or loss	-	-	-	139,592	139,592
Financial assets at fair value through other comprehensive income	36,025	10,728	2,088	246,572	295,413
Investments in joint ventures	-	-	-	107,880	107,880
Investment properties	-	-	-	16,193	16,193
Other assets	22,872	866	86	45,497	69,321
Property and equipment	-	-	-	17,353	17,353
	<b>2,251,367</b>	<b>539,135</b>	<b>158,464</b>	<b>1,251,991</b>	<b>4,200,957</b>
<b>Liabilities</b>					
Due to banks and other financial institutions	598,678	48,566	6,586	138,936	792,766
Depositors' accounts	1,931,316	404,949	287,427	50,790	2,674,482
Sukuk issued	-	-	-	304,057	304,057
Other liabilities	45,548	-	-	10,187	55,735
	<b>2,575,542</b>	<b>453,515</b>	<b>294,013</b>	<b>503,970</b>	<b>3,827,040</b>

## 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
<b>2023</b>					
Due to banks and other financial institutions	826,908	100,308	91,538	160,132	1,178,886
Depositors' accounts	2,141,077	610,433	262,490	65,732	3,079,732
Sukuk issued	4,026	2,237	160,594	154,473	321,330
	<b>2,972,011</b>	<b>712,978</b>	<b>514,622</b>	<b>380,337</b>	<b>4,579,948</b>
	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
<b>2022</b>					
Due to banks and other financial institutions	605,239	49,523	6,813	141,673	803,248
Depositors' accounts	2,035,197	417,524	297,322	51,406	2,801,449
Sukuk issued	-	5,698	5,698	317,453	328,849
	<b>2,640,436</b>	<b>472,745</b>	<b>309,833</b>	<b>510,532</b>	<b>3,933,546</b>

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
<b>2023</b>				
Acceptances and letters of credit	38,336	28,062	5,226	71,624
Letter of guarantees	263,873	-	-	263,873
Capital and other commitments	125,854	74,540	-	200,394
	<b>428,063</b>	<b>102,602</b>	<b>5,226</b>	<b>535,891</b>
	Within 3 months KD'000	3 to 12 months KD'000	Over 1 year KD'000	Total KD'000
<b>2022</b>				
Acceptances and letters of credit	33,393	13,793	2,524	49,710
Letter of guarantees	175,570	-	-	175,570
Capital and other commitments	128,887	70,496	-	199,383
	<b>337,850</b>	<b>84,289</b>	<b>2,524</b>	<b>424,663</b>

## 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 Shari'a 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, other investments, and asset management.
- **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.

## 21. SEGMENT INFORMATION (continued)

The following table presents net operating income, net profit for the year, total assets, and total liabilities 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
<b>2023</b>						
Net operating income	64,727	5,438	(1,958)	(4,085)	-	64,122
Net profit (loss)	62,193	(6,478)	(2,741)	(6,879)	(26,428)	19,667
Total assets	2,809,843	649,184	857,080	441,879	74,223	4,832,209
Total liabilities	1,000,468	1,155,040	2,224,172	-	61,333	4,441,013
	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
<b>2022</b>						
Net operating income	47,154	14,189	(2,922)	20,775	-	79,196
Net profit (loss)	23,800	2,299	(3,330)	18,175	(21,656)	19,288
Total assets	2,522,800	620,546	602,236	394,599	60,776	4,200,957
Total liabilities	962,184	995,582	1,819,058	-	50,216	3,827,040

## 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 2023 are calculated in accordance with the CBK Circular number 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2023 KD'000	2022 KD'000
<b>Risk weighted assets</b>	<b>2,483,686</b>	2,368,231
<b>Capital required</b>	<b>322,879</b>	272,347
<b>Capital available</b>		
Common equity Tier 1 "CET1" capital	318,068	297,471
Additional Tier 1 perpetual Sukuk	74,246	75,808
Total Tier 1 capital	392,314	373,279
Total Tier 2 capital	29,351	27,892
<b>Total capital available</b>	<b>421,665</b>	401,171
CET1 capital adequacy ratio: common equity	12.81%	12.56%
Total Tier 1 capital adequacy ratio	15.80%	15.76%
Total capital adequacy ratio	16.98%	16.94%

## 22. CAPITAL MANAGEMENT (continued)

The Group's financial leverage ratio for the year ended 31 December 2023 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:

	2023 KD'000	2022 KD'000
Tier 1 capital	392,314	373,279
Total exposure	5,193,373	4,498,903
Financial leverage ratio	7.55%	8.30%

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 material effect on the recorded fair value are observable, either directly or indirectly; and
- **Level 3:** other techniques which use inputs which have a material effect on the recorded fair value are not based on observable market data.

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

	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
<b>2023</b>				
<b>Assets measured at fair value on a recurring basis</b>				
<b>Financial assets at FVTPL</b>				
Quoted equity instruments	15,557	15,557	-	-
Funds (unquoted)	141,925	-	-	141,925
Other securities (unquoted)	4,771	-	-	4,771
	162,253	15,557	-	146,696
<b>Financial assets at FVOCI</b>				
<b>Quoted Sukuk</b>				
- Sovereign Sukuk	183,034	183,034	-	-
- Corporate Sukuk	177,269	177,269	-	-
	360,303	360,303	-	-
<b>Unquoted equity instruments</b>	<b>9,631</b>	<b>-</b>	<b>-</b>	<b>9,631</b>
	369,934	360,303	-	9,631

### 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

	Fair value measurement			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2022	KD'000	KD'000	KD'000	KD'000
Assets measured at fair value on a recurring basis				
Financial assets at FVTPL				
Quoted equity instruments	12,474	12,474	-	-
Funds (unquoted)	121,368	-	-	121,368
Other securities (unquoted)	5,750	-	-	5,750
	<u>139,592</u>	<u>12,474</u>	<u>-</u>	<u>127,118</u>
Financial assets at FVOCI				
Quoted Sukuk				
- Sovereign Sukuk	171,709	171,709	-	-
- Corporate Sukuk	113,207	113,207	-	-
	<u>284,916</u>	<u>284,916</u>	<u>-</u>	<u>-</u>
Unquoted equity instruments	10,497	-	-	10,497
	<u>295,413</u>	<u>284,916</u>	<u>-</u>	<u>10,497</u>

#### Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments measured at fair value.

	At 1 January 2023	Additions	Sales/redemptions	Change in fair value	Exchange rate movements	At 31 December 2022
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<b>Financial assets at FVTPL</b>						
Funds (unquoted)	121,368	27,199	(6,120)	(1,265)	743	141,925
Other securities (unquoted)	5,750	-	(633)	(356)	10	4,771
	<u>127,118</u>	<u>27,199</u>	<u>(6,753)</u>	<u>(1,621)</u>	<u>753</u>	<u>146,696</u>
<b>Financial assets at FVOCI</b>						
Unquoted equity instruments	10,497	884	-	(1,750)	-	9,631
	<u>10,497</u>	<u>884</u>	<u>-</u>	<u>(1,750)</u>	<u>-</u>	<u>9,631</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 2022	Additions	Sales/redemptions	Change in fair value	Exchange rate movements	At 31 December 2022
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<b>Financial assets at FVTPL</b>						
Funds (unquoted)	94,021	29,697	(7,761)	4,725	686	121,368
Other securities (unquoted)	17,979	-	(11,495)	(813)	79	5,750
	<u>112,000</u>	<u>29,697</u>	<u>(19,256)</u>	<u>3,912</u>	<u>765</u>	<u>127,118</u>
<b>Financial assets at FVOCI</b>						
Unquoted equity instruments	5,613	-	-	4,884	-	10,497
	<u>5,613</u>	<u>-</u>	<u>-</u>	<u>4,884</u>	<u>-</u>	<u>10,497</u>

There were no transfers between any levels of the fair value hierarchy during 2023 or 2022.

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. Favorable and unfavorable 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'000		
	Positive fair value	Negative fair value	Notional amount
<b>31 December 2023</b>			
Forward contracts	-	(11)	14,276
	KD'000		
	Positive fair value	Negative fair value	Notional amount
31 December 2022			
Forward contracts	-	(59)	9,064

All derivative contracts are fair valued based on observable market inputs and are classified as level 2.

## 25. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group as at 31 December 2023 amounted to KD 346,617 thousand (2022: KD 144,922 thousand).

## 26. CHANGES IN REFERENCE RATES (IBOR)

### Financial assets and liabilities

The Group's exposure to IBOR linked financial assets and liabilities is mainly through USD LIBOR.

The Group's exposure to financial assets that are based on USD LIBOR maturing after 31 December 2023 is KD 77,557 thousand. The Group is in discussion with the counterparties clients to effect an orderly transition of USD exposures to the relevant RFR.

The Group does not have any exposure to IBOR linked liabilities as of 31 December 2023.

### Derivatives held for hedging purposes

The Group has completed the transition of all USD linked derivatives as per ISDA Fallbacks Protocol.

# Warba's Elite for Q4 2023

## The Doers



## The Team Players



## The Ambitious



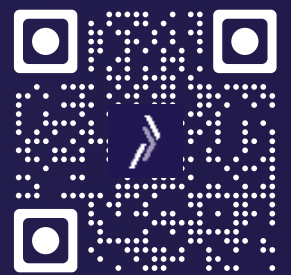
## International Rating

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