

**WARBA
BANK** 

ANNUAL REPORT - 2024



**Imagine what
tomorrow can bring.**

Let's Own 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."**

Surah Al Tawbah - Verse 105



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



H.H. SHEIKH
SABAH KHALID AL-HAMAD AL-SABAH
THE CROWN PRINCE OF THE STATE OF KUWAIT

**A Future That
Continuously
Inspires You.**

Let's Own Tomorrow.

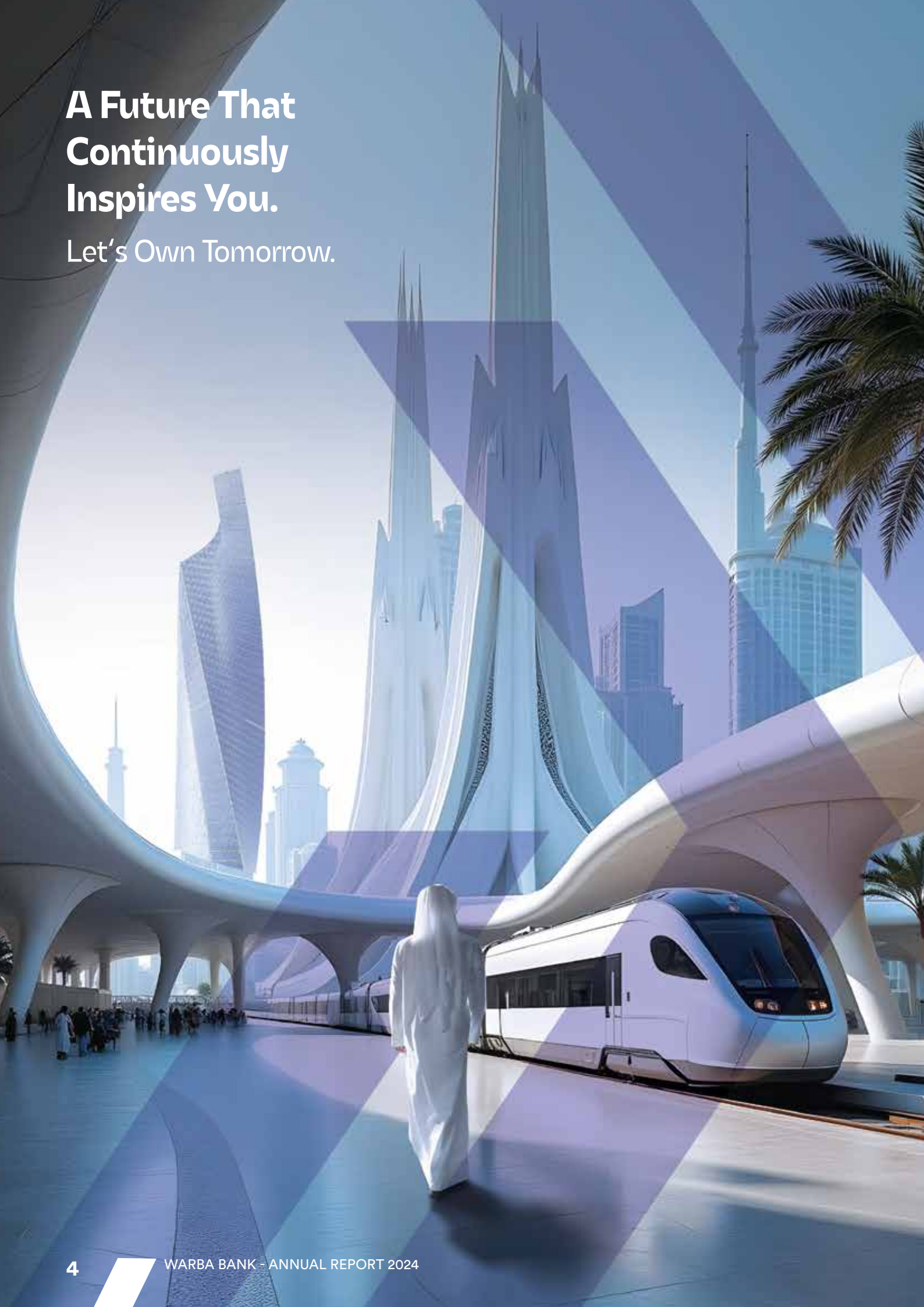


TABLE OF CONTENTS

7

PROFILE, PURPOSE,
VISION, MISSION
& VALUES

9

CHAIRMAN'S
MESSAGE

12

BOARD OF
DIRECTORS

14

SHARIA
SUPERVISORY
BOARD MEMBERS

15

THE SHARIA
SUPERVISORY
BOARD MEETINGS

17

SHARIA
SUPERVISORY
BOARD REPORT

18

EXECUTIVE
MANAGEMENT

21

MANAGEMENT
DISCUSSION
& ANALYSIS REPORT

47

CORPORATE
GOVERNANCE
REPORT

85

CAPITAL
ADEQUACY
DISCLOSURES

123

FINANCIAL
STATEMENTS &
INDEPENDENT
AUDITORS REPORT



**Exceeding
Expectations &
Unlocking
Opportunities.**
Let's Own Tomorrow.



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.

Encouraging Progress Through Visionary Leadership.

Let's Own Tomorrow.



CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

Peace, Mercy and Blessings of Allah be upon you.

On behalf of the Board of Directors, Executive Management, and our dedicated team at Warba Bank, I have the pleasure to present the 2024 annual report, highlighting our recent operational achievements and key milestones, which were marked by successes that positively impacted the Bank's financial results.

By the Grace of Allah, this year has been a demonstration of our commitment to growth, innovation, and excellence in delivering value to our customers and stakeholders. As we look back on our journey, 2024 stands as a pivotal year, marking significant progress as we reaffirm our position as a leading Islamic bank in Kuwait and the region.

Growth Across All Financial Indicators

Warba Bank has demonstrated exceptional performance in 2024, achieving a net profit of 22.4 million Kuwaiti Dinars, reflecting a 13.9% increase compared to the previous year. This translates to an earnings per share of 8.85 Fils as of December 31, 2024, accomplishing a 16.4% growth rate and outpacing the previous year's performance.

These results underscore the effectiveness of Warba Bank's prudent strategy and innovative approach in delivering advanced banking products and services that meet the aspirations of both clients and shareholders. They also highlight the Bank's commitment to expanding its business scope and its dedication to solidifying its position as a leading Islamic financial institution.

The Bank's robust financial performance was driven by an increase of 25.2% in the net operating income compared to the previous year, reaching 80.3 million Kuwaiti Dinars, while the net financing income grew by 24.4% to 54.8 million Kuwaiti Dinars. Additionally, the total operating income for the year increased by 10.4% to 270.4 million Kuwaiti Dinars.

On the balance sheet front, total assets increased by 9.6%, reaching 5.29 billion

"Let's Own Tomorrow is a call to action, inspiring us to constantly innovate and envision a future beyond the present."



Kuwaiti Dinars. Shareholders' equity also saw a 6.5% increase compared to the previous year, reaching to 335.9 million Kuwaiti Dinars. Furthermore, financing receivables grew by 5.5%, reaching 3.64 billion Kuwaiti Dinars by the end of the fiscal year, while depositors' accounts increased by 8.3% to reach 3.15 billion Kuwaiti Dinars.

The Board of Directors has recommended the distribution of a 6% bonus shares of the nominal value (i.e. 6 shares for every 100 shares) to shareholders registered in the Bank's records at the General Assembly, noting that this recommendation is subject to the approval of the General Assembly and regulatory authorities.

A Brand for Tomorrow

We have taken a significant step in our journey this year as we unveiled our new slogan, "Let's Own Tomorrow". The slogan is a call to action, inspiring us to constantly innovate and envision a future beyond the present. It embodies our position as a forward-looking Islamic bank, committed to addressing the evolving needs of our customers and empowering their aspirations. By doing so, we create long-lasting relationships built on trust, reliability and shared values.

With the new slogan, we also rebranded, reflecting both where we are today thanks to our collective efforts and dedication and where we aspire to go. This demonstrates our progress and showcases our ongoing commitment to delivering forward thinking services and innovative solutions that meet our customers' expectations.

As we move forward, this new identity will serve as a constant reminder of our mission, which is based on empowering our customers, exceeding their expectations, and shaping a brighter tomorrow, together.

Investing in our Human Capital

At Warba Bank, we take immense pride in our ongoing commitment to building institutional strength, grounded in core principles, with a focus on continuously investing in our human capital and cultivating an exemplary work environment. We firmly believe that employee wellbeing is paramount to driving productivity and fostering innovation.

In 2024, we made significant strides in empowering our employees, enhancing nationalization, and introducing significant initiatives to promote growth and engagement. Our nationalization rate rose to 84.87%, with notable progress at the executive level, where Kuwaiti representation increased by 9%. Three Kuwaiti women now hold executive roles, reflecting our dedication to empowering national talent and promoting diversity in leadership.

Our employee-centric programs, such as "Riaya" and "Ambition", continued to support both professional and personal development. We saw employees excel in fields such as sports, arts and innovation, while the Volunteer Leave program encouraged community involvement.

A key milestone was the successful implementation of our new HR platform, launched in 2023. The platform streamlined processes, improved performance management, and earned multiple accolades, including awards for Best Digital Transformation Project in Human Resources Management, Most Attractive Employer for Job Seekers, and Best Employee Experience at the HR Excellence Conference by North Star.

Committed to cultivating future talent, we expanded our training programs to include employees, students, and even employees' children, focusing on skills like innovation, cybersecurity and programming to enhance efficiency and keep up with technological advancements. These initiatives, together with our emphasis on ESG principles, have strengthened our organization's capabilities and positioned us as a leader in people-centric innovation.

Above all, our people are our top priority as we remain dedicated to nurturing talent and cultivating a thriving future for our organization and the community we serve.

Kuwait's First Sustainable Sukuk

Warba marked a significant milestone in 2024 by successfully issuing and listing a \$500 million sustainable Sukuk on the London Stock Exchange, and as part of our \$2 billion Sukuk issuance program. This achievement represents the first issuance of its kind in Kuwait and sets a new benchmark for sustainable financing, reaffirming Warba Bank's commitment to delivering positive environmental, social and governance (ESG) impact.

The five-year Sukuk was designed to finance ESG-oriented projects that align with the global sustainability goals. The market response was nothing short of extraordinary, with the issuance drawing \$1.8 billion in subscriptions, 3.5 times the offering size. This resounding success underscores the region's growing appetite for

"We can all be proud that Warba Bank is setting a new benchmark in sustainable financing and reaffirming our commitment to driving positive environmental, social, and governance (ESG) impact."

"Our achievements in 2024 extended beyond product launches, earning prestigious accolades that reflect our unwavering commitment to excellence."

sustainable investments and, more importantly, reinforces the Bank's ability to balance profitability with social and environmental responsibility.

Innovative Products and Services

We continued to champion innovation and customer centric solutions by launching products tailored to the diverse needs of our customers. We unveiled the Beyond Account which demonstrates our dedication to empowering SMEs, providing them with specialized banking solutions and exclusive benefits designed to support their growth. For our premium clientele and their unique needs, we introduced Royal Banking, redefining personalized banking and setting new standards of excellence and exclusivity.

We also led the way in transformative digital innovations with the Warba Advisor, the first AI powered banking consultant in Kuwait and the Zakat Calculator, seamlessly integrating Islamic principles with cutting-edge technology. We also launched the Gold Trading Account which opens new horizons for secure and flexible investments. These initiatives highlight our focus on delivering impactful solutions that meet our customers' evolving needs and aspirations.

Awards and Recognitions

Our accomplishments in 2024 extended well beyond product launches, earning us prestigious accolades that showcase our steadfast pursuit of excellence. Warba Bank proudly became the first institution in Kuwait to obtain the ISO 27001:2022 certification for Information Security Management, further reaffirming our leadership in data protection. We were also honored by Network International for "Insightful Leadership and Pioneering Cards Services", recognizing innovations such as instant credit card issuance and enhanced fraud prevention.

Our sustainability initiatives led to being named "Most Sustainable Bank in Kuwait 2024", achieved through a collaboration with the UNDP to advance Islamic sustainable finance in line with ESG objectives.

We also received the title of "Best Islamic Digital Banking Services in Kuwait 2024" for delivering youth-focused solutions like Express Finance and Hassala.

International acclaim followed when Euromoney designated us as the "Best Foreign Exchange

Bank in Kuwait", and Mastercard awarded us for achieving the highest growth in credit card activations on digital wallets. All these honors underscore our innovative and customer-centric strategies.

Thanks and Appreciation

We extend our deepest gratitude and appreciation to His Highness the Amir of the State of Kuwait, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, may Allah bless him, for his visionary leadership and support, which have been vital in driving our nation's progress and prosperity.

We also convey our sincere thanks to His Excellency the Crown Prince, Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah, for his dedicated service and contributions that have greatly benefited Kuwait and its institutions.

Additionally, we express our heartfelt appreciation to the Governor of the Central Bank of Kuwait, His Excellency Mr. Basel Ahmad Al-Haroon, for his unwavering efforts in strengthening and safeguarding the Kuwaiti banking sector, ensuring its stability and growth.

We further extend special thanks to all regulatory authorities, our valued shareholders, and loyal customers, whose trust and support continue to be the foundation of our success.

We likewise acknowledge the dedication of the Executive Management, the esteemed members of the Sharia Supervisory Board, and every employee of Warba Bank. Their teamwork and commitment have been crucial in achieving the Bank's goals and guiding it toward a promising future.

With your ongoing support and Allah's guidance, I am confident that the coming years will bring even greater success and progress for Warba Bank.

The year 2024 has been a year of tremendous achievements, and we are proud of the progress we have made. Yet this is only the beginning. As we continue this journey, our goal remains clear: To build on our successes and become the most trusted, effective banking partner. We strive to be the first choice for our customers and a leader in shaping a brighter, more prosperous tomorrow.

May the Peace, Mercy and Blessings of Allah be upon you.



Hamad Musaed Al-Sayer
Chairman

BOARD OF DIRECTORS

**Achieving Success
Through Empowered
Collaboration.**

Let's Own Tomorrow.



Mr. Hamad Musaed Al-Sayer
Chairman



Mr. Bader Khaled Al-Shalfan
Vice-Chairman



Ms. Basma Hamed Al-Sanee
Board Member



Mr. Khaldoun Shaker Al-Tabtabaie
Board Member



Mr. Mubarak Nasser Al-Sayer
Board Member



Mr. Mohammad Ahmad Al-Ruwayeh
Board Member



Mr. Mohammad 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



Sheikh Dr. Isam Khalaf Al-Enazi
Chairman of SSB

- 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.
- 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 SSB

- Sheikh Dr. Mohammad Oud Al-Fuzai holds a PhD in Comparative Jurisprudence from the Faculty of Sharia and Law at Al-Azhar University.
- Member of the teaching staff at the Faculty of Sharia and Islamic Studies at Kuwait University.
- Member of Fatwa & Sharia Supervisory Boards of Zakat House, Boubyan Bank, and member of the Sharia Supervisory Board of Warba Bank.
- 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 SSB

- 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 Sharia - Kuwait University, Member of different Fatwa authorities in many Islamic investment institutions – inside and outside Kuwait.
- Member of the Sharia Committee in Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- A member of the Sharia Supervisory Board at Boubyan Bank, Ahli United Bank, and Warba Bank, and has many researches in the field of Islamic finance.

THE SHARIA SUPERVISORY BOARD MEETINGS:

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 15 meetings during the year 2024.

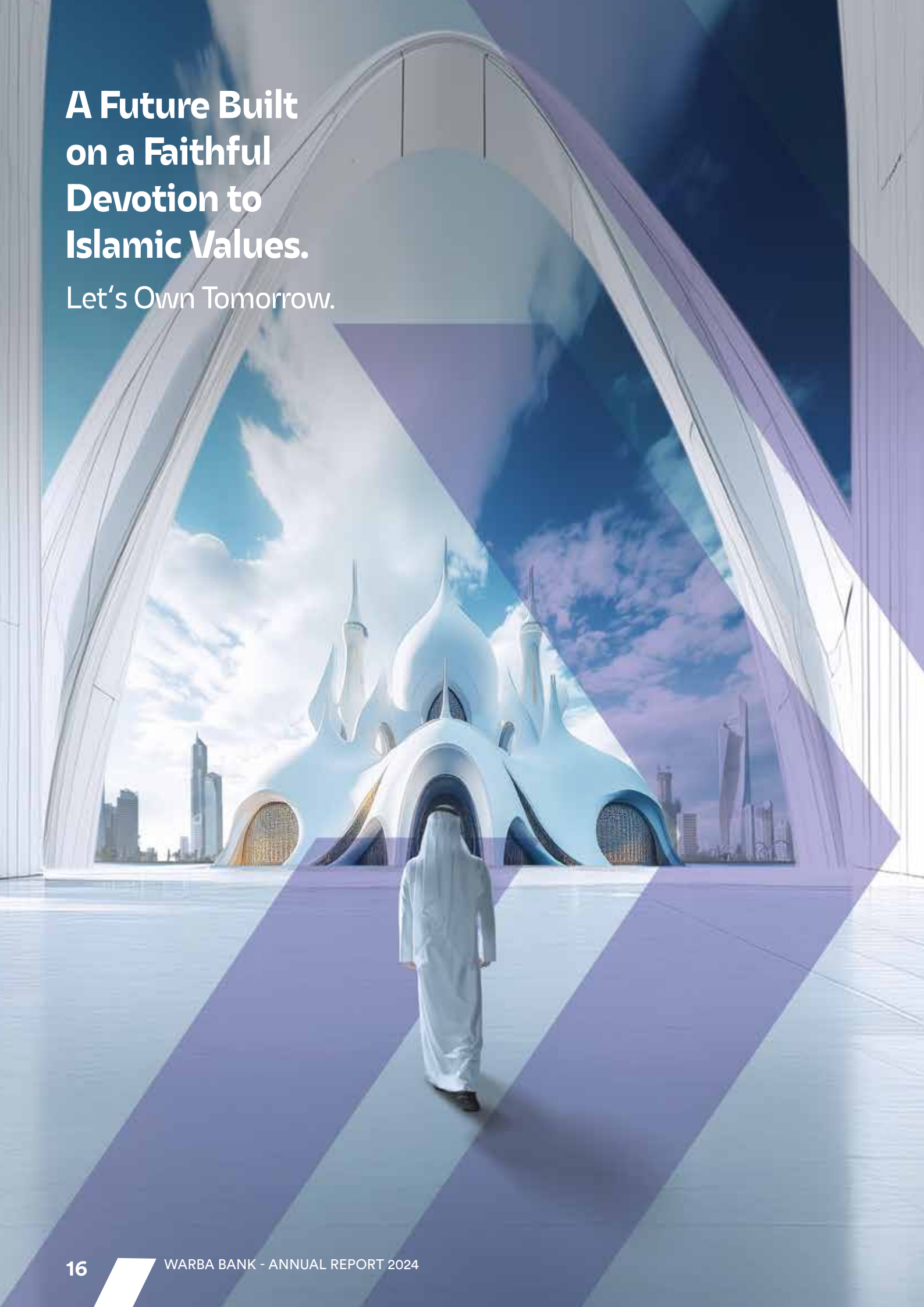
Names of the members of the Sharia Committee and the number of meetings it held during the year 2024.

| Name | Number of Meetings | Number of Attendance | Attendance Percentage |
|----------------------------------------------------|--------------------|----------------------|-----------------------|
| Sheikh Dr. Isam Khalaf Al-Enazi Chairman of SSB | 15 | 15 | 100% |
| Sheikh Dr. Mohammad Oud Al-Fuzaie Member of SSB | 15 | 15 | 100% |
| Sheikh Dr. Ali Ibrahim Al-Rashed Member of SSB | 15 | 15 | 100% |

Financing facilities received by members of the Sharia Supervisory Board amounts to KD 1,221,632 as of 31 December 2024.

A Future Built on a Faithful Devotion to Islamic Values.

Let's Own Tomorrow.



SHARIA SUPERVISORY BOARD REPORT

Report for the fiscal year ending on 31/12/2024

Date: 31st December 2024
Warba Bank
Report of
Sharia Supervisory Board
For the fiscal year ending on 31/12/2024

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 /12/2024. 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 31/12/2024, 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 31/12/2024, SSB held (15) meetings attended by all members.

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

Peace, Mercy, and Blessings of Allah be upon you.



Sheikh
Dr. Ali Ibrahim Al- Rashed
Member of FSSB



Sheikh
Dr. Isam Khalaf Al-Enazi
Chairman of FSSB



Sheikh
Dr. Mohammad Oud Al-Fuzaie
Member of FSSB

EXECUTIVE MANAGEMENT



Mr. Shaheen Hamad Al-Ghanem
Chief Executive Officer

**Effective
Partnerships
Driven By Higher
Ambitions.**

Let's Own Tomorrow.



Mr. Anwar Bader Al-Ghaith
Deputy Chief Executive Officer
Support Services & Treasury



Mr. Ahmad Faisal Al-Qatami
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. Abdullah Mahmoud Al-Lanqawi
Chief Treasury Officer



Mr. Faisal Abdulrazaq Al-Nassar
Chief Corporate Banking Officer



Ms. Layali Mostafa Al-Fahad
Chief Operations Officer



Dr. Mohammad Barakat
Chief Marketing & Corporate
Communication Officer



Mr. Mohamed Sabry Eissa
Chief Financial Officer



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



Mr. Nasser Maher Al-Mutawaa
Chief Digital Officer



Ms. Najat Mohammad Saleh
Chief Risk Officer



Mr. Wael Elsaid Shawareb
Chief Technology Officer

A Future Where New Possibilities Can Be Seized.

Let's Own Tomorrow.



MANAGEMENT DISCUSSION & ANALYSIS REPORT

22

INTRODUCTION AND
RISK MANAGEMENT
GROUP

22

INTERNAL AUDIT
GROUP

23

CORPORATE BANKING
GROUP AND RETAIL
BANKING GROUP

24

INVESTMENT
BANKING
GROUP

27

INFORMATION
TECHNOLOGY
GROUP

29

DIGITAL
GROUP

32

OPERATIONS
GROUP

33

TREASURY
GROUP

34

CORPORATE SOCIAL
RESPONSIBILITY

36

INSTITUTIONAL
CAPABILITIES

40

FUTURE
OUTLOOKS

42

AWARDS IN
2024

44

KEY FINANCIAL
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 Defense (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 is to assist the Board Audit Committee in the effective discharge of their duties and to be a high performing Agile Internal Audit Group that meets the expectations of stakeholders and adheres to the Institute of Internal Auditors standards, while maintaining independence, acting as a business partner and trusted advisor, recognized as a 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's objectives.

The Internal Audit Group adopts a risk-based audit approach, the audit universe is risk rated based on an approved risk assessment methodology covering the various Bank departments,

processes, systems and products. The Internal Audit Group maintains a 3-year audit plan and establishes annual Key Performance Indicators aligned with its strategic plan. The Board Audit Committee assumes the functional oversight over the Internal Audit Group and assesses IAG performance.

The Internal Audit Group issues its reports to the various stakeholders summarizing the audit results. The 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

The Corporate Banking Group continued its trajectory of growth and innovation in 2024, achieving several milestones that reflect its ongoing commitment to delivering innovative and customer-centric solutions. A key highlight was the 46% growth in fees income, driven by enhanced services and strategic initiatives.

To streamline operations and elevate the user experience, significant digital advancements were introduced. These include the multi-level approval and document upload functionalities in the corporate online banking platform and mobile app, both nearing completion. The addition of Swiss Franc (CHF) and Australian Dollar (AUD) transfer options further expanded our currency offerings, providing clients with greater flexibility in international transactions.

To ensure effective client support, a new mechanism was implemented, integrating call center and tech support services specifically for Corporate Banking Group clients, enhancing service efficiency and responsiveness.

Additionally, the Letter of Credit (LC) request feature was introduced across the corporate online platform.

Furthermore, we launched "Beyond", a new business banking account that offers products and services specifically designed to enable entrepreneurs as well as small and medium-sized enterprises to achieve their goals through the latest business banking solutions. The account can be opened in all major currencies, and includes multiple cards with distinctive features, a bill payment link, point-of-sale devices, a payment gateway, a mobile application, online banking services, checkbook requests, and a CDM for cash deposits for those who wish to make a consolidated cash deposit through an integrated digital service.

During the year, a wireless payment system for integrated point-of-sale devices ("iPOS") was provided, making Warba Bank the first bank in Kuwait to offer this service, in cooperation and coordination with The Shared Electronic Banking Services Company (KNET). This comes as part of Warba's continued efforts to provide advanced banking services and as part of a series of innovations offered by the Bank, reflecting its commitment to providing advanced and efficient banking solutions to the Kuwaiti banking community.

RETAIL BANKING GROUP

From the outset, Warba Bank has been committed to provide award-winning digital solutions and today, we are staying abreast of the increasing pace of innovative developments to enhance the banking experience for both customers and non-customers. Under our new slogan, "Let's Own Tomorrow", our purpose and commitment to our customers are reinforced with a new zest to deliver exceptional customer satisfaction by achieving performance levels beyond the ordinary banking experience.

In line with this spirit to turn banking into an exciting journey of positive progress, the Retail Banking Group continues to provide innovative products and services that meet the needs and expectations of its customers. These efforts are part of a comprehensive strategic plan designed to create added value and strengthen the Bank's position as a reliable and innovative partner for forward-thinking individuals who are just as optimistic with the possibilities ahead of them tomorrow.

46%

Growth in fees income in 2024

Launched a new business banking account

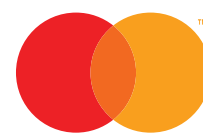
BEYOND

10% +

Growth in the deposit portfolio

5% +

Increase in the financing portfolio



Awarded 'Highest Growth in Credit Card Activation on Digital Wallets' by MasterCard

ROYAL BANKING

Launched 'Royal Banking' services in 2024



Launched the first & only E-Gaming Card in Kuwait

In 2024, the Retail Banking Group achieved outstanding results, recording a growth of over 9% in the deposit portfolio, while the financing portfolio witnessed an increase exceeding 10%. Additionally, the Group maintained low levels of non-performing loans compared to the previous year, reflecting continuous improvement in its financial performance. Furthermore, the Group received an award from MasterCard for the Highest Growth in Credit Card Activation on Digital Wallets, highlighting our success in driving innovation and enhancing customer experience in digital financial services. The Group was honored as well by Network International for Insightful Leadership and Pioneering Cards Services, reflecting our deep commitment to providing advanced financial services and reaffirming our market leadership. This recognition is not merely an achievement but rather a reflection of our ongoing efforts to meet our customers' needs and exceed their expectations.

As part of the Bank's strategy to deliver an exceptional customer experience, we have developed and introduced comprehensive investment solutions, along with innovative banking products and services. The Retail Banking Group launched Royal Banking, an exclusive account that offers customers a personalized and unique banking experience through 9 newly established locations dedicated to serving this segment. This account provides exclusive benefits, including a personal relationship manager, local and international concierge services, and up to 6% cashback. It also offers priority response at our call center, access to luxury airport lounges worldwide, and many other features designed to enhance customer experience.

To expand geographically and better serve our Private Banking clients, a dedicated customer service section was introduced at Al Adan branch. Several Sharia-compliant investment funds were marketed, contributing to expanding investment options for our customers. Moreover, we launched an instant issuance service for credit and prepaid cards through our branches. The Bank increased the number of ATMs to 146, strategically located across key areas, including 30 machines in branches and 116 machines in external locations. This expansion aims to deliver faster and exceptional banking experience in diverse regions.

In terms of promotions and marketing campaigns, the Retail Banking Group presented a variety of offers catering to all customer segments. These included a salary transfer campaign with an instant gift of up to KD 15,000, as well as a dedicated cashback program for credit cards, where customers can earn up to 6% cashback. We also launched a summer cashback campaign offering up to 10% cashback and Al-Sunbula account prize campaign with total annual rewards exceeding KD 1,500,000.

Additionally, the GAME EDITION prepaid card was introduced — the first and only card in Kuwait dedicated to E-Sports, in collaboration with LEET Gaming Lounge. A campaign was launched for cardholders to participate in monthly draws for the latest e-sports devices. More than 120 promotional offers from a variety of stores were made available to the Bank's customers.

In line with our commitment to Environmental, Social, and Governance (ESG) initiatives, we signed an agreement with Al-Nawras Company to purchase recycled, eco-friendly goods used in financing individual customers. Furthermore, we launched new cards made from R-PVC plastic, featuring a modern design aligned with sustainability principles. Additionally, we implemented a project to supply recycled shopping bags in collaboration with cooperative societies, reflecting our commitment to environmental sustainability. This project aims to reduce waste and promote a recycling culture within the community.

Through these strategic and impactful initiatives, we reaffirm our commitment to achieving Environmental, Social, and Governance (ESG) goals and enhancing our positive impact on society.

INVESTMENT BANKING GROUP

The Investment Banking Group ("IBG") continued to display resilience and adaptability throughout 2024, a year defined by complex market dynamics and unprecedented global events.

Lingering inflation and precarious interest rate outlooks, particularly in major economies, shaped the economic landscape, impacting liquidity and credit flows. Additionally, geopolitical tensions remained at the forefront, with ongoing conflicts in Ukraine and Gaza and rising tensions in East Asia, which contributed to heightened market uncertainty and regional volatility.

Despite these challenges, IBG successfully navigated the turbulent environment, showcasing robust strategic foresight and adaptability. By capitalizing on emerging opportunities, prioritizing regulatory compliance, and embracing technological advancements, IBG reaffirmed its position as a resilient and forward-looking entity in the investment banking and management sector.

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 in tandem with developing and maintaining local and international financial institution relationships. The Structured and Syndicated Finance Department ("SSF"), the Debt Capital Markets Department

("DCM") and the Financial Institutions Department ("FID") report to the head of the IBD.

Despite challenging market conditions, 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.

Structured and Syndicated Finance 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 Bookrunner as well as Lead Arranger ("LA") on various transactions which include notable facilities such as:

- Acted as LA and participated with USD 65 million in the USD 770 million Islamic tranche of the club deal for AviLease – KSA PIF's aircraft leasing portfolio company. The transaction, along with a conventional tranche, successfully refinanced a USD 2.1 billion bridge facility used for the acquisition of Standard Chartered's aircraft leasing platform.

- Participated as an Islamic MLA in the USD 1.5 billion financing of the 1,800MW 6th phase of Mohammed bin Rashid Al Maktoum Solar Park. Warba Bank supported key stakeholders, DEWA as Offtaker and Masdar as Lead Developer in this pivotal project to promoting clean and renewable energy in the UAE. This phase of the solar park will provide clean energy for approximately 540,000 residences and reduce around 2.36 million tonnes of carbon emissions annually.

- Acted as a MLA in the USD 1.2 billion Syndicated Dual Tranche Facility for Al Dur Power And Water Company B.S.C.(C), Bahrain. The 11-year fully amortizing facility provides exposure to the strategic power generation and seawater desalination plant in Bahrain.

- Acted as a MLA in the USD 125 million Syndicated Multi-tranche Term Financing Facility for DeFacto Perakende Ticaret A.Ş., Turkey. DeFacto's clothing stores benefits from global presence and an established business model, provided Warba Bank with exposure to the retail industry through a 3-year amortizing facility.

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

2024

New Record as Sukuk Arranger

DCM achieved a new record as a Sukuk Arranger during 2024. 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 skillfully execute eleven (11) appointments as a Joint Lead Manager ("JLM") and Bookrunner ("BR") in ten (10) issuances and one (1) Co-Lead Manager ("CLM") issuance role totalling USD ~ 5.95 billion.

Sukuk issuances with JLM and BR roles:

| | |
|--------------------|------------------------------------------------------|
| 600 MILLION USD | Cenomi Centres (Arabian Centres) Sukuk |
| 700 MILLION USD | Emirates Strategic Investment Company ("ESIC") Sukuk |
| 500 MILLION USD | Warba Bank Sustainable Sukuk |
| 750 MILLION USD | EQUATE Petrochemical Company Sukuk |
| 400 MILLION USD | Arada Developments Sukuk |
| 150 MILLION USD | Tap of the Arada Developments Sukuk |
| 300 MILLION USD | Qatar International Islamic Bank ("QIIB") Sukuk |
| 750 MILLION USD | Riyad Bank Sukuk |
| 800 MILLION USD | Dukhan Bank Sukuk |
| 500 MILLION USD | GFH Financial Group Sukuk |

Sukuk issuances with CLM roles:

500
MILLION USD

AerCap Sukuk

FID is a dedicated function to support the Bank's institutional brand awareness, to initiate and maintain the business relationships with reciprocal and holistic strategy with all types of local and international financial institutions to satisfy Warba Bank's customers' needs in international business especially on clearing in different currencies and trade finance solutions.

In 2024, FID strengthened its operations in new geographies and markets and enhanced its capabilities on financing and trade finance flows.

Throughout the year, FID expanded its correspondent banking network on a reciprocal basis in targeted regions and countries by establishing new correspondent relationships along with new FI and Treasury related agreements.

Trade finance business recorded the highest volume and income in 2024. New trade finance transactions were accommodated with the new counterparties.

Three new accounts have been opened to satisfy the retail and corporate customers' needs.

Moreover, FID handled the first transactions under a new Sharia-compliant product in 2024 to diversify the product base for its correspondents.

FID will closely monitor the regional and global geopolitical risks that may have an impact on the global economic outlook, influencing the growth, inflation and instability in financial markets to mitigate the risks with an opportunistic approach.

Principal Investment Division

The Principal Investment Division ("PID") manages the Bank's strategic and proprietary investments across multiple asset classes. PID followed a disciplined approach in managing the Bank's proprietary investment portfolio. A risk budget for the portfolio was developed and periodically reviewed based on the Bank's investment 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.

Warba Investment Management

538 KWD
Million
Approx.

Total Assets Under
Management

55%
Approx.

Year on Year
Growth

Warba Investment Management oversees and manages a total Assets Under Management of approximately KD 538 million (USD 1.75 billion) as of December 31st, 2024, representing a growth year-over-year of nearly 55% and demonstrating the Bank's expertise in delivering tailored investment solutions. The Bank's Investment Management team operates through two departments: Portfolio & Fund Management Department ("PFMD"), which focuses on creating and managing investment portfolios on discretionary mandates and funds to achieve the best risk-adjusted returns for the Bank's clients; Fiduciary Services Department ("FSD"), which ensures the highest standards of fiduciary care by providing non-discretionary and custody management services. Together, these departments enable Warba Bank to deliver comprehensive and client-centric investment and asset management solutions across diverse asset classes and strategies.

Portfolio & Fund Management Department

The team launched two new funds this year: a U.S. multifamily real estate fund and the Bank's inaugural Islamic income fund, which focuses on delivering high-yield, senior-secured financing to middle-market U.S. and European private companies. Complementing these offerings, the Bank also continues to provide open-ended Islamic money market funds in KD and USD, designed to offer attractive liquid investment solutions. With a proven track record in managing equipment leasing and real estate funds, PFMD is committed to expanding its portfolio with dynamic strategies in equities, Sukuk and alternatives assets, ensuring that the Bank's clients benefit from a platform of best-in-class Sharia compliant investment solutions.

Fiduciary Services Department

The Fiduciary Services team has achieved significant milestones this year, reflecting the Bank's commitment to excellence and high-quality support for its corporate and retail clients. With a strategic focus on enhancing its investment services and optimizing operations, FSD has realized substantial growth in Assets Under Management that underscores the trust and confidence of the Bank's clients in FSD's services and capabilities.

Also, FSD obtained the CMA license for Non-Registered Broker, a critical prerequisite for the Bank's upcoming online trading system to be launched in 2025. This service enhances the Bank's clients' ability to trade in local and global equities, sukuk, and ETFs.

INFORMATION TECHNOLOGY GROUP

The Information Technology Group (referred to herein as "ITG") continued its commitment towards achieving the Bank's mission to 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. In 2024, ITG achieved a significant milestone towards its digital transformation journey by revamping its core systems, efficiency, reliability, and innovation across all operations. The journey is nearing completion to go live with a new core system in 2025, aligning with the Bank's new slogan, "Let's Own Tomorrow".

The following are highlights of ITG's achievements:

Core Banking System Revamping

ITG achieved remarkable milestones in its journey in a partnership with a top-notch technology provider for modernizing its core banking platform to enhance the customer experience, enable access to cloud agnostic tech stack, adopt capability of containers and microservices, establish state-of-the-art data lake, be ready for open-banking and fintech initiatives through latest Open APIs, Omni channel features and advanced Explainable Artificial Intelligence, enable faster transaction processing, improve data security, in addition to offering a more seamless customer experience.

IT Projects

ITG has successfully implemented various projects, solutions, services, and systems to support the Bank's digital transformation and the development of a data-driven banking system.

By deploying new tools and digitization initiatives, ITG has streamlined processes and enhanced customer experiences, ultimately improving profitability, productivity, sustainability, and market share, including but not limited to some key initiatives like the Electronic Trading Standard Plus Upgrade, which enables Retail and Corporate customers to trade with more capabilities; Credit Card Instant Issuance from Branches; direct integration with Exchange Houses to automate transfers; enabling Digital Signature through PACI Kiosk from SIDI Branch; KECCS System upgrade and enhancements for cheques processing; enabling of WAMD Service for Instant Transfers through Knet; upgrading SAP Business Objects to enhance reporting capabilities; enhancing MasterSend and Western Union transfer services; improving Merchant Online Services and enablement of Google Pay In-App provisioning.

Emerging Technologies

ITG focuses on providing the latest implementation of advanced emerging technologies to strengthen the Bank's position to adapt to changing market demands and deliver enhanced digital services.

Moreover, ITG has extended its activities out of Warba boundaries through positive contributions in different committees under the supervision of the Central Bank of Kuwait and Kuwait Banking Association, including but not limited to the Open Banking Committee, which is responsible for the development of national open banking framework and guidelines, and Fintech Committee that is responsible for establishing a modernised framework for Fintech initiatives in the state of Kuwait.

Infrastructure

ITG has extended its investment in containerized platforms and resilient infrastructure that achieves high IT availability and continuity. Additionally, ITG expanded into cloud-based solutions such as Platform-as-a-service (PaaS) and Software-as-a-service (SaaS).

Also, ITG continued its journey towards building Hyper-Converged Infrastructure (HCI) and continuous networking performance enhancements.

Technical Support

During Y2024, ITG upgraded all PCs from Windows 10 to Windows 11.

IT Operational Excellency

The IT Application Support department has optimized and maintained the Bank's critical software applications.

During Y2024, we reached Core System availability at 99.99%, with a reduction of Incident Backlog below 1%.

The team has significantly reduced downtime through meticulous troubleshooting, initiative-taking monitoring, and efficient incident resolution, ensuring seamless Bank operations and overall customer satisfaction.

The team's dedication to continuous improvement is evident in successfully implementing 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 safeguarded the stability of essential banking applications and positioned Warba Bank as a leader in the financial sector's ever-evolving information technology landscape.

The team has successfully implemented the Sidi Contact Center setup and SMS enhancements, which resulted in cost optimization.

IT Governance

ITG has provided both external and internal assurance by aligning with respective stakeholders in ensuring compliance with third party certifications and regulatory requirements.

These include adherence to Internal Control Review, CBK CSF Independent External Review and CBK inspection with no major violations/observations.

By emphasizing the fortification and sustainability of comprehensive IT Governance, ITG strives to optimize the efficiency and sophistication of Business Technology services.

Cybersecurity

The Cyber Security and Service Continuity Division is working around the clock to ensure a safe and secure environment by successfully implementing advanced cybersecurity systems and continuously leveraging threat intelligence to proactively address cybersecurity threats.

During Y2024, Warba Bank did not encounter data breaches or privacy violations resulting from missed controls, internal threats, or 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 continued its support of cybersecurity team development and learning by adding more professional and well-recognized Certification programs for team members.

Certification programs included CISSP, CISM, ISO27001:2022 lead auditor, GIAC-GFACT, GIAC-GSEC, GIAC-GX-IH, GIAC-GX-PT, COBIT 2019, and more technical certifications.

Warba Bank, in partnership with the Central Bank of Kuwait, has contributed to the 2024 Cyber Security Leadership Program with One cybersecurity specialist.

Additionally, the Cyber Security Awareness Program was provided to all employees to strengthen the human factor in defeating cyber-attacks.

Warba Bank maintains an Information Security Management System (ISMS) meeting with ISO 27001:2022 standard requirements as a regulated entity.

The Bank has also complied with the updated version of PCI-DSS v4.0.1.

Additionally, the Bank runs its SWIFT operations, complying with SWIFT CSP's required mandates and compliance.

DIGITAL GROUP

Established in 2020, Warba Bank's "Digital Group" has been at the forefront of driving digital innovation and transformation, seamlessly aligning with the Bank's strategic objectives and Central Bank of Kuwait regulations. The Group is structured around three core pillars:

1. **The Digital Transformation Division:** Dedicated to adopting cutting-edge technologies for enhanced business processes and operational efficiency.
2. **The Digital Factory (Al-Wateen):** A creative hub for developing customer-focused digital solutions through collaborative Agile teams.
3. **The Business Excellence Department:** Which optimizes internal operations and strategic decision-making with AI-powered analytics and streamlined workflows.

A significant highlight of the Business Excellence Department in 2024 has been the revamp and advancement of the SiDi Account. This initiative has not only expanded financial inclusion but also enhanced customer experiences through innovative features such as personalized dashboards, streamlined workflows, and strategic collaborations. By leveraging AI and data-driven insights, the department has successfully positioned SiDi as a flagship offering, reinforcing Warba Bank's commitment to operational excellence and digital innovation.

Digital Transformation Division

The Digital Transformation Division at Warba Bank is committed to leveraging innovative technologies to redefine business operations and enhance the Bank's digital capabilities. This division focuses on identifying and adopting technological advancements that strengthen the Bank's digital presence, streamline operational efficiency, and foster seamless internal collaboration. It is comprised of two key areas:

1. **Innovation & Partnerships:** Which explores emerging technologies to align with the Bank's strategic objectives.
2. **The Transformation Program Office:** Which ensures the effective implementation of these initiatives.

Together, these areas drive the Bank's digital evolution, ensuring alignment with its overarching strategy and long-term vision.

Digital Factory

The Digital Factory at our Bank is a cutting-edge center where a talented team of product owners, developers, designers, scrum masters, and strategists work together to enhance our mobile platform.

Their mission is to deliver customer-centric digital solutions. The team is divided into specialized 'Squads' that focus on various areas such as consumer financing, loyalty programs, platform improvements, and integrating external services.

These multidisciplinary teams use Agile methodology to manage and execute projects efficiently.

Additionally, the Digital Factory includes the 'Al-Wateen Shield' team, which is dedicated to addressing customer issues and feedback for Warba Bank's mobile apps.

Business Excellence

The Business Excellence Department, led by the MIS & Research Unit, has achieved remarkable progress in strengthening Warba Bank's internal operational capabilities and strategic decision-making processes. A key highlight this year has been the implementation of efficient workflows, which have significantly enhanced processing speed, accuracy, and overall efficiency in internal service delivery. Additionally, the development of comprehensive dashboards has provided actionable insights and analytics, enabling a more data-driven approach to decision-making and deepening our understanding of operational trends and dynamics.

Notably, the integration of AI technologies for internal use has empowered staff to conduct advanced data mining and statistical analysis, delivering deeper insights and more accurate forecasts for strategic planning.

A standout achievement in 2024 was the revamp and optimization of the SiDi Account, spearheaded by the Business Excellence Department. Through streamlined workflows, enhanced analytics, and strategic improvements, SiDi has emerged as a flagship product, driving financial inclusion and elevating customer experiences. The integration of personalized dashboards, innovative features, and robust partnerships has strengthened SiDi's role in Warba Bank's digital ecosystem, further solidifying the Bank's commitment to operational excellence and customer-focused innovation.

In 2024, the Digital Group at Warba Bank demonstrated its unified vision through groundbreaking innovations, operational enhancements, and strategic initiatives, further cementing the Bank's leadership in the digital banking landscape. The major achievements include but are not limited to the following:

| <p style="text-align: center;">1</p> <p style="text-align: center;">Customer Engagement and Digital Innovation</p> | <p style="text-align: center;">2</p> <p style="text-align: center;">Efficiency Enhancement</p> | <p style="text-align: center;">3</p> <p style="text-align: center;">AI and Data-Driven Innovations</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>a. 360° Car Tours: Partnered with Showroomz App to introduce virtual tours for selected cars, enhancing customer engagement and showcasing innovative technology.</p> <p>b. Warba World Initiatives:</p> <ul style="list-style-type: none"> i. Cyber Quest: Launched a WebAR experience educating customers on cybersecurity, with over 31,000 sessions and prizes driving engagement. ii. Summer Tour on FayeZ App: Delivered a gamified experience with daily, weekly, and mega prizes, generating over 5,000 sessions. iii. Warba Arcade on FayeZ App: Introduced AR experiences with prizes, including 10,000+ discount vouchers. iv. Career Experience 2.0: Hosted an interactive career experience using Apple Vision Pro, showcasing Warba employee benefits and reinforcing innovation. <p>c. Mega3 Expo: Highlighted the Warba World Cyber Security experience, strengthening the Bank's presence in tech-focused events.</p> | <p>a. Workflow Automation:</p> <ul style="list-style-type: none"> i. Automated credit card processing and streamlined workflows for leave management, legal requests, and compliance tracking, improving efficiency and accuracy. ii. Implemented workflows for the courier's data integration and FOU processes, enhancing tracking and operational efficiency. iii. Established a KRI framework for proactive risk management across departments. <p>b. SiDi Operational Advancements:</p> <ul style="list-style-type: none"> i. Facilitated bulk card delivery for corporate clients, streamlining processes. ii. Installed a PACI kiosk at the SiDi branch for easier customer onboarding and administrative processes. | <p>a. AI-Powered Solutions:</p> <ul style="list-style-type: none"> i. Launched an AI Smart Advisor "The Key" to provide personalized support and real-time assistance for customers. ii. Enhanced the AI assistant "The Key" with customized rules and messaging for improved customer engagement. iii. Introduced "The Key", an AI-driven feature offering personalized financial insights and recommendations. <p>b. Machine Learning Models:</p> <ul style="list-style-type: none"> i. Developed a personal finance model to help customers analyze spending patterns and improve budgeting. ii. Built a Remittance Propensity Model to predict and target customers likely to use remittance services, optimizing marketing efforts. |

| <p style="text-align: center;">4</p> <p style="text-align: center;">Campaigns and Community Outreach</p> | <p style="text-align: center;">5</p> <p style="text-align: center;">Financial Growth and Strategic Expansion</p> | <p style="text-align: center;">6</p> <p style="text-align: center;">Strategic Programs and Innovation</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> a. Ramadan Western Union Campaign: Partnered with Western Union to boost transactions during Ramadan with incentives and rewards. b. Gold-Rush Campaign: Increased SiDi's social media engagement while promoting brand awareness. c. Community Activation: <ul style="list-style-type: none"> i. Organized campaigns with embassies, onboarding over 300 new customers. ii. Partnered with one of the leading applications to offer exclusive promotions for SiDi account holders. iii. Conducted SMS campaigns targeting Kuwaiti families, highlighting SiDi account benefits. | <ul style="list-style-type: none"> a. Revenue Growth: <ul style="list-style-type: none"> i. Achieved a 55% increase in revenue per transaction and doubled SiDi monthly balances, reflecting improved customer trust and engagement. b. Market Expansion: <ul style="list-style-type: none"> i. Expanded SiDi to include non-resident accounts, broadening its customer base. ii. Conducted 48 corporate visits to position SiDi as an ideal payroll solution for employees. | <ul style="list-style-type: none"> a. Rowad Innovation Program: Partnered with DIFC Innovation Hub to host a six-week mentorship program for Kuwaiti students in the UK, producing solutions directly feeding into the Bank's development pipeline. b. Mus'hafy Quran Application: Released during Ramadan to cater to customer needs for religious content. c. Gold Trading Feature: Enabled real-time gold trading without additional making charges. |

The Achievements of the Digital Group in 2024

The achievements of the Digital Group in 2024 reflect Warba Bank's unwavering commitment to innovation, collaboration, and customer-centric growth. By integrating cutting-edge technologies, streamlining processes, and fostering strategic partnerships, the Group has set a strong foundation for sustainable success.

As we move into 2025, we are highly optimistic about introducing even more innovations and products that will bring added value to Warba Bank and its stakeholders. The Digital Group remains dedicated to driving transformative solutions, ensuring the Bank's continued leadership in the dynamic and evolving digital banking landscape.

OPERATIONS GROUP

The Operations Group has once again upheld its commitment to operational excellence and customer satisfaction, as underscored by the prestigious JP Morgan Awards for STP in USD and EUR transactions. The Operations Group has maintained SLAs with a 99% target achievement, reflecting our persistent focus on customer satisfaction.

In our quest for professional growth and regulatory adherence, the Group has actively engaged in staff training programs, onboarding, and internships, enhancing employee skills, and fortifying our talent pipeline through comprehensive succession planning.

This year, the Operations Group continued its commitment to innovation and sustainability through notable achievements. A Policies and Procedures Dashboard was developed and shared with all departments across the Bank, enabling real-time, precise, and efficient tracking and monitoring of documents while ensuring their timely updates and regulatory compliance.

Additionally, the Group successfully contributed to the Environmental, Social, and Governance (ESG) Policy Enhancement Project, integrating ESG-related requirements into the Bank's documents.

These efforts further reinforce the Bank's position in sustainability and risk management, aligning with global standards. The Bank further collaborated with a specialized company that implements ESG-friendly commodities, supporting the Bank's sustainability goals.

The first Governance Report for Executive Committees and Working Groups was issued, and the governance framework was also operationalized. Additionally, criteria and governance matrices related to the Bank's committees and working groups were developed.

This framework ensures that all committees and groups within the Bank adhere to sound governance practices and comply with relevant regulations. It provides clear guidelines for committee formation, role and responsibility definition, decision-making processes, and reporting structures.

The implementation of this framework strengthens the Bank's commitment to compliance and enhances its overall governance structure.

The Operations Group focused on strengthening governance and operational efficiency through a series of interconnected initiatives.

The implementation of an Internal Control System introduced daily questionnaires for departments and units, enabling proactive risk and task management while ensuring robust oversight of processes.

Complementing this, the launch of an Online Letter of Credit (LC) Request Submission platform streamlined client interactions by reducing processing times and minimizing manual errors, reflecting the Group's commitment to enhancing client experience and operational accuracy.

Building on these advancements, existing dashboards were upgraded to offer deeper insights and improved monitoring of both operational and strategic activities, fostering data-driven decision-making.

Additionally, reporting processes were fortified through enhanced controls, in-house automation tools, and validation mechanisms, ensuring consistency and precision. These efforts were further supported by the digitization of registers and logs, aligning with the Group's strategic goals to optimize processes, measure employee performance, and drive continuous improvement across all operations.



J.P.Morgan

JP Morgan Awards
for STP in USD and
EUR transactions

99%

SLA Performance

The first
Governance Report
for Executive
Committees and
Working Groups
was issued

Successfully
Launched WAMD
Services

ISO 9001:2015

Successfully
completed the first
surveillance audit
with zero
non-conformities

Additionally, the Group introduced a centralized facility contract system for Murabaha and Ijara for enhanced contractual oversight and successfully launched WAMD service, enhancing customer offerings and accessibility.

The Group automated the cash flow reporting process to enhance accuracy, reduce processing time, and improve financial monitoring, extended the online payment services in alignment with Central Bank of Kuwait (CBK) directives to improve customer convenience and comply with regulatory requirements, and implemented the OpenText Content Management System to improve document organization and accessibility.

The Operations Group successfully completed its first surveillance audit for the ISO 9001:2015 certification with zero non-conformities. This achievement reflects the Group's continued excellence in quality management and its commitment to maintaining the highest standards of operational efficiency and compliance, further solidifying Warba Bank's position as a leading institution in delivering exceptional services in line with international standards.

TREASURY GROUP

Warba Bank's Treasury Group delivered strong financial performance through strategic management of liquidity, funding, and market risks while ensuring full compliance with Basel and Central Bank of Kuwait regulatory frameworks.

The TRG played a central role in maintaining a well-balanced and resilient balance sheet by actively managing interest rate exposures, liquidity mismatches, and funding concentrations.

Through disciplined cash flow forecasting and strategic asset allocations, the Treasury Group ensured compliance while sustaining profitability amid volatile market conditions.

TRG enhanced the Bank's cost of funds by optimizing the funding mix, which allowed the Bank to achieve competitive funding rates while meeting CBK-mandated liquidity thresholds.

The First Sustainable Sukuk in Kuwait

In line with Warba Bank's sustainability strategy, the TRG successfully led the issuance of the first Sustainable Sukuk in Kuwait, reinforcing the Bank's position as an Islamic finance market leader. This landmark issuance adhered to global Islamic finance standards, CBK guidelines, and environmental, social, and governance (ESG) principles, establishing Warba Bank as a pioneer in sustainable capital market products.

As part of the Bank's digital transformation vision, TRG implemented major upgrades to its Electronic Trading Platform, enabling real-time FX market access, automated trade execution, and enhanced liquidity management.

These enhancements contributed significantly to the Bank's profitability as well as market share. The initiative also strengthened our market-making capabilities and enabled Warba Bank to better serve its clients through faster, more transparent, and competitive FX trading services.

Through these strategic initiatives, the Treasury Group successfully balanced profitability, liquidity management, and risk mitigation while adhering to Basel and CBK regulatory frameworks, positioning Warba Bank as a leading financial institution in Kuwait and the region.

CORPORATE SOCIAL RESPONSIBILITY

Warba Bank continues to solidify its position as one of the leading financial institutions actively contributing to society. The Bank has invested in diverse initiatives ranging from educational, environmental, and health-related activities to entrepreneurship programs, youth empowerment, innovation, and digital transformation. These initiatives reaffirm the Bank's commitment to sustainable development and building a better future for all segments of society.

The Bank's CSR strategy is built on several pillars aimed at achieving sustainability across economic, social, and environmental levels. These pillars reflect the Bank's commitment to impactful programs without neglecting its cultural and ethical values.

Warba Bank believes in investing in the future—one centered on youth and technological advancement, both of which are crucial drivers of sustainability. From this perspective, the Bank has diversified its investments in social programs, focusing on these two pillars, in addition to environmental, family-oriented, religious and other initiatives that the Bank believes are essential for achieving optimal balance in social matters.

Empowering Youth

Rowad Program

Warba Bank has consistently prioritized youth empowerment and support for educational innovation through its contributions to prominent initiatives.

Among the most notable is the launch of the "Rowad Program", now in its fifth edition, organized this year in collaboration with the DIFC Innovation Hub.

The program aimed to refine the skills of Kuwaiti youth, culminating in a graduation ceremony where a select group of participants showcased the innovative solutions they developed during the program to address the future needs of the banking sector.

Kuwait Medical Student Association

The Bank has also supported school and higher education leagues to encourage educational and sports activities and sponsored the Kuwaiti Medical Students Association's visit to British hospitals to explore the latest medical advancements.

Marketing Club at GUST

Additionally, Warba Bank sponsors the Marketing Club at the Gulf University for Science and Technology to promote student innovation and entrepreneurship.

Health and Community

Healthy Office Initiative

Health and well-being, both within the community and the workplace, are among Warba Bank's top priorities. The Bank organized the "Healthy Office" initiative to raise employee awareness about the importance of proper nutrition and maintaining physical and mental health at work.

Breast Cancer Awareness

Additionally, Warba Bank sponsored Breast Cancer Awareness Month activities in collaboration with Tamdeen Group, highlighting the critical role of early detection in prevention and treatment.

"Because You Matter To Us" Initiative

Further contributing to community health, Warba Bank organized a blood donation campaign and launched the "Because You Matter to Us" initiative to support female employees and enhance their role in the workplace.

Army Officers Club

The Bank also partnered with the Army Officers Club to support recreational and educational activities aimed at boosting community awareness.

Driving Digital Advancement

The Mind Behind Apple Vision Pro

To promote technological creativity, Warba Bank hosted the innovative mind behind Apple Vision Pro, aiming to inspire technological innovation in Kuwait.

National Robotics Competition

Warba Bank further sponsored the Kuwait National Robotics Competition, demonstrating its dedication to fostering digital innovation among the younger generation.

Nexus Event

Furthermore, the Bank served as a platinum sponsor of the Nexus event, which brings together companies specializing in technology and innovation. This sponsorship aligns with the Bank's strategy to empower entrepreneurs and advance digital transformation in the banking sector.

Culture, Heritage, and Religion

Erab International Festival

In celebration of culture and national heritage, Warba Bank served as a diamond sponsor for the "Erab International Festival", reaffirming its commitment to supporting cultural initiatives in Kuwait.

Rewayat'hum Podcast

Additionally, the Bank continued its sponsorship of the "Rewayat'hum" (Their Story) podcast for the second consecutive year, aiming to promote cultural storytelling and highlight the richness of local cultural identity.

Anti-Drug Awareness Campaign

As part of its commitment to society and raising public awareness, Warba Bank launched an anti-drug awareness campaign in collaboration with the Ministry of Interior. The campaign featured educational videos shared across social media platforms to reach the widest possible audience.

Sakan Conference

Additionally, the Bank sponsored the "Sakan" conference in partnership with the Kuwait Society for the Promotion of Values, supporting societal stability and fostering humanitarian values.

Pilgrims Care

Warba Bank also extended its care to pilgrims of the Holy Kaaba by offering them farewell gifts to enrich their journey and spiritual experience.

Environmental Conservation

Warba Bank has established several strategic partnerships aimed at preserving the environment and reducing its carbon footprint through sustainable initiatives that benefit both the environment and society.

| | |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Scientific Center | In one such partnership, the Bank collaborated with the Scientific Center, a subsidiary of the Kuwait Foundation for the Advancement of Sciences, on a strategic agreement that extends through 2025. This partnership aims to launch environmental programs and initiatives targeting various age groups, particularly youth and children, to raise awareness about the importance of protecting the environment and addressing climate change challenges. |
| Climate Partner | In addition, Warba Bank took proactive steps to reduce carbon emissions resulting from employee travel through its collaboration with ClimatePartner. |
| Dive 36 | The Bank also organized an environmental awareness event in partnership with Dive 36 to highlight the significance of environmental conservation. |
| Plant It For Free | As part of the "Plant it for Free" initiative, Warba distributed more than 500 Moringa saplings to encourage environmental agriculture and contribute to supporting sustainable agricultural practices. |

INSTITUTIONAL CAPABILITIES

Warba Bank's institutional capabilities are built upon several key pillars, primarily its investment in human capital and its ongoing commitment to enhancing the work environment and overall employee experience.

84.87%

Nationalization Rate

This stems from our firm belief that employee well-being directly correlates with increased productivity. This commitment is evident through a comprehensive, strategically designed work plan developed by the Human Resources and General Services Group.

3 Kuwaiti Women
In Executive Management

Throughout the year, this Group has continued to implement various initiatives and launch new employee-centric programs. These efforts contributed to increasing the nationalization rate to 84.87% in 2024, marking a 3.07% rise compared to 2023.

10 Employees
As Riaya Ambassadors

Additionally, the nationalization rate within the Executive Management rose by 9% compared to 2023, highlighting the Bank's dedication to fostering national talent. Notably, three Kuwaiti women hold executive positions, reflecting Warba Bank's efforts to empower women in leadership roles.

Introduced The First Of Its Kind Volunteer Leave Policy In Kuwait

Following the success of the "Riaya" initiative launched in 2022 to support employees' professional talents, the Bank continued this program in 2024, enrolling 10 employees as program ambassadors across various fields such as sports, arts, and innovation.

17
Employees Enrolled In "Ambition" Program

The program's support mechanisms were diverse, focusing on multiple aspects to nurture their talents and facilitate their success. This support was not limited to financial aid but also extended to social dimensions, with the Bank introducing the Volunteer Leave policy—the first of its kind in Kuwait—enabling employees to participate in community service both within and outside Kuwait.

In addition to "Riaya", Warba Bank launched the "Ambition" program, a unique initiative allowing employees to pursue globally recognized professional certifications in their chosen fields after work hours. The Bank provides full financial support and rewards employees upon earning their certifications, fostering a culture of professional development. In 2024, 17 employees enrolled in the program.

This year witnessed significant advancements in the Bank's HR management, following the launch of a new HR platform in 2023.

This platform earned the Bank several awards, including the award for the Best Digital Transformation Project in Human Resources Management, the Most Attractive Employer for Job Seekers award, and the Best Employee Experience award at the HR Excellence Conference by North Star.

This development in 2024 is attributed to several key reasons, including:

1. Launching the new annual performance management system on the human resources management platform, which contributed to time management for all participants in the process of reviewing goals, evaluating performance and raising the level of productivity.
2. Launching the training management system on the human resources management platform, where the number of trainees registered at the Institute of Banking Studies and courses affiliated with the Kuwait Foundation for the Advancement of Sciences increased by more than 250% compared to the previous year and contributed directly to training more than 70% of the Bank's human resources in 2024.
3. Launching the talent acquisition system, which enabled the Bank's employees to view internal job vacancies and prioritized them for career advancement opportunities. Additionally, the system extended to external job postings, enhancing the Bank's recruitment capabilities and supporting its strategic goals.
4. Fully activating the "Employee Participation" system, which is part of the human resources platform, allowing everyone to view all the latest and most up-to-date employee news and achievements on a personal level, as well as instructions and general performance reports regarding the Bank. The system also allows the publication of questionnaires in which employees participate to express their opinions and recommendations. These participations contributed directly to the development of the human resources policy and the development of the human resources system.

It is worth noting that the new HR system contributed to the automation of a large part of employee services and requests, ensuring immediate access to their requests. This step had a significant impact on saving the time and effort of employees and their managers, and a clear positive impact on environmental, social, and governance (ESG) standards.

One of the consequences of this development is that it has effectively contributed to raising the institutional health rate by (2) points, which exceeded the Bank's annual target.

Warba Bank maintained its focus on attracting national talent across all administrative levels through participation in job fairs, receiving over 3,548 applications. It is worth noting that, through these fairs, the Bank provided direct employment opportunities as well as the possibility of applying for available jobs using the Virtual Reality (VR) system, which allowed applicants to live an exceptional experience that reflects the Bank's efforts in excellence and creativity. Many workshops were also organized to prepare applicants for the labor market.



Awarded The Best Digital Transformation Project In Human Resources Management

Awarded The Most Attractive Employer For Job Seekers

Awarded The Best Employee Experience

+250%

Increase in Trainees' Registrations

2 Point

Increase In The Institutional Health Rate

+3,548

Applications Received

Recognizing the importance of investing in education, we launched several training initiatives this year aimed at enhancing the skills of Executive Management, employees, their children, and university students. The most notable of these initiatives included:

Intensive Board Members Training

Providing intensive training for board members, covering the latest developments in corporate governance, as well as detailed topics such as sustainable leadership, an overview of global and local economic and market trends, artificial intelligence, technology and innovation, and international standards for risk management and finance. This ensures they stay updated on advancements in these fields to address global expectations, economic trends, and the future, reflecting positively on the Bank's performance and contributing to sustainable development initiatives within the community.

Customer Experience Restructuring Program

Launching the Customer Experience Restructuring Program, offering the Bank and program participants the opportunity to deliver exceptional services and products by analyzing customer needs and facilitating access to them. This included Executive Management guidance, specialized employee training in interactive workshops, and fostering a culture of customer-centric service among all Bank employees.

Executive Mentorship Program

Introducing an exclusive Executive Mentorship Program throughout the year, with an average of three mentorship sessions per executive manager. The program included peer evaluations through 360-degree feedback as well as assessments by their direct supervisors.

Postgraduate Scholarships

Witnessing an increase in the number of scholarships for postgraduate studies under the "Rowad" program in collaboration with the Gulf University for Science and Technology, bringing the total number of fully supported employees to 7.

Rowad Program Fifth Edition

Launching the fifth edition of the "Rowad" program, focusing on refining the skills of Kuwaiti youth. The program was conducted in the United Kingdom in collaboration with the Innovation Hub of the Dubai International Financial Centre. A total of 18 Kuwaiti students participated in this unique program, which aims to equip university students with the knowledge and capabilities needed for innovation and success in their professional lives, recognizing them as key pillars of comprehensive development and central to the Bank's sustainability priorities.

Field Training Program

Revamping the Bank's Field Training Program in 2024, in which over 30 Kuwaiti students took part.

The two-month program provided participants with an opportunity to understand the operations of various banking departments.

Notably, the Bank hired four graduates from the program, showcasing its success in qualifying national talent.

Integrated Training System

Implementing an integrated training system in collaboration with Control Case for managing information security for all employees directly involved in IT and cybersecurity risks.

This included the Bank's programmers, network engineers, database administrators, and information security staff.

The program played a significant role in enhancing information confidentiality and improving customer data security. As a result, the Bank earned the ISO 27001-2023 certification for the second consecutive year, making it the first Kuwaiti bank to receive this recognition in 2023.

Field Program For Employees' Children

Expanding its efforts beyond employees and university students by introducing a specialized field program for employees' children in collaboration with the Australian University.

This initiative allowed participants to learn the fundamentals of programming, aiming to develop their digital skills and prepare them for future job market demands.

"Warba Bank is a leader in prioritizing its human resources, corporate social responsibility, and governance, continuously striving to deliver innovative and unique solutions in these areas."

FUTURE OUTLOOKS

GLOBAL ECONOMY:



According to the IMF's forecast, global growth is projected at 3.3% both in 2025 and 2026, below the historical (2000–19) average of 3.7%. The forecast for 2025 is broadly unchanged from that in the October 2024 World Economic Outlook (WEO), primarily on account of an upward revision in the United States offsetting downward revisions in other major economies. Global headline inflation is expected to decline to 4.2% in 2025 and to 3.5% in 2026, converging back to target earlier in advanced economies than in emerging market and developing economies.

Medium-term risks to the baseline are tilted to the downside, while the near-term outlook is characterized by divergent risks. Upside risks could lift already-robust growth in the United States in the short run, whereas risks in other countries are on the downside amid elevated policy uncertainty. Policy-generated disruptions to the ongoing disinflation process could interrupt the pivot to easing monetary policy, with implications for fiscal sustainability and financial stability. Managing these risks requires a keen policy focus on balancing trade-offs between inflation and real activity, rebuilding buffers, and lifting medium-term growth prospects through stepped-up structural reforms as well as stronger multilateral rules and cooperation.

GCC ECONOMY:



A number of assumptions have been adopted for the projections presented in the October 2024 Regional Economic Outlook: Middle East and Central Asia. It has been assumed that the established policies of national authorities will be maintained, the price of oil will average USD 81.29 a barrel in 2024 and USD 72.84 a barrel in 2025, and the three-month nominal yield on the US Treasury bills will average 5.4% in 2024 and 3.9% in 2025. These are working hypotheses rather than forecasts, and the uncertainties surrounding them add to the margin of error that would, in any event, be involved in the projections. The 2024 and 2025 data in the tables are projections. Unless otherwise noted, these projections are based on statistical information available through late September 2024.

KUWAIT ECONOMY:



We've lowered our 2025 GDP growth forecast for Kuwait by 0.3 ppts to 1.7% due to a continuous slowdown in consumer spending growth. That said, given the economy's consistently improving business and credit environment, we remain relatively positive on the non-oil sector outlook and expect a further 3.6% expansion in 2025. The oil sector – which accounts for about 50% of GDP – will shrink by 0.4% overall this year as we expect OPEC+ to extend their voluntary production cuts until Q3 2025. Recent oil price rallies prompted us to revise our Q1 2025 forecast upward to USD 78.3 per barrel, though we expect prices to come down gradually through the year, averaging USD 76.3 per barrel for 2025. In the medium term, Kuwait aims to increase its oil production capacity to 4mn b/d by 2035. Saudi Arabia's ADES has won six drilling projects set to start next year as part of the expansion. This is in addition to Kuwait's two new oil discoveries in Al-Nokhatha and Al-Jlaiaa, with their combined reserves estimated at 4.15bn barrels of oil equivalent.

Kuwait's political gridlock has weighed on activity persistently, hurting progress on economic reforms. Two days after dissolving parliament, Kuwait's Amir Sheikh Meshal chose 13 new cabinet members. Even more recently, we've seen cabinet shifts in key sectors such as finance and trade. The political instability has added to delays on fiscal reforms, debt laws, diversification, and attracting foreign investments. The current FY2024/2025 budget includes capital expenditures as Kuwait focuses on infrastructural reform. The government has pencilled in a fiscal deficit of USD 19.15 bn, and wages and subsidies occupy nearly 80% of the budget.

The government laid out its long-term development plan in line with Kuwait Vision 2035, covering issues such as political reform, housing projects, and employment. A four-year plan was also put forward to parliament to address issues such as access to the international debt market and human capital development. Additionally, the new budget statement for 2024-2025 awarded 36 projects totalling a substantial USD 1.4 bn, as the budget is geared towards private sector development. If implemented, these measures would improve access to funding and boost productivity, which would strengthen output sustainably.

We forecast oil activities will shrink by 0.4% y/y

this year. We think OPEC+ will extend production cuts to Q3 this year, which will require Kuwait to reduce its oil production by 135,000 b/d. We expect the price of Brent crude to average USD 76.3 per barrel this year and USD 73 per barrel in 2026, significantly below Kuwait's breakeven price.

Inflation rose slightly to 2.5% y/y in December from 2.36% in November, driven by higher inflation in the food and beverages category. The supply chain and regional tensions continue to present challenges. We think inflation will average 2.3% this year and 2.4% in 2026.

KUWAIT BANKING SECTOR:



Local banks' total assets grew by KD 3.60 billion (4.2%) to KD 90.01 billion at the end of October 2024 against KD 86.41 billion at the end of the comparative month. This was mainly driven by the rise in foreign assets by KD 2.01 billion (8.3%) to KD 26.26 billion, other assets by KD 0.46 billion (16.5%) to KD 3.23 billion, and claims on private sector by KD 1.71 billion (3.8%) to KD 46.94 billion, claims on CBK by KD 0.07 billion (0.9%) to KD 7.33 billion. On another front, claims on government, loans to banks, local interbank deposits, claims on public institutions, and cash (cash in local banks vaults) declined by 31.2%, 18.2%, 10.2%, 4.0%, and 9.0% respectively.

Claims on the private sector represent the main source of local banks' assets. These claims accounted for 52.1% of the local banks' total assets in October 2024 against 52.3% at the end of the comparative month. Foreign assets came next accounting for 29.2% of the local banks' total assets at the end of October 2024 against 28.1% at the end of the comparative month.

It is worth mentioning that the rise in foreign assets came from the rise in the balances of credit facilities to non-residents, foreign investments, other assets, and loans to foreign banks by 47.4%, 23.2%, 12.2% and 1.9%, respectively on one hand, and the decline in deposits with foreign banks by 33.3% on the other.

Data indicate that net foreign assets with local banks increased by KD 2.33 billion (20.1%) to KD 13.91 billion at the end of October 2024 against KD 11.58 billion at the end of the comparative month. This rise was mainly due to the increase in foreign assets by KD 2.01 billion (8.3%) on one end, and the decline in foreign liabilities by KD 0.32 billion (2.5%) on the other.

WARBA BANK:



Warba Bank has achieved several significant milestones in 2024: a new segment for retail, a marketing rebrand campaign, the ESG and investment milestone of sustainable sukuk, major digital enhancements for retail & corporate apps, in addition to multiple CSR initiatives and recognition awards in the region.

Continuing with our Customer Centricity strategic pillar, our Retail Banking Group launched the new Royal segment accounts, targeting Warba Bank's upper affluent customers with special services, such as a dedicated relationship manager, luxury concierge services and other financing solutions.

Warba Bank expanded its services for the Private Banking & Royal Banking segments by establishing a new branch for Private Banking & five new branches for Royal Banking.

In addition, Warba Bank successfully launched its rebrand campaign "Let's Own Tomorrow" which focuses on optimism, inclusiveness, responsibility and working towards a better future.

Warba Bank has successfully launched Kuwait's first sustainable sukuk, valued at USD 500 million, adhering to ESG standards. The funds from this issuance will be allocated according to Warba Bank's sustainable finance framework. With a maturity of five years, this sukuk has garnered significant global interest, attracting bids totaling USD 1.8 billion, nearly four times the issue size.

Lastly, regarding the social responsibility aspects, Warba Bank participated in Mega3 expo (a technology expo) raising the awareness of the Central Bank of Kuwait's "Let's Be Aware" initiative using the new Warba World: Cyber Quest. The Bank also organized an awareness event on how to preserve the environment, in cooperation with the Dive 36 Center at Al-Khiran Mall, on World Environment Day, educating younger generation about the importance of sustainability and preserving the environment. Additionally, Warba Bank launched Warba World: Summer Tour on FayeZ app, an innovative web game designed to enhance financial literacy whilst simultaneously providing a fun game experience for the user.

As per the latest ESG ratings by S&P Global, Warba Bank is ranked the highest rated Islamic bank in Kuwait and the 2nd highest in Kuwait as of December 2024.

It is worth mentioning that Warba Bank has also received the MasterCard recognition for "The Best Growth in Digital Wallet Activation" (Google and Apple Wallets).

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

AWARDS IN 2024

Internationally recognized for award winning service and performance.



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EUROMONEY

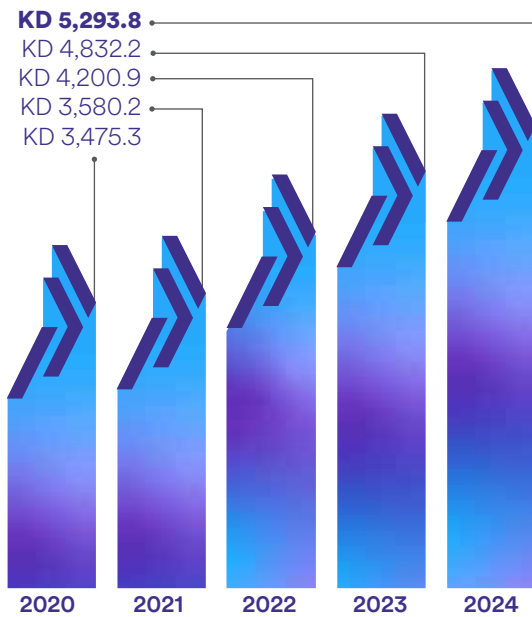
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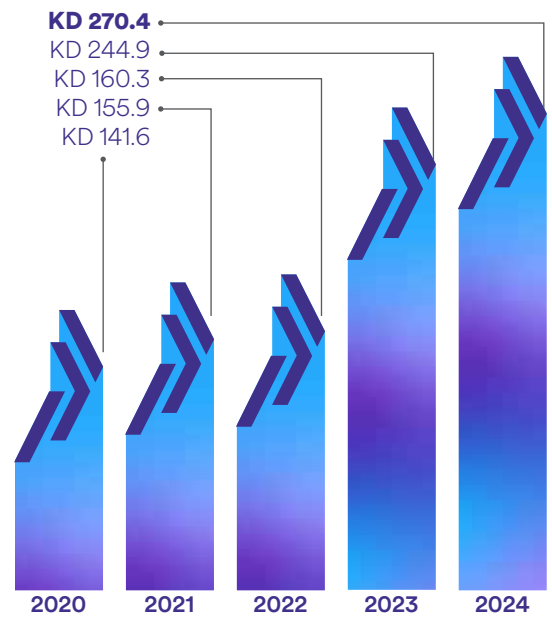


بنك وربة
WARBA BANK

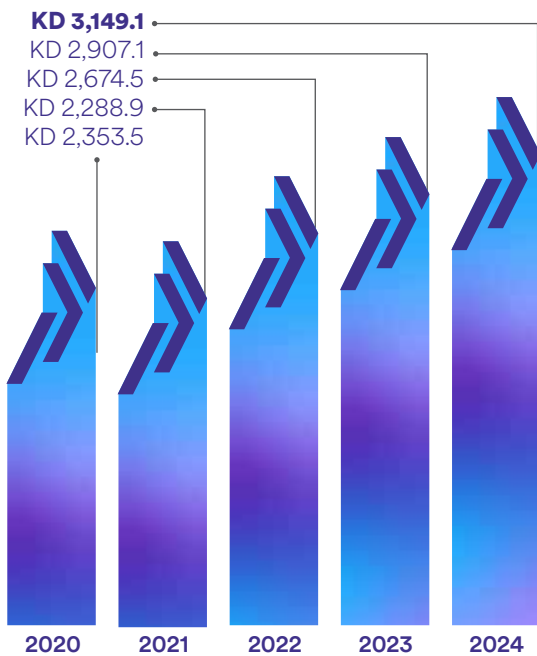
KEY FINANCIAL INDICATORS



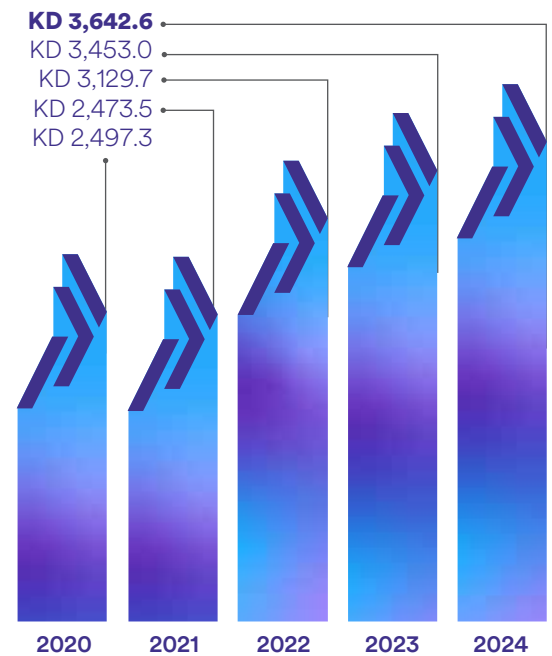
KD 5,293.8
Total Assets (millions)



KD 270.4
Total Operating Income (millions)



KD 3,149.1
Customer Deposits (millions)



KD 3,642.6
Financing to Customers (millions)

A Prosperous Future Built On Sound Guidance.

Let's Own Tomorrow.



CORPORATE GOVERNANCE REPORT

48

INTRODUCTION

49

ORGANIZATIONAL
STRUCTURE

50

BOARD OF
DIRECTORS

56

BOARD
COMMITTEES
MEMBERSHIP & DUTIES

59

MANAGEMENT
COMMITTEES
DUTIES &
RESPONSIBILITIES

61

THE EXECUTIVE
MANAGEMENT

70

COMPENSATION
POLICY (SALARY &
REMUNERATION)

72

ANTI-MONEY
LAUNDERING/
COMBATING THE
FINANCING OF
TERRORISM

73

COMPLIANCE

74

EXTERNAL AUDITOR
REPORT ON INTERNAL
CONTROL REVIEW

76

EXTERNAL SHARIA
AUDIT REPORT

THE CORPORATE GOVERNANCE REPORT

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.

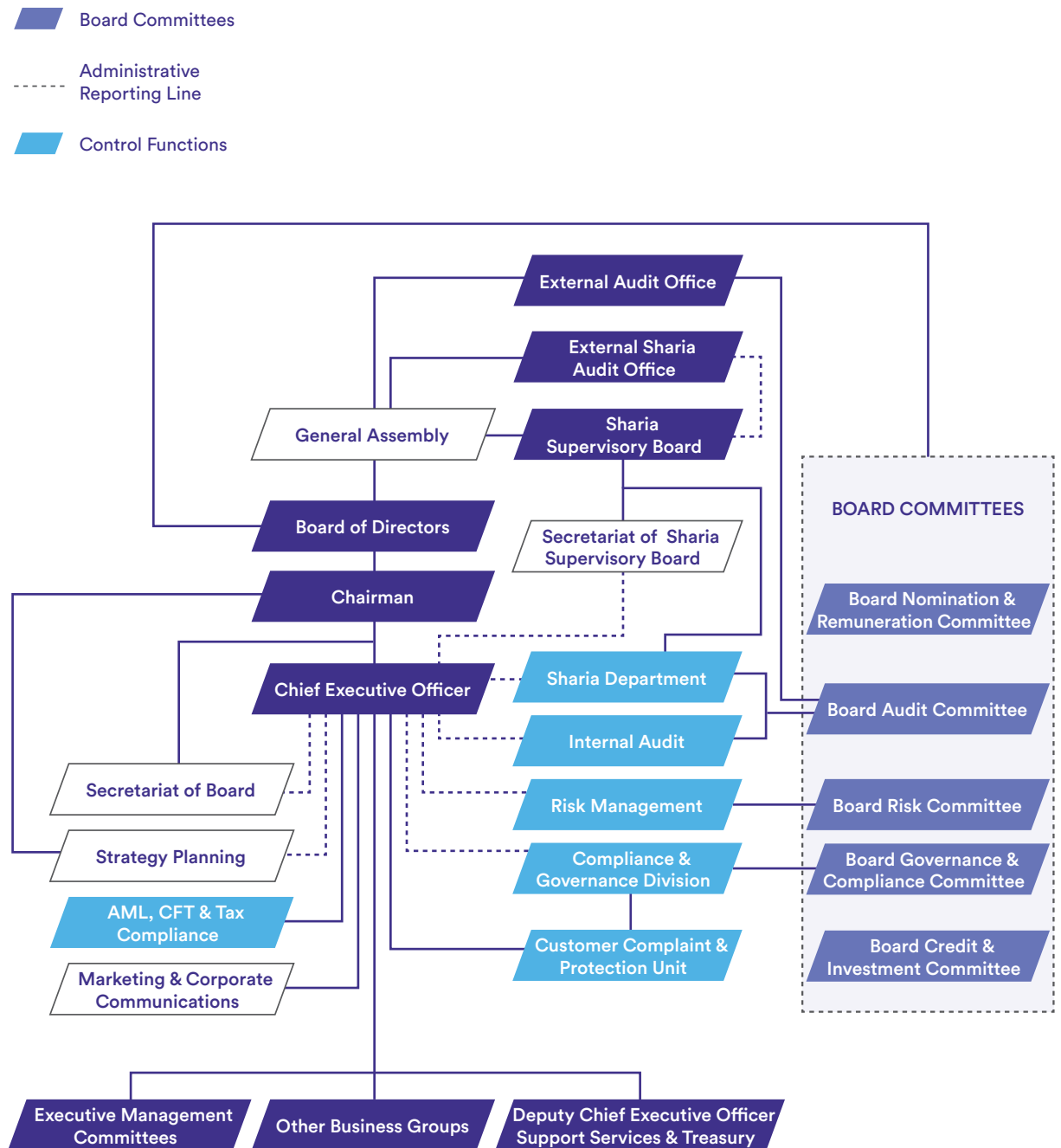
WARBA BANK'S KEY SHAREHOLDERS (5% AND ABOVE)

| Name | Shareholding Percentage | |
|----------------------------------------------------|-------------------------|------------|
| | Direct % | Indirect % |
| Kuwait Investment Authority (KIA) | 15.9 | 0.939 |
| Al Sayer Group Holding Company | 10.242 | - |
| Abdullah Saleh Al-Shalfan | 10 | - |
| The Public Institution for Social Security (PIFSS) | - | 8.06 |

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 2024

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 June 2024, a two-day training initiative was organized covering a range of critical topics such as Corporate Governance, Anti-Money Laundering and Counter-Terrorist Financing measures, Cybercrime Prevention, Environmental and Social Governance (ESG), Artificial Intelligence in Business & Innovation in Information Technology, Principles of Sustainable Leadership, Advanced Risk Management & International Financial Standards Updates.

This program was conducted in collaboration with a prominent firm specializing in training and development. Additionally, a Sharia training program titled "Sukuk" was delivered by a member of the Bank's Sharia Supervisory Board on 25th December 2024.

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



Mr. Hamad Musaed Al-Sayer
Chairman

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.



Mr. Bader Khaled Al-Shalfan
Vice-Chairman

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. In this capacity, he offers advisory services and conducts studies in investment and real estate, both domestically and internationally.



Ms. Basma Hamed Al-Sanee
Board Member

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 Gycap Investments and Kuwait Medical City Company.



Mr. Khalidoun Shaker Al-Tabtabaie
Board Member

Al-Tabtabaie 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-Tabtabaie 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-Tabtabaie'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-Tabtabaie 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).



Mr. Mubarak Nasser Al-Sayer
Board Member

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.



Mr. Mohammad Ahmad Al-Ruwayeh
Board Member

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 Ahmad Al-Ruwayeh Lawyers and Legal Advisors law firm.



Mr. Mohammad Hamed Al-Shalfan
Board Member

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 2019 to 2022, he held the positions of Board Member and CEO at Al-Masaken International Real Estate Development Company.

Throughout his career, he has been a Chairman or Board member of the Board of Directors at numerous local and regional companies, including Inovent Company Bahrain, 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 in Kuwait & United Kingdom.



Mr. Mohamed Riyad Al-Mutawa
Board Member

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.



Mr. Mohammad Abdulredha Saleem
Board Member

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 from 2006 to 2024. 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.



Mr. Mohammad Abdulaziz Al-Bahar
Board Member

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.



Ms. May Mohalhal Al-Mudhaf
Board Member

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.

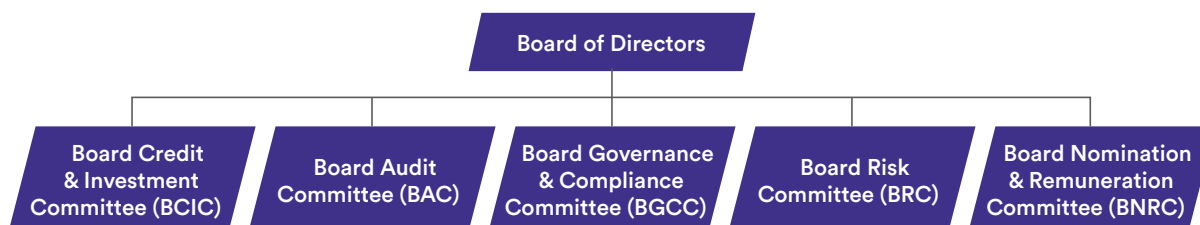
She is also an active member of professional associations including the Kuwait Economic Association, Kuwait Alumni Association, and The Arab Bankers of North America (ABANA). With over three decades of banking experience, Al-Mudhaf is recognized as an experienced banker with extensive knowledge and industrial 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 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. Mohammad A. Saleem | Chairman |
| Ms. May Mohalal Al-Mudhaf | Vice-Chairman |
| Mr. Bader Khaled Al-Shalfan | Member |
| Ms. 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. Khaldoun Shaker Al-Tabtabaie | 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. Khaldoun Shaker Al-Tabtabaie | Chairman |
| Mr. Mubarak Nasser Al-Sayer | Vice-Chairman |
| Mr. Mohamed Hamed Al-Shalfan | Member |
| Mr. Mohammad Riyadh 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 |
| Ms. Basma Hamed Al-Sanee | Member |
| Mr. Mohammad Hamed Al-Shalfan | Member |
| Mr. Mohammad Abdulaziz Al-Bahar | Member |

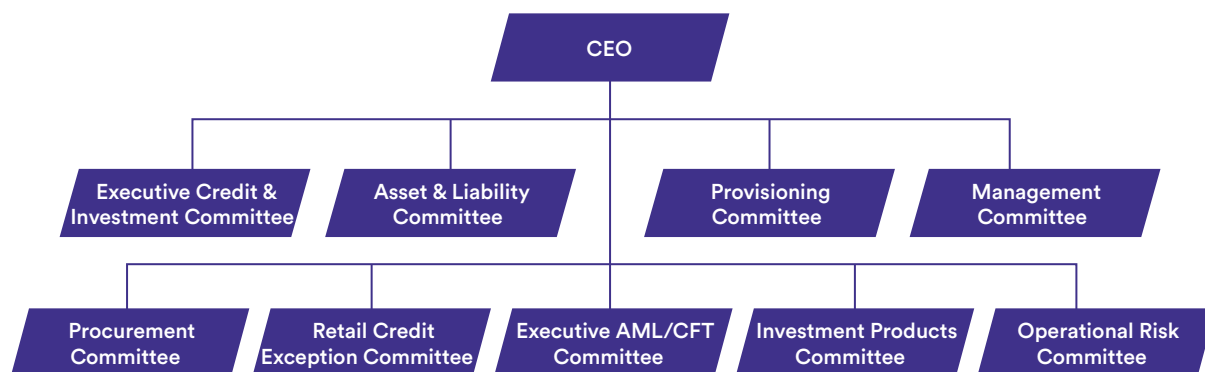
ATTENDANCE AT MEETINGS OF THE BOARD AND THE COMMITTEES OF THE BOARD DURING 2024:

| Name | Membership | BoD | BCIC | BAC | BRC | BGC | BNRC |
|---------------------------------------------|--------------------|-----------|-----------|-----------|-----------|----------|----------|
| Mr. Hamad M. Al-Sayer | Chairman | 11 | | | | 5 | |
| Mr. Bader K. Al-Shalfan | Vice-Chairman | 12 | 21 | | | | 8 |
| Ms. Basma H. Al-Sanee | Member | 10 | 17 | | | | 8 |
| Mr. Khaldoun S. Al-Tabtabaie | Independent Member | 12 | | 11 | 15 | | |
| Mr. Mubarak N. Al-Sayer | Member | 9 | | 8 | 12 | | |
| Mr. Mohammad A. Al-Ruwayeh | Independent Member | 11 | | 11 | | 5 | |
| Mr. Mohammad H. Al-Shalfan | Member | 12 | | | 15 | | 8 |
| Mr. Mohamed R. Al-Mutawa | Member | 12 | | 10 | 15 | | |
| Mr. Mohammad A. Saleem | Member | 9 | 18 | | | 5 | |
| Mr. Mohammad A. Al-Bahar | Independent Member | 11 | | 11 | 15 | | 7 |
| Ms. May M. Al-Mudhaf | Independent Member | 10 | 20 | | | | 8 |
| Total number of meetings during 2024 | | 12 | 21 | 11 | 15 | 5 | 8 |

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.



1. 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.

2. ASSETS AND LIABILITY MANAGEMENT COMMITTEE (ALCO)

ALCO oversees all facets concerning the management and control of the balance sheet, encompassing assets and liabilities. This includes asset allocation, liability structure, liquidity requirements, and addressing capital adequacy, market risks, and liquidity risks faced by the Bank. The committee is tasked with supervising the optimal balance of assets and liabilities across short, medium and long-term horizons to foster business growth and profitability, all while ensuring compliance with regulatory and financial standards.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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 Sharia 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 |
|---------------------------------|---------------------------------------------------------------|---------------------|-------------|-----------|
| Mr. Shaheen Hamad Al-Ghanem | Chief Executive Officer | 36 | Kuwait | Master |
| Mr. Anwar Bader Al-Ghaith | Deputy Chief Executive Officer Support Services & Treasury | 27 | Kuwait | Bachelor |
| Mr. Ahmad Faisal Al-Qatami | Chief Retail Banking Officer | 23 | Kuwait | Bachelor |
| Mr. Thuwaini Khalid Al-Thuwaini | Chief Investment Banking Officer | 19 | Kuwait | Bachelor |
| Mr. Hussam Sulieman Mustafa | Chief Internal Auditor | 32 | Jordan | Bachelor |
| Mr. Hamad Fouzan Al-Fouzan | Chief Strategic Planning Officer | 19 | Kuwait | Master |
| Mr. Abdullah Mahmoud Allaqawi | Chief Treasury Officer | 18 | Kuwait | Master |
| Mr. Faisal Abdulrazaq Al-Nassar | Chief Corporate Banking Officer | 26 | Kuwait | Bachelor |
| Ms. Layali Mustafa Al-Fahad | Chief Operations Officer | 31 | Kuwait | Master |
| Dr. Mohammad Barakat | Chief Marketing and Corporate Communication Officer | 33 | Germany | PhD |
| Mr. Mohamed Sabry Eissa | Chief Financial Officer | 25 | Egypt | Bachelor |
| Ms. Maali Abdullah Al-Rasheed | Chief Human Resources & General Services Officer | 23 | Kuwait | Master |
| Mr. Naser Maher Almutawaa | Chief Digital Officer | 17 | Kuwait | Bachelor |
| Ms. Najat Mohammad Saleh | Chief Risk Officer | 34 | Kuwait | Bachelor |
| Mr. Wael El-Said Shawareb | Chief Technology Officer | 23 | Egypt | Bachelor |

BRIEF ON THE EXECUTIVE MANAGEMENT



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. With over 36 years of extensive experience in banking and investment, he began his career in the oil sector from 1988 to 1999 before transitioning to the financial and investment sector.

In 1999, he served as Assistant Chief Financial Officer at the International Investor Company. In 2001, Al-Ghanem joined Kuwait Finance House, where he held various positions across different departments.

His tenure culminated in serving as General Manager of the International Banking Department in 2012 and Acting Chief Investment Officer in 2013.

Joining Warba Bank in March 2014 as Deputy CEO for Investment and Treasury, he assumed the role of Chief Executive Officer in 2016, a position he holds to date.



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 27 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.



Mr. Ahmad Faisal Al-Qatami
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 23 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.



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 19 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.



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 professional 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 32 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).



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 19 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 of IT Systems Management within the IT Group. He then served as AGM - Head of Innovation and Partnerships reporting to the CEO, contributing to projects like UK's Nomo Digital Bank under BLME. Mr. Al-Fouzan joined Warba Bank back in May 2021, where he currently serves as the Chief Strategic Planning Officer reporting to the chairman of the Board.



Mr. Abdullah Mahmoud Al-Lanqawi
Chief Treasury Officer

Mr. Abdullah Al-Lanqawi holds an MBA from Maastricht Business School and a BA in Business Administration from Kuwait University. He has extensive experience in asset and liability management, investments, and treasury sales, including structured products and derivatives.

Mr. Al-Lanqawi completed the Leadership Development Program (PLD) from Harvard Business School, and obtained the Certificate in Investment Management (CIM) and the Investment Strategies and Portfolio Management (ISPM) program from the Wharton School of the University of Pennsylvania. He also holds a trading certificate from the Association for Financial Markets (ACI).

He started his career in 2006 in the treasury sector, where he held several positions until he assumed the position of General Manager of Treasury in 2019. Mr. Al-Lanqawi joined Warba Bank in July 2022 as Head of Treasury Group.

His responsibilities include effective liquidity management to ensure that the Bank's operational and strategic needs are met. He also focuses on developing and implementing innovative strategies to deploy assets to achieve targeted returns, and managing foreign exchange positions within a framework that balances return and risk, including optimal hedging planning to protect the Bank from market volatility. In addition, he supervises the management of regulatory liquidity ratios to ensure compliance with regulatory requirements, as well as asset and liability management to achieve a balance between financing and asset placement. He also works to direct the Bank's monetary policy in line with economic transformations and the Bank's strategic objectives, while maintaining its compatibility with market fluctuations and developments.

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.



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 26 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.



Ms. Layali Mostafa 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 31 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.



Dr. Mohammad Barakat
Chief Marketing & Corporate
Communication Officer

Dr. Mohammad Barakat is an executive with over 30 years of experience in global and regional markets, with a proven record of accomplishment in driving business growth and transformation. Prior to joining Warba Bank, he served as a Business Professor at universities in the UK.

After 16 years leading several businesses within Procter & Gamble in Europe, He moved to the GCC in 2012, assuming leadership roles as a Business Director at Alshaya Group for Retail, VP Marketing & Product at Jazeera Airways, Chief Commercial Officer at Fly Nas, then most recently as Head of Marketing Division at Boubyan Bank.

Dr. Barakat has a strong background in marketing strategy development & execution, business growth, and digital innovation. He also designs and delivers management and marketing courses.

Fluent in English, Arabic, Italian, German and French, Dr. Barakat holds a PhD in Management from Imperial College, London (UK), in addition to a Master of Science in the same field and a Diploma of the Imperial College (DIC).



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 25 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.



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 23 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.



Mr. Nasser Maher Al-Mutawaa
Chief Digital Officer

Holds a bachelor's degree in management information systems from the College of Administrative Sciences - Kuwait University.

He started his career as a Senior Analyst for Value Added Services and Information Systems Analyst at Zain Kuwait. Mr. Nasser participated in establishing the company's first social media team and launching its channels and accounts.

He continued his career by joining Gulf Bank as Senior Manager of Digital Services and participated in launching the first banking application in the Middle East based on biometric verification.

He then moved to be the Assistant Undersecretary for Technical Support Affairs at the Ministry of Commerce and Industry and contributed to providing integrated digital solutions and converting all services to platforms such as the "SAHEL" application.

He was also a member and chairman of several national and institutional committees such as the Consumer Protection Committee and the Digital System Committee for Control and Inspection.

Mr. Nasser also contributed to supervising and following up on leadership projects for the state and achieving a significant increase in productivity and digital revenues before joining Warba Bank in June 2024.



Ms. Najat Mohammad Saleh
Chief Risk Officer

Najat holds a Bachelor of Science (B.Sc.) degree from Kuwait University and has over 34 years of Banking experience.

Najat a highly accomplished strategic leader in Risk Management, with extensive expertise spanning Credit Risk, Market Risk, Operational Risk, Enterprise Risk Management, Business Continuity, Cybersecurity, and Anti-Money Laundering (AML) etc. Renowned for her innovative approach, Najat has played a pivotal role in developing and implementing effective risk management frameworks and solutions, while serving as both a key advisor and member of critical decision-making committees.

Before joining Warba Bank, Najat served as the Chief Risk Officer at Ahli United Bank (AUB), where she successfully integrated risk management priorities into the Bank's strategic objectives. Her contributions included driving enhanced decision-making processes, strengthening operational controls, and implementing advanced governance frameworks. She has also held senior leadership roles at Arab Banking Corporation and the Commercial Bank of Kuwait, where she led transformational initiatives in credit operations, international banking and risk management, cementing her reputation as an industry leader.

Najat has completed advanced professional development programs at prestigious institutions such as the Harvard Business School and Sciences Po University-Paris in addition to holding various professional certifications to her credit, including Certified Islamic Financial Analyst, Certified Lender Business Banker and Certified Best Practices Risk Specialist.

Najat's unique value lies in her ability to combine strategic insight with hands-on execution to address complex challenges in the financial sector. Her leadership fosters a culture of risk-informed decision-making, empowering employees to align with corporate objectives while ensuring regulatory compliance. A champion of responsible governance and leadership development, Najat consistently integrates advanced technology with risk management practices to drive sustainable growth and resilience. Her analytical expertise and visionary approach have established her as a thought leader and trusted figure in the banking and financial services industry.



Mr. Wael Elsaid Shawareb
Chief Technology Officer

Shawareb holds a master's degree in cyber security from University of London earned in 2015, and has over 23 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.

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 31/12/2024, 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 2024 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 2024, including the CEO, CFO, CRO, and CIA, amounted to KD 2,093,422.285*.

*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 2024.

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

Total compensations paid to the Executive Management for 2024 (CEO and his deputies and/or other senior executives subject to the approval of regulatory and supervisory bodies, i.e., 17 individuals*) amounted to KD 3,708,034.36 inclusive of basic salaries, allowances, entitlements, and end-of-service benefits.

* Additionally, two employees have been undertaken with doing some of the work of the Executive Management during 2024.

Total compensations paid to the Financial Control and Risk employees, i.e., (13) employees, amounted to KD 1,361,531.80 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 3,549,574.38 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.

Risk Assessment & Training

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.

Tripartite Committee

In accordance with CBK amended instructions (507/2023) issued on 16/02/2023, Warba Bank has established a tripartite committee to make decisions regarding suspicious transactions and reporting them to the KFIU.

FATCA Compliance

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 reports for 2022 and 2023 to the Ministry of Finance's website before the deadline in September 2024.

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 reports for 2022 and 2023 were prepared, sent to the Ministry of Finance, and successfully uploaded to the Ministry's website within the specified timeline in September 2024.

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 is epitomized by our slogan "We comply to protect our growth". Throughout 2024, the division achieved significant milestones, bolstering bank-wide compliance with regulatory instructions and Corporate Governance systems, rules and 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.

DISCLOSURE AND TRANSPARENCY

In accordance with instructions from the Central Bank of Kuwait, Capital Markets Authority, and Boursa 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 Boursa 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 to 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, 2024, 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 2024 to conduct an independent review report on the Bank's internal controls for 2023. The report was presented to the Board Audit Committee and the Board of Directors in the meeting held on 11/06/2024. The report was submitted to the CBK on 26/06/2024 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 15/06/2003 and the memo issued by CBK dated 09/01/2024 in respect of conducting internal control review for 2023. 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 31/12/2023 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 30/09/2024 and 31/12/2024 concerning the report on accounting and other records and internal control systems for the year ended 31/12/2023 was sent to CBK on 03/10/2024 and 22/12/2024 and concluded that the Bank has resolved all findings in the said report.

EXTERNAL AUDITOR REPORT ON INTERNAL CONTROL REVIEW



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

19th June, 2024

Dear Sirs,

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 04 February 2024, 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 2023:

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 09 January 2024 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

Protiviti Member Firm Kuwait WLL

Al Shaheed Tower, 4th Floor, Khaled Ben Al Waleed Street, Sharq P.O. Box: 1773, Safat 13018, Kuwait

T +965 2242 6444 F +965 2240 1555 E kuwait@protiviti.com www.protiviti.com



amendments on 10 September 2019, instructions dated 16 February 2023 concerning anti money 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..

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 2023, 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 09 January 2024,
- 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 2023,
- c) The actions taken by the Bank to address the findings referred in the report are satisfactory.

Yours faithfully,

Sanjeev Agarwal
Managing Director

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EXTERNAL SHARIA AUDIT REPORT



Date: 07/01/2025

To: The Honorable Shareholders

Warba Bank K.S.C.P.

Sub: Report of the External Sharia Audit Office for the Fiscal Year ending 31/12/2024

May the Peace, Mercy and the Blessings of Allah be bestowed upon you,

Based on the Engagement Contract concluded between us, the External Sharia Audit Office, after reviewing the information received by us based on the request to list the operations and activities carried out during the above-mentioned period, conducting field visits, and studying the responses and attachments. In light of the above, the office presents to you its following report according to the requirements of the regulatory authorities and the instructions regarding Sharia Supervisory Governance in Kuwaiti Islamic Banks issued by the Central Bank of Kuwait.

First: Scope of Work of the External Sharia Audit Office

The scope of work of the External Sharia Audit Office falls within the work of Warba Bank's departments through auditing commercial and financial transactions, securities transactions and contracts, and the extent to which these groups and departments adhere to the decisions and fatwas of the Sharia Supervisory Board.

Second: The Responsibility of the External Sharia Audit Office

The responsibility of the External Sharia Audit Office lies in determining the extent of the Bank's compliance with the decisions and fatwas of the Sharia Supervisory Board by expressing an independent opinion based on our audit of investments, contracts, banking and commercial transactions, their products and stages of completion, and ensuring that the responsible parties in the Bank implement these operations in accordance with the decisions and fatwas of the Sharia Supervisory Board.

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Third: The Bank's Responsibility

The Bank's Executive Management is responsible for ensuring compliance with the provisions of Islamic Sharia in accordance with the decisions and fatwas of the Sharia Supervisory Board, and providing all information necessary to conduct the external Sharia audit.

Fourth: General Policies of the External Sharia Audit

- Ensuring compliance with the provisions and principles of Islamic Sharia in accordance with the decisions and fatwas of the Sharia Supervisory Board.
- Examining and reviewing investments, contracts, banking and commercial transactions and their products.
- Ensuring the integrity of transaction procedures, responsible parties and completion stages.
- Ensure that there are legal reference rules for these transactions.
- Providing legal remedies for violations - if any - of the decisions and fatwas of the Sharia Supervisory Board, whether in contracts or in the implementation of operations, and how to address them and the proposed period.
- Conducting field visits and documenting the results of those visits.
- Review the minutes of the Sharia Supervisory Board meetings and its decisions.
- Review the reports and recommendations of the Internal Sharia Audit Unit.



Fifth: Audit Procedures and Results

1. Organizational Structure: The organizational structure issued by the Board of Directors of Warba Bank was reviewed through a meeting with the Human Resources and General Services Group at the Bank.
2. New or Modified Policies and Procedures: The Sharia approvals for the policies and procedures manuals and their amendments for all departments of the bank, subject to audit, were reviewed.
3. Fatwa and Sharia Supervisory Board Works: The minutes of the Sharia Supervisory Board meetings issued during 2024 were reviewed.
4. Internal Sharia Audit Unit Works:
 - The Internal Sharia Audit Unit's plan for 2024 was reviewed.
 - The Internal Sharia Audit Unit's reports for 2024 were reviewed.
 - The legal observations and recommendations contained in the Internal Sharia Audit Unit's report, Fatwa and Sharia Supervisory Board's handling of those observations were reviewed.
 - The samples and forms of the Internal Sharia Audit Unit for 2024 were reviewed.
5. Bank Accounts:
 - The Sharia approvals for opening bank accounts with foreign banks were reviewed.
 - The interest accrued has been verified to be transferred to the savings account.
6. Examining and reviewing investments, contracts, banking and commercial transactions, their products and stages of completion, and ensuring that the responsible parties in the bank implement these operations in accordance with the decisions and fatwas of the Sharia Supervisory Board, which are as follows:
 - Investments
 - Sukuk/ Instruments: The Sharia approvals for the issued Sukuk were reviewed and directed by the responsible Investment Banking Group and Treasury Group.



- Financial Transactions: Sharia approvals for investment in subsidiaries and associates, quoted and unquoted securities, managed portfolios, investment and commercial real estate were reviewed and directed by Operations Group, Corporate Banking Group, Retail Banking Group and Financial Control Group.
- Contracts and Transactions
- Contracts: The Sharia approvals of contract forms were reviewed and directed by each group/department in the bank that concludes its own contracts separately.
- Sponsorships and Activities: The legal approvals for sponsorships and activities that took place during the mentioned period were reviewed and directed by responsible Marketing and Corporate Communications Department.
- Banking and Commercial Transactions
- Operations: The procedures and stages of their completion were examined, and the Sharia approvals for those operations and their responsible parties were reviewed: the Operations Group, the Corporate Banking Group, and the Retail Banking Group.
- Products: Sharia approvals for financing and investment products, cards, accounts, investment services were reviewed and their responsible parties; Product and Customer Classification Management, Operations Group, Corporate Banking Group and Retail Banking Group.
- Fees and Commissions: The fees and commissions approved by the bank were reviewed and their responsible parties; the Personal Finance Dept. and the Corporate Banking Group.

Sixth: The Legal/Shariah Authority/ Reference:

The reference rules issued by the Sharia Supervisory Board for transactions, products, financing and investment policies were reviewed.



| | | |
|--------------------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Human Resources and General Services Group | Sunday, on 08/09/2024 | Review the organizational structure issued by the Board of Directors of Warba Bank. |
| Operations Group | Monday, on 09/09/2024 | The group officials were heard and discussed about their work and daily tasks in preparation for preparing the group's audit forms and requesting samples for examination by the following departments: - Credit Operations Management. - Trade Finance Operations Dept. - Corporate Banking Operations Dept. |
| Corporate Banking Group | Monday, on 09/09/2024 | The group's officials were heard and discussed about their work and daily tasks related to financing products, concluded contracts, commissions and fees approved by the bank. |
| Retail Banking Group | Tuesday, on 10/09/2024 | The group's officials were heard and discussed about their work and daily tasks in preparation for preparing the group's audit forms and requesting samples and forms of the contracts concluded for examination by the following departments: - Central Sales Management. - Product and Customer Classification Management. - Branch and Operations Management. - Operations Support and Sales Management for Individuals. - Direct Banking Management. - Personal Finance Management. - Merchant Services Management. - Cards Management. |
| Treasury Group | Tuesday, on 10/09/2024 | The group's officials were heard and discussed about their work and daily tasks related to concluding external contracts and agreements, investment instruments, and bank accounts for Warba Bank locally and abroad, and foreign customer purchase and sale operations. |
| Financial Control Group | Tuesday, on 24/09/2024 | The group's officials were heard and discussed about their work and daily tasks related to concluding contracts, agreements, and some items of the bank's financial statements. |

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Seventh: Field Visits, Communication and its Results:

Warba Bank management has appointed a liaison officer to communicate directly with the external Sharia audit team and provide secure cloud storage space between the external Sharia audit team and the bank's various groups and departments, which has effectively contributed to obtaining information at the specified times according to the plan throughout the period of the audit plan approved by the bank's Fatwa and Sharia Supervisory Board. It is worth noting that the mechanism adopted by the bank in providing information, files and data via the secure cloud storage space has greatly contributed to reducing the number and duration of in-person meetings with the bank's various departments, as the work extended from September 2024 to January 2025 with managers and their assistants in the bank's various departments and groups.

We communicated with the managers and their assistants at Warba Bank by holding (11) field meetings, in addition to telephone conversations and via e-mail. Below is a table detailing those field meetings, as follows:

| Body/ Authority | Date | Results |
|-------------------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sharia Supervisory Board (Meeting Minutes 11/2024) | Sunday, on 06/10/2024 | <ul style="list-style-type: none"> - The external Sharia auditor's plan was presented to the Sharia Supervisory Board of Warba Bank for review, which was previously sent on Thursday 03/10/2024. - The working mechanism between the external Sharia audit team and the relevant groups and departments in the bank was emphasized. - The requirements of the external Sharia auditor for all groups and departments in the bank were discussed and followed up. |



| | | |
|--------------------------------------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment Banking Group | Tuesday, on 24/09/2024 | The group's officials were heard and discussed about their daily work and tasks related to concluding contracts, agreements, investment instruments, pooled and bilateral financing operations, real estate investment, investment funds and investment portfolios owned or managed by the bank for the benefit of clients. |
| Audit Committee | Monday, on 09/12/2024 | <ul style="list-style-type: none"> - Presentation of the external Sharia audit plan and the workflow of the external Sharia audit team. - Emphasizing cooperation between the external Sharia audit team and the bank's various groups and departments through the liaison officer appointed by the bank. - Emphasizing the need to address all obstacles that may face the work of the external Sharia audit team. |
| Financial Control Group | Sunday, on 29/12/2024 | The group's officials were heard and discussed on the requirements for external Sharia auditing of the activities of investment funds and portfolios, profit distributions, financial returns obtained, and procedures for retention of funds and transferring them to charitable accounts. Clarifications were requested regarding some items of the bank's financial statements. |
| Fatwa and Sharia Supervisory Board (Meeting Minutes 01/2025) | Sunday, on 05/01/2025 | The draft final report of the external Sharia auditor of Warba Bank was presented to the esteemed members of the Sharia Supervisory Board, and the work of the external Sharia audit team during the past months and the expected deadline for submitting the report were reviewed. |



Eighth: Sharia Violations and their Treatment:

There are no legal violations.

Ninth: The Final Independent Opinion of External Sharia Auditor:

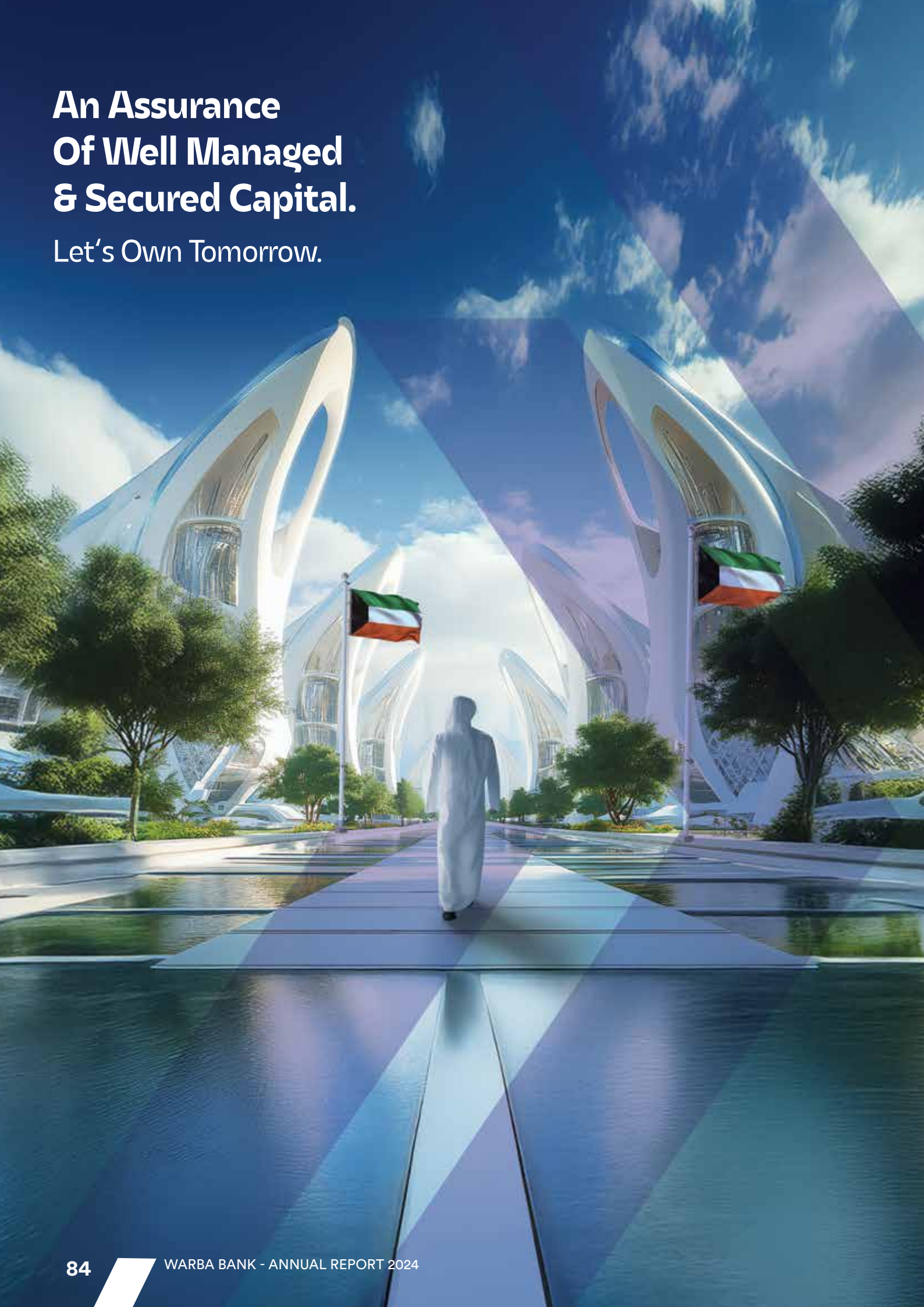
We believe that our audit of the Bank's business for the period from 01/01/2024 to 31/12/2024 provides an appropriate basis for expressing our independent opinion, and in accordance with the information, clarifications and confirmations we have obtained and which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the groups and departments of Warba Bank have complied with the decisions and fatwas of the Sharia Supervisory Board as we have reviewed. In light of the above, the External Sharia Audit Office has reached the final opinion that Warba Bank has complied with the provisions and principles of Islamic Sharia in accordance with the decisions and fatwas of the Sharia Supervisory Board.

External Sharia Auditor

Mr. Salem Mufid Khaled Eid

An Assurance Of Well Managed & Secured Capital.

Let's Own Tomorrow.



CAPITAL ADEQUACY DISCLOSURES

86

PUBLIC DISCLOSURE
REQUIREMENTS
(BASEL III)

86

FIRST: BANK
STRUCTURE

86

SECOND: CAPITAL
STRUCTURE

94

THIRD: CAPITAL
ADEQUACY RATIOS

97

FOURTH: RISK
WEIGHTED ASSETS

99

FIFTH: RISK
MANAGEMENT

118

SIXTH: INVESTMENT
ACCOUNTS

118

SEVENTH: SHARIA
REGULATIONS

118

EIGHTH: BANK'S
REMUNERATION
POLICIES

PUBLIC DISCLOSURE REQUIREMENTS (BASEL III)

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

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

FIRST: BANK STRUCTURE

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

SECOND: CAPITAL STRUCTURE

The Bank’s regulatory capital comprises:

- Equity Tier 1 (CET1) which demonstrates the Bank’s underlying strength and includes share capital, reserves, and share premium according to applicable rules and regulations.
- Additional Tier 1 (AT1) which comprises of the Tier 1 Perpetual Sukuk issued by the Bank.
- Tier 2 Supplementary Capital which comprises of the allowed portion of general provisions (1.25% of the risk weighted assets).

The Bank’s capital does not include neither structured instruments nor complex equity instruments.

As at 31 December 2024, Tier 1 “Core Capital” amounted to KD 410,181 thousand (2023: KD 392,314 thousand), and Tier 2 “Supplementary Capital” amounted to KD 31,090 thousand (2023: KD 29,351 thousand) as detailed below:

| Capital Structure | | 2024 (KD'000) | 2023 (KD'000) |
|---------------------------------------|-----------------------------------------------------------------------------|------------------|------------------|
| Tier (1) Capital | | | |
| A | Common Equity Tier 1 (CET1) | | |
| | Directly issued qualifying common share capital plus related stock surplus* | 311,837 | 298,735 |
| | Eligible Minority Interest in Consolidated Subsidiaries | - | - |
| | Retained earnings (loss) | 14,995 | 13,804 |
| | Other reserves | 9,110 | 5,529 |
| | Proposed dividends | - | - |
| | Total (A) CET1 before deductions | 335,942 | 318,068 |
| | Deductions from CET1 | | |
| | Treasury shares | - | - |
| | Dividends (Declared but not incurred) | - | - |
| | Goodwill | - | - |
| | Other deductions | - | - |
| | Total (A) CET1 after deductions | 335,942 | 318,068 |
| B | Additional Tier 1 (AT1) | 75,808 | 75,808 |
| | Deduction from AT1 | (1,569) | (1,562) |
| | Total (B) AT1 after deductions | 74,239 | 74,246 |
| | Total (A+B) Tier 1 after Deductions | 410,181 | 392,314 |
| Tier (2) Supplementary Capital | | | |
| | 1- Capital Eligible as T2 | - | - |
| | 2- General provisions | 31,090 | 29,351 |
| | Total Tier (2) Supplementary Capital before deductions | 31,090 | 29,351 |
| | Deduction from Tier (2) Supplementary Capital | - | - |
| | Total Tier (2) Supplementary Capital after deductions | 31,090 | 29,351 |
| | | - | - |
| | Total Available Capital (Tier 1 & Tier 2) before adjustments | 441,271 | 421,665 |
| | - Other Adjustments | - | - |
| | Total Available Capital (Tier 1 & Tier 2) After adjustments | 441,271 | 421,665 |

* Of which the proposed bonus stock dividends amount to KD 13,102 thousand.

As at 31 December 2024, Profit Equalization Reserve and Investment Risk Reserve amounted to KD Nil (2023: 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.

| No. | Item | 2024 (KD'000) | 2023 (KD'000) |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1. | Directly issued qualifying common share capital plus related stock surplus | 311,837 | 298,735 |
| 2 | Retained earnings | 14,995 | 13,804 |
| 3 | Accumulated other comprehensive income (and other reserves) | 9,110 | 5,529 |
| 4 | Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies) | - | - |
| 5 | Common share capital issued by subsidiaries and held by third parties (minority interest) | - | - |
| 6 | Proposed dividends | - | - |
| 7 | Common Equity Tier 1 capital before regulatory adjustments | 335,942 | 318,068 |
| Common Equity Tier 1 capital: regulatory adjustments | | | |
| 8 | Prudential valuation adjustments | - | - |
| 9 | Goodwill (net of related tax liability) | - | - |
| 10 | Other intangibles (net of related tax liability) | - | - |
| 11 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - |
| 12 | Cash-flow hedge reserve | - | - |
| 13 | Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied) | - | - |
| 14 | Taskeek gain on sale | - | - |
| 15 | Gains and losses due to changes in own credit risk on fair valued liabilities | - | - |
| 16 | Defined-benefit pension fund net assets | - | - |
| 17 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | - | - |
| 18 | Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities | - | - |
| 19 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold of Bank's CET1 capital) | - | - |
| 20 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of Bank's CET1 capital) | - | - |
| 21 | Mortgage servicing rights (amount above 10% threshold of Bank's CET1 capital) | - | - |
| 22 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - |
| 23 | Amount exceeding the 15% threshold | - | - |
| 24 | of which: significant investments in the common stock of financials | - | - |
| 25 | of which: mortgage servicing rights | - | - |

| No. | Item | 2024 | 2023 |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------|
| | | (KD'000) | (KD'000) |
| 26 | of which: deferred tax assets arising from temporary differences | - | - |
| 27 | National specific regulatory adjustments | - | - |
| 28 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - | - |
| 29 | Total regulatory adjustments to Common Equity Tier 1 | - | - |
| 30 | Common Equity Tier 1 after the regulatory adjustments | 335,942 | 318,068 |
| | Additional Tier 1 capital: instruments | - | - |
| 31 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 75,808 | 75,808 |
| 32 | of which: classified as equity under applicable accounting standards | 75,808 | 75,808 |
| 33 | of which: classified as liabilities under applicable accounting standards | - | - |
| 34 | Directly issued capital instruments subject to phase out from Additional Tier 1 | - | - |
| 35 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | - | - |
| 36 | of which: instruments issued by subsidiaries subject to phase-out | - | - |
| 37 | Additional Tier 1 capital before regulatory adjustments | 75,808 | 75,808 |
| | Additional Tier 1 capital: regulatory adjustments | - | - |
| 38 | Investments in own Additional Tier 1 instruments | - | - |
| 39 | Reciprocal cross-holdings in Additional Tier 1 instruments | (1,569) | 1,562)) |
| 40 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | - |
| 41 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | - |
| 42 | National specific regulatory adjustments | - | - |
| 43 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | - |
| 44 | Total regulatory adjustments to Additional Tier 1 capital | (1,569) | (1,562) |
| 45 | Additional Tier 1 capital (AT1) | 74,239 | 74,246 |
| 46 | Tier 1 capital (T1 = CET1 + AT1) | 410,181 | 392,314 |
| | Tier 2 capital: instruments and provisions | - | - |
| 47 | Directly issued qualifying Tier 2 instruments plus related stock surplus | - | - |
| 48 | Directly issued capital instruments subject to phase-out from Tier 2 | - | - |
| 49 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | - | - |
| 50 | of which: instruments issued by subsidiaries subject to phase-out | - | - |
| 51 | General provisions included in Tier 2 capital | 31,090 | 29,351 |
| 52 | Tier 2 capital before regulatory adjustments | 31,090 | 29,351 |
| | Tier 2 capital: regulatory adjustments | - | - |
| 53 | Investments in own Tier 2 instruments | - | - |

| No. | Item | 2024 | 2023 |
|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------|
| | | (KD'000) | (KD'000) |
| 54 | Reciprocal cross-holdings in Tier 2 instruments | - | - |
| 55 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) | - | - |
| 56 | Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | - |
| 57 | National specific regulatory adjustments | - | - |
| 58 | Total regulatory adjustments to Tier 2 capital | - | - |
| 59 | Tier 2 capital (T2) | 31,090 | 29,351 |
| 60 | Total capital (TC = T1 + T2) | 441,271 | 421,665 |
| 61 | Total risk weighted assets (after applying 50% additional weighting) | 2,623,355 | 2,483,686 |
| Capital ratios and buffers | | | |
| 62 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 12.81% | 12.81% |
| 63 | Tier 1 (as a percentage of risk weighted assets) | 15.64% | 15.80% |
| 64 | Total capital (as a percentage of risk weighted assets) | 16.82% | 16.98% |
| 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) | 9.50% | 9.50% |
| 66 | of which: capital conservation buffer requirement | 2.50% | 2.50% |
| 67 | of which: Bank specific countercyclical buffer requirement | 0.00% | 0.00% |
| 68 | of which: D-SIB buffer requirement | 0.00% | 0.00% |
| 69 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | 4.99% | 4.99% |
| National minimal | | | |
| 70 | National Common Equity Tier 1 minimum ratio: 9.5% | 249,219 | 235,950 |
| 71 | National Tier 1 minimum ratio: 11% | 288,569 | 273,205 |
| 72 | National total capital minimum ratio excluding CCY and DSIB: 13% | 341,036 | 322,879 |
| Amounts below the thresholds for deduction (before risk weighting) | | | |
| 73 | Non-significant investments in the capital of other financials | - | - |
| 74 | Significant investments in the common stock of financials | - | - |
| 75 | Mortgage servicing rights (net of related tax liability) | - | - |
| 76 | Deferred tax assets arising from temporary differences (net of related tax liability) | - | - |
| Applicable caps on the inclusion of provisions in Tier 2 | | | |
| 77 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap) | 88,887 | 86,561 |
| 78 | Cap on inclusion of provisions in Tier 2 under standardized approach | 31,090 | 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:

| Step 1 & 2 of the reconciliation requirements | 31 December 2024 | | Reference |
|--------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------|-----------|
| | Balance sheet as in published financial statements (KD'000) | Under regulatory scope of consolidation (KD'000) | |
| Assets | | | |
| Cash and balances with banks | 456,581 | 456,581 | |
| Placements with banks and CBK | 385,084 | 385,084 | |
| Financing receivables | 3,642,603 | 3,642,603 | |
| of which maximum general provisions (netted above) capped for Tier 2 inclusion | 31,090 | 31,090 | a |
| Financial assets at fair value through profit or loss | 198,914 | 198,914 | |
| Financial assets at fair value through other comprehensive income | 381,560 | 381,560 | |
| Investments in joint ventures | 118,791 | 118,791 | |
| Investment properties | 39,544 | 39,544 | |
| Others assets | 52,215 | 52,215 | |
| Property and equipment | 18,480 | 18,480 | |
| Total Assets | 5,293,772 | 5,293,772 | |
| Liabilities | | | |
| Due to banks and other financial institutions | 1,332,641 | 1,332,641 | |
| Depositors accounts | 3,149,067 | 3,149,067 | |
| Issued Sukuk | 308,304 | 308,304 | |
| Other liabilities | 92,010 | 92,010 | |
| Total Liabilities | 4,882,022 | 4,882,022 | |
| Equity | | | |
| Share Capital | 218,360 | 218,360 | b |
| Share Premium | 80,375 | 80,375 | c |
| Statutory Reserve | 11,225 | 11,225 | d |
| Retained Earnings | 14,995 | 14,995 | |
| of which retained earnings eligible for (CET1) | 17,675 | 17,675 | e |
| of which proposal for bonus shares | - | - | |
| of which loss adjustment from postponement of installments | (2,680) | (2,680) | f |
| Fair value reserve | (2,694) | (2,694) | g |
| Forex reserve | 579 | 579 | h |
| Proposed bonus share dividends | 13,102 | 13,102 | K |
| Equity attributable to Shareholders of the Bank | 335,942 | 335,942 | |
| Perpetual Tier 1 Sukuk | 75,808 | 75,808 | I |
| Of which reciprocal investment in local banks T1 sukuk | (1,569) | (1,569) | J |
| Total Equity | 411,750 | 411,750 | |
| Total Liabilities and Equity | 5,293,772 | 5,293,772 | |

Step 3 of the reconciliation requirements:

| No. | Step 3 of reconciliation requirements | Component of regulatory capital reported by bank (KD'000) | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2 |
|---------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1 | Share Capital* | 231,462 | b+k |
| 2 | Share Premium | 80,375 | c |
| 3 | Statutory Reserve | 11,225 | d |
| 4 | Retained Earnings | 14,995 | e+f |
| 5 | Fair value reserve | (2,694) | g |
| 6 | Forex Reserve | 579 | h |
| 7 | Proposed dividends | - | |
| 8 | Common Equity Tier 1 capital (CET1) | | |
| Additional Tier 1 capital: Instruments | | 335,942 | |
| 9 | Perpetual Tier 1 Sukuk | 75,808 | i |
| 10 | of which reciprocal Sukuk | (1,569) | |
| 11 | Additional Tier 1 capital | 74,239 | |
| 11 | Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital) | (1,569) | J |
| Tier 2 Capital : Instruments and provisions | | 410,181 | |
| 12 | Tier 2 Instruments | - | |
| 13 | General provisions included in Tier 2 capital | | |
| 14 | Tier 2 Capital | 31,090 | a |
| 15 | Total Capital (Total capital = Tier 1 + Tier 2) | 31,090 | |
| | | 441,271 | |

* Of which the proposed bonus stock dividends amount to KD 13,102 thousand.

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 |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------|-----------|
| Assets | | | |
| Cash and balances with banks | 207,811 | 207,811 | |
| Placements with banks | 425,786 | 425,786 | |
| Financing receivables | 3,452,952 | 3,452,952 | |
| of which maximum general provisions (netted above) capped for Tier 2 inclusion | 29,351 | 29,351 | a |
| 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 | |
| Total Assets | 4,832,209 | 4,832,209 | |
| Liabilities | | | |
| Due to banks and other financial institutions | 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 | |
| Total Liabilities | 4,441,014 | 4,441,014 | |
| Equity | | | |
| 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 | |
| of which retained earnings eligible for (CET1) | 11,124 | 11,124 | e |
| of which Proposed dividends | - | - | |
| of which loss adjustment from postponement of installments | 2,680 | 2,680 | f |
| Fair value reserve | (4,517) | (4,517) | g |
| Forex reserve | 1,175 | 1,175 | h |
| Proposed dividends and bonus shares | 12,360 | 12,360 | K |
| Equity attributable to Shareholders of the Bank | 315,388 | 315,388 | |
| Perpetual Tier 1 Sukuk | 75,808 | 75,808 | I |
| Reciprocal sukuk | (1,573) | (1,573) | J |
| Total Equity | 391,196 | 391,196 | |
| Total Liabilities and Equity | 4,832,209 | 4,832,209 | |

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

| No. | Step 3 of reconciliation requirements | Component of regulatory capital reported by bank (KD'000) | Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from Step 2 |
|---------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1 | Share Capital* | 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 | - | |
| 8 | Common Equity Tier 1 capital (CET1) | 318,068 | |
| Additional Tier 1 capital: Instruments | | | |
| 9 | Perpetual Tier 1 Sukuk | 75,808 | I |
| 10 | Reciprocal Sukuk | (1,562) | J |
| 11 | Additional Tier 1 capital | 74,246 | |
| 12 | Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital) | 392,314 | |
| Tier 2 Capital : Instruments and provisions | | | |
| 13 | Tier 2 Instruments | - | |
| 14 | General provisions included in Tier 2 capital | 29,351 | a |
| 15 | Tier 2 Capital | 29,351 | |
| 16 | Total Capital (Total capital = Tier 1 + Tier 2) | 421,665 | |

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:

2024

| No. | Ratio Description | Total Required Capital (%) | Available Capital (%) |
|-----|-------------------------------|----------------------------|-----------------------|
| 1 | Total Capital Adequacy Ratio | 13.00% | 16.82% |
| 2 | Tier 1 Capital Adequacy Ratio | 11.00% | 15.64% |
| 3 | CET1 Capital Adequacy Ratio | 9.50% | 12.81% |

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% |

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:

| No. | Item | 2024 KD'000 | 2023 KD'000 |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| On-balance sheet exposures | | | |
| 1 | On-balance sheet items (excluding Sharia compliant hedging contracts, but including collaterals) | 5,380,409 | 4,917,099 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | (1,569) | (1,562) |
| 3 | Total on-balance sheet exposures (excluding Sharia compliant hedging contracts) (sum of lines 1 and 2) | 5,378,840 | 4,915,537 |
| Exposures to Sharia compliant hedging contracts | | | |
| 4 | Replacement cost associated with all Sharia compliant hedging contracts (i.e. net of eligible cash variation margin) | 1 | 512 |
| 5 | Add-on amounts for potential future exposures "PFE" associated with all Sharia compliant hedging contracts | - | 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") | | |
| 9 | Total exposures of Sharia compliant hedging contracts (sum of lines 4 to 8) | 1 | 545 |
| Other off-balance sheet exposures | | | |
| 10 | Off-balance sheet exposure (before any adjustment for credit conversion factors) | 2,647,611 | 2,052,245 |
| 11 | (Adjustments for conversion to credit equivalent amounts) | (2,288,791) | (1,774,954) |
| 12 | Off-balance sheet items (sum of lines 10 and 11) | 358,820 | 277,291 |
| Capital and total exposures | | | |
| 13 | Tier 1 capital | 410,181 | 392,314 |
| 14 | Total exposures (sum of lines 3, 9 and 12) | 5,737,661 | 5,193,373 |
| Leverage ratio | | | |
| 15 | Leverage ratio (Tier 1 Capital (13)/total exposures (14)) | 7.15% | 7.55% |

As stated in the previous table, the Bank's leverage ratio for the present period is 7.15% compared to 7.55% 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:

| No. | Item | 2024 KD'000 | 2023 KD'000 |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| On-balance sheet exposures | | | |
| 1 | Total assets as per published financial statements | 5,293,772 | 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 | 1 | 545 |
| 5 | Off-balance sheet exposures (i.e. equivalent credit amounts) | 358,820 | 277,291 |
| 6 | Other exposures | 85,068 | 83,328 |
| 7 | Total exposures in calculation of leverage ratio (sum of the above items) | 5,737,661 | 5,193,373 |

FOURTH: RISK WEIGHTED ASSETS

1. Credit risk

The minimum required capital for credit risk exposures as at 31 December 2024 was KD 315,821 thousand (31 December 2023: KD 297,813 thousand) as detailed below:

2024 (KD'000)

| SN | Description of Credit Risk Exposures | Total Exposures | Net Exposures | Risk-Weighted Assets | Required Capital |
|--------------|-----------------------------------------------------|------------------|------------------|----------------------|------------------|
| 1 | Cash items | 6,082 | 6,082 | - | - |
| 2 | Claims on sovereigns | 708,973 | 708,973 | 77,305 | 10,050 |
| 3 | Claims on international organizations | - | - | - | - |
| 4 | Claims on public sector entities | 35,084 | 35,084 | - | - |
| 5 | Claims on multilateral development banks | 78,796 | 78,796 | - | - |
| 6 | Claims on banks | 450,570 | 450,570 | 129,893 | 16,886 |
| 7 | Claims on corporates | 3,027,408 | 2,389,255 | 1,394,547 | 181,291 |
| 8 | Regulatory retail exposure | 669,475 | 646,256 | 364,018 | 47,322 |
| 9 | Qualifying residential housing financing facilities | - | - | - | - |
| 10 | Past due exposures | 63,772 | 58,194 | 23,537 | 3,060 |
| 11 | Goods and commodities positions | 2,658 | 2,658 | 1,504 | 195 |
| 12 | Real estate investments | 158,334 | 158,334 | 179,120 | 23,286 |
| 13 | Investment and financing with customers | 162,755 | 86,392 | 70,404 | 9,153 |
| 14 | Sukuk and taskeek exposures | - | - | - | - |
| 15 | Claims on central counterparties | - | - | - | - |
| 16 | Other exposures | 373,754 | 373,754 | 189,064 | 24,578 |
| Total | | 5,737,661 | 4,994,348 | 2,429,392 | 315,821 |

2023 (KD'000)

| SN | Description of Credit Risk Exposures | Total Exposures | Net Exposures | Risk-Weighted Assets | Required Capital |
|--------------|-----------------------------------------------------|------------------|------------------|----------------------|------------------|
| 1 | Cash item | 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 |
| Total | | 5,193,373 | 4,509,090 | 2,290,873 | 297,813 |

The minimum required capital for financing receivable as at 31 December 2024 was KD 234,127 thousand (31 December 2023: KD 222,144 thousand) as detailed below:

2024 (KD'000)

| SN | Description of Credit Risk Exposures | Total Exposures | Net Exposures | Risk-Weighted Assets | Required Capital |
|--------------|-----------------------------------------------------|------------------|------------------|----------------------|------------------|
| 1 | Claims on sovereigns | 96,654 | 96,654 | 49,784 | 6,472 |
| 2 | Claims on public sector institutions | 35,084 | 35,084 | - | - |
| 3 | Claims on banks | 49,595 | 49,595 | 27,359 | 3,557 |
| 4 | Claims on corporates | 2,657,550 | 2,024,162 | 1,231,217 | 160,058 |
| 5 | Regulatory retail exposure | 669,313 | 646,094 | 392,452 | 51,019 |
| 6 | Qualifying residential housing financing facilities | - | - | - | - |
| 7 | Past due exposures | 58,097 | 52,519 | 19,338 | 2,514 |
| 8 | Investment and financing with customers | 162,755 | 86,392 | 80,826 | 10,507 |
| 9 | Other exposures | - | - | - | - |
| Total | | 3,729,048 | 2,990,500 | 1,800,976 | 234,127 |

2023 (KD'000)

| SN | Description of Credit Risk Exposures | Total Exposures | Net Exposures | Risk-Weighted Assets | Required Capital |
|--------------|-----------------------------------------------------|------------------|------------------|----------------------|------------------|
| 1 | Claims on sovereigns | 105,624 | 105,624 | 54,906 | 7,138 |
| 2 | Claims on public sector institutions | 53,920 | 53,920 | 1,245 | 162 |
| 3 | Claims on banks | 87,105 | 87,105 | 43,608 | 5,669 |
| 4 | Claims on corporates | 2,393,571 | 1,861,401 | 1,131,231 | 147,060 |
| 5 | Regulatory retail exposure | 633,419 | 618,807 | 376,546 | 48,951 |
| 6 | Qualifying residential housing financing facilities | - | - | - | - |
| 7 | Past due exposures | 32,876 | 27,249 | 8,507 | 1,106 |
| 8 | Investment and financing with customers | 231,195 | 99,628 | 92,757 | 12,058 |
| 9 | Other exposures | - | - | - | - |
| Total | | 3,537,710 | 2,853,734 | 1,708,800 | 222,144 |

2. Market Risk

Market risk-weighted exposure during the financial year 2024 amounted to KD 8,638 thousand (31 December 2023: KD 5,800 thousand), based on the standardized approach. The minimum required capital for market risk exposures amounts to KD 1,123 thousand (31 December 2023: KD 754 thousand).

3. Operational Risk

Operational risk-weighted exposures calculated during the year 2024 amounted to KD 185,325 thousand (31 December 2023: KD 187,013 thousand) as per the Basic Indicator Approach. The minimum required capital for operational risk exposures amounts to KD 24,092 thousand (31 December 2023: KD 24,312 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):

2024 (KD'000)

| SN | Description of Credit Risk Exposures | Net Credit Exposure | Rated Exposures | Unrated Exposures |
|--------------|-----------------------------------------------------|---------------------|------------------|-------------------|
| 1 | Cash item | 6,082 | - | 6,082 |
| 2 | Claims on sovereigns | 48,962 | 660,011 | 708,973 |
| 3 | Claims on international organizations | - | - | - |
| 4 | Claims on public sector entities | 35,084 | - | 35,084 |
| 5 | Claims on multilateral development banks | 2 | 78,794 | 78,796 |
| 6 | Claims on banks | 31,438 | 419,132 | 450,570 |
| 7 | Claims on corporates | 2,879,898 | 147,510 | 3,027,408 |
| 8 | Regulatory retail exposure | 669,475 | - | 669,475 |
| 9 | Qualifying residential housing financing facilities | - | - | - |
| 10 | Past due exposures | 63,772 | - | 63,772 |
| 11 | Goods and commodities positions | 2,658 | - | 2,658 |
| 12 | Real estate investments | 158,334 | - | 158,334 |
| 13 | Investment and financing with customers | 162,755 | - | 162,755 |
| 14 | Sukuk and taskeek exposures | - | - | - |
| 15 | Claims on central counterparties | - | - | - |
| 16 | Other exposures | 373,754 | - | 373,754 |
| Total | | 4,432,214 | 1,305,447 | 5,737,661 |

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 |
| Total | | 5,193,373 | 1,145,964 | 4,047,409 |

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

2024 (KD'000)

| SN | Description of Credit Risk Exposures | Credit Risk Exposures | Self Financed | Financed From Investment Accounts |
|--------------|-----------------------------------------------------|-----------------------|------------------|-----------------------------------|
| 1 | Cash item | 6,082 | 6,082 | - |
| 2 | Claims on sovereigns | 708,973 | 446,698 | 262,275 |
| 3 | Claims on international organizations | - | - | - |
| 4 | Claims on public sector entities | 35,084 | 4,606 | 30,478 |
| 5 | Claims on multilateral development banks | 78,796 | 10,344 | 68,452 |
| 6 | Claims on banks | 450,570 | 118,790 | 331,780 |
| 7 | Claims on corporates | 3,027,408 | 549,023 | 2,478,385 |
| 8 | Regulatory retail exposure | 669,475 | 87,901 | 581,574 |
| 9 | Qualifying residential housing financing facilities | - | - | - |
| 10 | Past due exposures | 63,772 | 13,302 | 50,470 |
| 11 | Goods and commodities positions | 2,658 | 349 | 2,309 |
| 12 | Real estate investments | 158,334 | 20,786 | 137,548 |
| 13 | Investment and financing with customers | 162,755 | 21,366 | 141,389 |
| 14 | Sukuk and taskeek exposures | - | - | - |
| 15 | Claims on central counterparties | - | - | - |
| 16 | Other exposures | 373,754 | 119,970 | 253,784 |
| Total | | 5,737,661 | 1,399,216 | 4,338,445 |

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 |
| Total | | 5,193,373 | 1,248,892 | 3,944,481 |

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

2024 (KD'000)

| SN | Description of Credit Risk Exposures | Average Credit Risk Exposures | Average Self Financed | Average Financed From Investment Accounts |
|--------------|-----------------------------------------------------|-------------------------------|-----------------------|-------------------------------------------|
| 1 | Cash item | 10,176 | 10,176 | - |
| 2 | Claims on sovereigns | 641,382 | 333,815 | 307,567 |
| 3 | Claims on international organizations | - | - | - |
| 4 | Claims on public sector entities | 40,808 | 6,544 | 34,264 |
| 5 | Claims on multilateral development banks | 88,363 | 14,103 | 74,260 |
| 6 | Claims on banks | 365,316 | 100,029 | 265,287 |
| 7 | Claims on corporates | 2,891,208 | 587,192 | 2,304,016 |
| 8 | Regulatory retail exposure | 651,225 | 103,116 | 548,109 |
| 9 | Qualifying residential housing financing facilities | - | - | - |
| 10 | Past due exposures | 77,834 | 17,029 | 60,805 |
| 11 | Goods and commodities positions | 5,178 | 850 | 4,328 |
| 12 | Real estate investments | 143,377 | 22,627 | 120,750 |
| 13 | Investment and financing with customers | 198,095 | 31,731 | 166,364 |
| 14 | Sukuk and taskeek exposures | - | - | - |
| 15 | Claims on central counterparties | - | - | - |
| 16 | Other exposures | 352,896 | 118,700 | 234,196 |
| Total | | 5,465,858 | 1,345,912 | 4,119,946 |

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 |
| Total | | 5,095,042 | 1,246,921 | 3,848,121 |

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:

2024 (KD'000)

| SN | Description of Credit Risk Exposures | MENA | North America | Europe | Asia | Others | Total |
|--------------|-----------------------------------------------------|------------------|----------------|----------------|---------------|----------|------------------|
| 1 | Cash item | 6,082 | - | - | - | - | 6,082 |
| 2 | Claims on sovereigns | 676,518 | - | 19,633 | 12,822 | - | 708,973 |
| 3 | Claims on international organizations | - | - | - | - | - | - |
| 4 | Claims on public sector entities | 35,084 | - | - | - | - | 35,084 |
| 5 | Claims on multilateral development banks | 78,796 | - | - | - | - | 78,796 |
| 6 | Claims on banks | 348,063 | 1,503 | 98,630 | 2,374 | - | 450,570 |
| 7 | Claims on corporates | 2,893,329 | 31,356 | 32,518 | 70,205 | - | 3,027,408 |
| 8 | Regulatory retail exposure | 669,475 | - | - | - | - | 669,475 |
| 9 | Qualifying residential housing financing facilities | - | - | - | - | - | - |
| 10 | Past due exposures | 63,772 | - | - | - | - | 63,772 |
| 11 | Goods and commodities positions | 2,658 | - | - | - | - | 2,658 |
| 12 | Real estate investments | 39,544 | 83,674 | 35,116 | - | - | 158,334 |
| 13 | Investment and financing with customers | 162,755 | - | - | - | - | 162,755 |
| 14 | Sukuk and taskeek exposures | - | - | - | - | - | - |
| 15 | Claims on central counterparties. | - | - | - | - | - | - |
| 16 | Other exposures | 206,901 | 125,036 | 28,379 | 13,438 | - | 373,754 |
| Total | | 5,182,977 | 241,569 | 214,276 | 98,839 | - | 5,737,661 |

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 |
| Total | | 4,695,324 | 231,871 | 155,071 | 111,107 | - | 5,193,373 |

Maturities of total “Credit Risk” exposures:

2024 (KD'000)

| SN | Description of Credit Risk Exposures | Up to 3 months | 3 to 12 months | Over 1 year | Total |
|--------------|-----------------------------------------------------|------------------|------------------|------------------|------------------|
| 1 | Cash item | 6,082 | - | - | 6,082 |
| 2 | Claims on sovereigns | 582,790 | 41,663 | 84,520 | 708,973 |
| 3 | Claims on international organizations | - | - | - | - |
| 4 | Claims on public sector entities | 30,040 | 5,044 | - | 35,084 |
| 5 | Claims on multilateral development banks | - | 6,055 | 72,741 | 78,796 |
| 6 | Claims on banks | 275,391 | 119,497 | 55,682 | 450,570 |
| 7 | Claims on corporates | 1,837,180 | 826,900 | 363,328 | 3,027,408 |
| 8 | Regulatory retail exposure | 13,523 | 15,114 | 640,838 | 669,475 |
| 9 | Qualifying residential housing financing facilities | - | - | - | - |
| 10 | Past due exposures | 63,772 | - | - | 63,772 |
| 11 | Goods and commodities positions | - | 2,658 | - | 2,658 |
| 12 | Real estate investments | - | - | 158,334 | 158,334 |
| 13 | Investment and financing with customers | 145,523 | 16,650 | 582 | 162,755 |
| 14 | Sukuk and taskeek exposures | - | - | - | - |
| 15 | Claims on central counterparties | - | - | - | - |
| 16 | Other exposures | 15,853 | 3,090 | 354,811 | 373,754 |
| Total | | 2,970,154 | 1,036,671 | 1,730,836 | 5,737,661 |

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 |
| Total | | 2,677,668 | 966,018 | 1,549,687 | 5,193,373 |

Main sectors of total Credit Risk exposures:

2024 (KD'000)

| SN | Description of Credit Risk Exposures | Manufacturing & Trade | Banks & Financial Institutions | Construction & Real Estate | Government | Others | Total |
|--------------|-----------------------------------------------------|-----------------------|--------------------------------|----------------------------|----------------|------------------|------------------|
| 1 | Cash item | - | - | - | - | 6,082 | 6,082 |
| 2 | Claims on sovereigns | - | 27,080 | - | 612,319 | 69,574 | 708,973 |
| 3 | Claims on international organizations | - | - | - | - | - | - |
| 4 | Claims on public sector entities | - | - | - | - | 35,084 | 35,084 |
| 5 | Claims on multilateral development banks | - | 78,796 | - | - | - | 78,796 |
| 6 | Claims on banks | - | 450,570 | - | - | - | 450,570 |
| 7 | Claims on corporates | 634,747 | 282,667 | 1,359,677 | - | 750,317 | 3,027,408 |
| 8 | Regulatory retail exposure | - | - | - | - | 669,475 | 669,475 |
| 9 | Qualifying residential housing financing facilities | - | - | - | - | - | - |
| 10 | Past due exposures | 1,152 | - | 60,451 | - | 2,169 | 63,772 |
| 11 | Goods and commodities position | 2,658 | - | - | - | - | 2,658 |
| 12 | Real estate investments | - | - | 158,334 | - | - | 158,334 |
| 13 | Investment and financing with customers | - | - | 86,495 | - | 76,260 | 162,755 |
| 14 | Sukuk and taskeek exposures | - | - | - | - | - | - |
| 15 | Claims on central counterparties | - | - | - | - | - | - |
| 16 | Other exposures | - | - | - | - | 373,754 | 373,754 |
| Total | | 638,557 | 839,113 | 1,664,957 | 612,319 | 1,982,715 | 5,737,661 |

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 |
| Total | | 661,688 | 772,058 | 1,544,028 | 435,145 | 1,780,454 | 5,193,373 |

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, 2024, the value of the irregular financing facilities (impaired), including the Bank's accounts receivable, amounted to KD 69,519 thousand after excluding the deferred revenues and due profits (31 December 2023: KD 33,232 thousand) and KD 34,957 thousand (31 December 2023: KD 16,181 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 2024, the Bank's provisions are KD 100,919 thousand including a general provision of KD 88,734 thousand (31 December 2023: KD 100,211 thousand including a general provision of KD 86,417).

Irregular and past due exposures as per standard portfolios:

2024 (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 | 65,338 | 30,776 | 9,953 | 20,823 | 204,138 |
| 3 | Regulatory retail exposures | 4,181 | 4,181 | 2,176 | 2,005 | 23,949 |
| 4 | Real estate investments | - | - | - | - | - |
| 5 | Investment and financing with customers | - | - | - | - | - |
| Total | | 69,519 | 34,957 | 12,129 | 22,828 | 228,087 |

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 | - | - | - | - | - |
| Total | | 33,232 | 16,181 | 13,614 | 2,567 | 185,589 |

Irregular and past due exposures as per geographical location:

2024 (KD'000)

| SN | Description of geographical location | Impaired | Net Impaired after deducting acceptable guarantees | Specific Provision | Net Facilities | Past Due |
|--------------|--------------------------------------|---------------|----------------------------------------------------|--------------------|----------------|----------------|
| 1 | MENA | 60,427 | 34,223 | 11,395 | 22,828 | 228,087 |
| 2 | Europe | - | - | - | - | - |
| 3 | Asia | - | - | - | - | - |
| 4 | Rest of the World | 9,092 | 734 | 734 | - | - |
| Total | | 69,519 | 34,957 | 12,129 | 22,828 | 228,087 |

2023 (KD'000)

| 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 |
| Total | | 33,232 | 16,181 | 13,614 | 2,567 | 185,589 |

Irregular and past due exposures by industrial sector:

2024 (KD'000)

| SN | Description of Industrial Sector | Impaired | Specific Provision | Net Facilities | Past Due |
|--------------|----------------------------------|---------------|--------------------|----------------|----------------|
| 1 | Manufacturing & Trade | 3,312 | 2,177 | 353 | 1,735 |
| 2 | Banks and financial institutions | - | - | - | - |
| 3 | Constructions and real estates | 62,025 | 7,776 | 20,470 | 105,835 |
| 4 | Others | 4,182 | 2,176 | 2,005 | 120,517 |
| Total | | 69,519 | 12,129 | 22,828 | 228,087 |

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 |
| Total | | 33,232 | 13,614 | 2,567 | 185,589 |

Aging of irregular and past due exposures:

2024 (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 | 22,779 | 3,258 | 2,567 | 40,915 | 69,519 |
| 2 | Past Due | 228,087 | - | - | - | 228,087 |
| Total | | 250,866 | 3,258 | 2,567 | 40,915 | 297,606 |

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 |
| Total | | 192,192 | 1,666 | 2,354 | 22,429 | 218,821 |

General Provisions Balance:

| SN | Distribution of General Provisions to credit risk exposures | 2024 (KD'000) | 2023 (KD'000) |
|--------------|-------------------------------------------------------------|---------------|---------------|
| 1 | Claims on sovereigns | 757 | 749 |
| 2 | Claims on public sector institutions | 351 | 539 |
| 3 | Claims on banks | 719 | 1,015 |
| 4 | Claims on corporates* | 78,837 | 75,648 |
| 5 | Regulatory retail exposures | 6,446 | 6,176 |
| 6 | Real estate investments | - | - |
| 7 | Investment and financing with customers | 1,624 | 2,290 |
| Total | | 88,734 | 86,417 |

* As at 31 December 2024, claims on corporates include precautionary provisions of KD 50,519 thousand (31 December 2023: KD 50,369 thousand).

| SN | Distribution of General Provisions to geographical location | 2024 (KD'000) | 2023 (KD'000) |
|--------------|-------------------------------------------------------------|---------------|---------------|
| 1 | MENA* | 87,438 | 85,564 |
| 2 | Europe | 872 | 369 |
| 3 | Asia | 339 | 401 |
| 4 | Rest of the World | 85 | 83 |
| Total | | 88,734 | 86,417 |

* As at 31 December 2024, MENA includes precautionary provisions of KD 50,519 thousand (31 December 2023: 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 Guarantee:

2024 (KD'000)

| SN | Description of Credit Risk Exposure | Total Credit Exposure | Eligible Collaterals | Banking Guarantees |
|--------------|-----------------------------------------------------|-----------------------|----------------------|--------------------|
| 1 | Cash item | 6,082 | - | - |
| 2 | Claims on sovereigns | 708,973 | - | - |
| 3 | Claims on international organizations | - | - | - |
| 4 | Claims on public sector entities | 35,084 | - | - |
| 5 | Claims on multilateral development banks | 78,796 | - | - |
| 6 | Claims on banks | 450,570 | - | - |
| 7 | Claims on corporates | 3,027,408 | 638,153 | - |
| 8 | Regulatory retail exposure | 669,475 | 23,219 | - |
| 9 | Qualifying residential housing financing facilities | - | - | - |
| 10 | Past due exposures | 63,772 | 5,578 | - |
| 11 | Goods and commodities positions | 2,658 | - | - |
| 12 | Real estate investments | 158,334 | - | - |
| 13 | Investment and financing with customers | 162,755 | 76,363 | - |
| 14 | Sukuk and taskeek exposures | - | - | - |
| 15 | Claims on central counterparties | - | - | - |
| 16 | Other exposures | 373,754 | - | - |
| Total | | 5,737,661 | 743,313 | - |

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 | - | - |
| Total | | 5,193,373 | 684,284 | - |

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 2024 is 81% (31 December 2023: 82%) calculated as follows:

| SN | | 2024 | 2023 |
|----|-------------------------------|------------|------------|
| 1 | Current assets (KD '000) | 3,612,840 | 3,335,143 |
| 2 | Current liabilities (KD '000) | 4,453,095 | 4,055,840 |
| | Current ratio | 81% | 82% |

B. Maturity analysis of various categories of funding (current account, unrestricted investment account and restricted investment account) is as follows:

2024 (KD'000)

| SN | Categories of funding | Up to 3 months | 3 to 12 months | Over 1 year | Total |
|--------------|---------------------------------|------------------|------------------|----------------|------------------|
| 1 | Current account | 290,743 | - | - | 290,743 |
| 2 | Unrestricted investment account | 2,448,832 | 1,469,448 | 261,358 | 4,179,638 |
| 3 | Restricted investment account | - | - | - | - |
| 4 | Other Deposits | 11,328 | - | - | 11,328 |
| Total | | 2,750,903 | 1,469,448 | 261,358 | 4,481,709 |

2023 (KD'000)

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

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:
$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

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 2024 was KD 563 Million of which Central Bank reserves constituted about KD 389 Million. Average cash outflows over a 30-day horizon amounted to KD 973 Million while average inflows from assets were KD 638 Million.

Bank's LCR of 160% (based on average of last three months' position) was above the minimum 100% prescribed by CBK. 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 year ending on 31 December 2024:

| Item | Description | "value in KD'000" | |
|------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------|
| | | Value before applying inflows rates (average)* | Value after applying inflows rates (average)* |
| High-Quality Liquid Assets (HQLA) | | | |
| 1 | Total HQLA (before adjustments) | | 563,051 |
| Cash Outflows | | | |
| 2 | Retail deposits and small business | 552,004 | 94,949 |
| 3 | • Stable deposits | | - |
| 4 | • Less stable deposits | 552,004 | 94,949 |
| 5 | Unsecured wholesale funding excluding the deposits of small business customers: | 1,333,357 | 772,867 |
| 6 | • Operational deposits | - | - |
| 7 | • Non-operational deposits (other unsecured commitments) | 1,333,357 | 772,867 |
| 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 | 2,093,890 | 104,694 |
| 14 | Other contractual cash outflows obligations | - | - |
| 15 | Total Cash Outflows | - | 972,511 |
| Cash Inflows | | | |
| 16 | Secured lending transactions | - | |
| 17 | Inflows from fully performing exposures (as per the counterparties) | 1,142,083 | 638,328 |
| 18 | Other cash Inflows | - | |
| 19 | Total Cash Inflows | 1,142,083 | 638,328 |
| Liquidity Coverage Ratio (LCR) | | | Total Adjusted Value |
| 20 | Total HQLA (after adjustments) | | 543,110 |
| 21 | Net Cash Outflows | | 339,987 |
| 22 | LCR | | 160% |

*Simple Average for all days of the reporting period.

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 2024, 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 3,065 Million while the RSF after applying weights was KD 2,878 Million.

Quantitative information on Net Stable Funding Ratio (NSFR) is given below:

NSFR common disclosure template as of 31 December 2024:

| Sr. | Item | Unweighted Values (i.e. before applying relevant factors) | | | | Value in KWD '000s |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------|----------------------------------------------------------|---------------------|----------------------------|
| | | No specified maturity | Less than 6 months | More than 6 months and less than one year | Over one year | Total weighted value |
| Available Stable Funding (ASF): | | | | | | |
| 1 | Capital | | | | | |
| 2 | Regulatory Capital | 441,271 | - | - | - | 441,271 |
| 3 | Other Capital Instruments | - | - | - | - | - |
| 4 | Retail deposits and deposits and investment accounts from small business customers: | | | | | |
| 5 | Stable deposits | - | - | - | - | - |
| 6 | Less stable deposits | - | 943,416 | 158,651 | 22,952 | 1,014,813 |
| 7 | Wholesale funding: | | | | | |
| 8 | Operational deposits and investment accounts | - | - | - | - | - |
| 9 | Other wholesale funding | - | 2,994,615 | 375,514 | 294,862 | 1,608,842 |
| 10 | Other liabilities: | | | | | |
| 11 | NSFR Shariah-compliant hedging contract liabilities | - | - | - | - | - |
| 12 | All other liabilities not included in the above categories | 92,010 | 76,724 | - | - | - |
| 13 | Total ASF | | | | | 3,064,925 |
| Required Stable Funding (RSF): | | | | | | |
| 14 | Total NSFR Shariah-compliant high-quality liquid assets (HQLA) | 722,054 | - | - | 11,171 | 46,098 |
| 15 | Deposits and investment accounts held at other financial institutions for operational purposes | - | - | - | - | - |
| 16 | Performing financing and securities: | | | | | |
| 17 | Performing financing to financial institutions secured by Level 1 HQLA | - | - | - | - | - |
| 18 | Performing financing to financial institutions secured by non-Level 1 HQLA and unsecured performing financing to financial institutions | 43,363 | 454,410 | 35,715 | 13,980 | 99,999 |
| 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: | - | 2,068,627 | 623,485 | 746,326 | 1,980,433 |
| 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 | - | - | - | 69,896 | 59,412 |
| 24 | Other assets: | | | | | |
| 25 | Physical traded commodities, including gold | - | - | - | - | - |
| 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 | 504,043 | 82,310 | 26,014 | 62,659 | 582,499 |
| 30 | Off Balance Sheet Items | 1,724,557 | 152,362 | 79,361 | - | 109,307 |
| 31 | Total RSF | | | | | 2,877,747 |
| 32 | NSFR (%) | | | | | 106.5% |

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).

2024 (KD'000)

| Impact of 25 bps move upwards | Up to 7 Days | 7 Days to 1 Month | 1 to 3 months | 3 to 6 months | 6 months to 1 Year | Total Impact |
|-------------------------------|--------------|-------------------|---------------|----------------|--------------------|----------------|
| Assets | 1,417 | 1,514 | 3,380 | 1,671 | 700 | 8,684 |
| Liabilities | (1,642) | (1,643) | (2,838) | (2,697) | (1,335) | (10,155) |
| Net Impact | (224) | (129) | 542 | (1,026) | (634) | (1,471) |

2024 (KD'000)

| Impact of 25 bps move downwards | Up to 7 Days | 7 Days to 1 Month | 1 to 3 months | 3 to 6 months | 6 months to 1 Year | Total Impact |
|---------------------------------|--------------|-------------------|---------------|---------------|--------------------|--------------|
| Assets | (1,417) | (1,514) | (3,380) | (1,671) | (700) | (8,684) |
| Liabilities | 1,642 | 1,643 | 2,838 | 2,697 | 1,335 | 10,155 |
| Net Impact | 224 | 129 | (542) | 1,026 | 634 | 1,471 |

2023 (KD'000)

| Impact of 25 bps move upwards | Up to 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 |
| Net Impact | 223 | (197) | 772 | 184 | (64) | 927 |

2023 (KD'000)

| Impact of 25 bps move downwards | Up to 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) |
| Net Impact | (233) | 197 | (772) | (184) | 64 | (927) |

5.5 Equity Risk in the Banking Book

As of 31 December 2024, the Bank's investments in equity positions other than sukuk amounted to KD 208,411 thousand (31 December 2023: KD 171,884 thousand) as detailed below:

| Investment types | 2024 (KD'000) | 2023 (KD'000) |
|-------------------------------|------------------|------------------|
| Quoted equity security | 3,657 | 15,557 |
| Unquoted equity security | 9,497 | 9,631 |
| Unquoted Portfolios and Funds | 175,596 | 134,288 |
| Other unquoted investments | 19,661 | 12,408 |
| Total | 208,411 | 171,884 |

All equity investments are recorded at fair value.

During the year 2024, the Bank did not record realized losses from sale of equity investments (2023: KD Nil thousand) in the income statement and recorded unrealized losses from change in fair value of the quoted securities amounting to KD 134 thousand (31 December 2023: losses of KD 1,750 thousand) in the other comprehensive income.

The minimum required capital for equity investment as at 31 December 2024 was KD 16,482 thousand (31 December 2023: KD 13,239 thousand).

5.6 Operational Risks

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

5.6.1 Operational Risk Frameworks

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

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

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

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

SIXTH: INVESTMENT ACCOUNTS

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

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

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

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

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

2024

| SN | Account Category | Q1 | Q2 | Q3 | Q4 |
|----|------------------|---------|--------|--------|--------|
| 1 | Saving accounts | 1.4936% | 1.483% | 1.502% | 1.586% |

2023

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

SEVENTH: SHARIA REGULATIONS

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

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

Sharia Board remuneration for the year ended 31 December 2024 amounted to KD 60 thousand (31 December 2023: KD 60 thousand).

EIGHTH: BANK'S REMUNERATION POLICIES

Board Nominations & Remunerations Committee

The Committee is chaired by Mrs. Mai Muhalhal 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:

- 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 2024 (31 December 2023: KD 87.250 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.
2. 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.
3. Material Risk Takers: Total compensations paid to this category include basic salaries, benefits and allowances as well as end-of-service benefits, and this category includes Top Management, Groups and Departments Heads, with financial authorities who delegate responsibilities to their staff members but still have the ultimate responsibility and accountability for the risks taken.

Warba Bank sets a Compensation Policy that provides fair, equitable and competitive compensation for its employees; encouraging and rewarding high performance; attracting individuals of the right caliber, qualifications and experience for the positions in the Bank; and providing flexibility to adapt to business market changes and requirements in a structured and standardized manner.

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 2024, (2023: No employees were awarded remunerations on signing employment contracts (sign-on awards)).

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

2024

| SN | Total value of remuneration awards for the current fiscal year | Unrestricted (in KD) | Deferred (in KD) |
|--------------|----------------------------------------------------------------|-------------------------|---------------------|
| | Fixed remuneration | - | - |
| 1 | Cash-based | 2,131,500 | - |
| 2 | Shares and share-linked instruments | - | - |
| 3 | Other | 63,415 | - |
| | Variable remuneration | - | - |
| 4 | Cash-based | 1,274,779 | 188,470 |
| 5 | Shares and share-linked instruments | - | - |
| 6 | Other | 49,868 | - |
| Total | | 3,519,563 | 188,470 |

2023

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

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

2024

| SN | Total value of remuneration awards for the current fiscal year | Unrestricted (in KD) | Deferred (in KD) |
|--------------|----------------------------------------------------------------|----------------------|------------------|
| | Fixed remuneration | | |
| 1 | Cash-based | 1,977,534 | - |
| 2 | Shares and share-linked instruments | | - |
| 3 | Other | 74,560 | - |
| | Variable remuneration | | |
| 4 | Cash-based | 1,204,236 | 197,025 |
| 5 | Shares and share-linked instruments | - | - |
| 6 | Other | 96,218 | - |
| Total | | 3,352,549 | 197,025 |

2023

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

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

2024

| 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 | 17 | - | 3,519,563 |
| 2 | Material Risk Takers | 16 | - | 3,352,549 |
| 3 | Financial & Control Functions | 13 | - | 1,311,808 |

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 |

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FINANCIAL STATEMENTS & INDEPENDENT AUDITORS REPORT

124

INDEPENDENT
EXTERNAL
AUDITORS' REPORT

130

CONSOLIDATED
STATEMENT OF
FINANCIAL POSITION

131

CONSOLIDATED
STATEMENT OF
PROFIT OR LOSS

132

CONSOLIDATED
STATEMENT OF
COMPREHENSIVE
INCOME

133

CONSOLIDATED
STATEMENT OF
CHANGES IN EQUITY

134

CONSOLIDATED
STATEMENT OF
CASH FLOWS

135

NOTES TO THE
CONSOLIDATED
FINANCIAL
STATEMENTS

INDEPENDENT EXTERNAL AUDITORS' REPORT



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**Ernst & Young
Al Aiban, Al Osaimi & Partners**
P.O. Box 74
Burj Alshaya, 16th & 17th Floor
Al Soor Street, Mirqab
Safat 13001, State of Kuwait

Tel: +965 2295 5000
+965 2245 2880
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/Mena



KPMG Al-Qenae & Partners
Al Hamra Tower, 25th Floor
Abdulaziz Al Saqr Street
P.O Box 24, Safat 13001
State of Kuwait
+965 2228 7000

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 2024, 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, 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.

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 based on IFRS 9, determined in accordance with the CBK guidelines, 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.



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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 2024 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditors' report thereon. 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 2024 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 Accounting Standards 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.



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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.
- ▶ Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate 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.



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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 2024 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2024 that might have had a material effect on the business of the Bank or on its financial position.

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

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

10 February 2025
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

| | Notes | 2024 KD'000 | 2023 KD'000 |
|-------------------------------------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Cash and bank balances | 3 | 456,581 | 207,811 |
| Placements with banks and the CBK | | 385,084 | 425,786 |
| Financing receivables | 4 | 3,642,603 | 3,452,952 |
| Financial assets at fair value through profit or loss | 5 | 198,914 | 162,253 |
| Financial assets at fair value through other comprehensive income | 6 | 381,560 | 369,934 |
| Investment in joint ventures | 7 | 118,791 | 119,271 |
| Investment properties | 8 | 39,544 | 1,675 |
| Other assets | | 52,215 | 76,514 |
| Property and equipment | | 18,480 | 16,013 |
| TOTAL ASSETS | | 5,293,772 | 4,832,209 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Due to banks and other financial institutions | 9 | 1,332,641 | 1,162,849 |
| Depositors' accounts | 10 | 3,149,067 | 2,907,145 |
| Sukuk issued | 11 | 308,304 | 304,331 |
| Other liabilities | | 92,010 | 66,688 |
| TOTAL LIABILITIES | | 4,882,022 | 4,441,013 |
| EQUITY | | | |
| Share capital | 12 | 218,360 | 206,000 |
| Share premium | | 80,375 | 80,375 |
| Statutory reserve | 12 | 11,225 | 8,871 |
| Fair value reserve | | (2,694) | (4,517) |
| Foreign currency translation reserve | | 579 | 1,175 |
| Retained earnings | | 14,995 | 11,124 |
| | | 322,840 | 303,028 |
| Proposed dividend | 12 | 13,102 | 12,360 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK | | 335,942 | 315,388 |
| Perpetual Tier 1 Sukuk | 13 | 75,808 | 75,808 |
| TOTAL EQUITY | | 411,750 | 391,196 |
| TOTAL LIABILITIES AND EQUITY | | 5,293,772 | 4,832,209 |

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.



Hamad M. Al Sayer
Chairman



Shaheen H. Al Ghanem
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

| | | 2024 | 2023 |
|-------------------------------------------------------------------------------|-------|------------------|-----------|
| | Notes | KD'000 | KD'000 |
| Placements and finance income | | 244,859 | 224,809 |
| Finance costs and distribution to depositors | | (190,070) | (180,782) |
| Net finance income | | 54,789 | 44,027 |
| Net investment income | 14 | 10,607 | 10,845 |
| Net fees and commission income | 15 | 7,734 | 5,283 |
| Other income | | 2,728 | 3,074 |
| Foreign exchange gain | | 4,448 | 893 |
| Net operating income | | 80,306 | 64,122 |
| Staff costs | | (29,124) | (26,448) |
| General and administrative expenses | | (9,707) | (8,709) |
| Depreciation expense | | (7,526) | (5,783) |
| Net operating expenses | | (46,357) | (40,940) |
| Net operating profit before provision for impairment and credit losses | | 33,949 | 23,182 |
| Provision for impairment and credit losses | 16 | (10,408) | (2,508) |
| Profit before tax and board of directors' remuneration | | 23,541 | 20,674 |
| Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | | (212) | (186) |
| National Labour Support Tax (NLST) | | (618) | (543) |
| Zakat | | (243) | (212) |
| Board of directors' remuneration | | (66) | (66) |
| NET PROFIT FOR THE YEAR | | 22,402 | 19,667 |
| BASIC AND DILUTED EARNINGS PER SHARE (EPS) | 17 | 8.85 fils | 7.60 fils |

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

| | | 2024 | 2023 |
|-------------------------------------------------------------------------------------------------------|-------|----------------|---------|
| | Notes | KD'000 | KD'000 |
| Net profit for the year | | 22,402 | 19,667 |
| Other comprehensive income (loss) | | | |
| 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 | | 4,087 | 7,245 |
| Changes in allowance for expected credit losses | 16 | (93) | 212 |
| Reclassification to profit or loss | 14 | (1,599) | (336) |
| Net gains on debt instruments at fair value through other comprehensive income | | 2,395 | 7,121 |
| Exchange differences on translation of foreign operations | | (554) | 1,415 |
| Share of other comprehensive loss of investment in joint venture | 7 | (438) | (129) |
| Net exchange differences recycled to profit or loss on derecognition of investment in a joint venture | | (42) | 36 |
| Total items that are or may be reclassified to profit or loss | | 1,361 | 8,443 |
| Other comprehensive loss 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 | | (134) | (1,750) |
| Total items that will not be reclassified to profit or loss | | (134) | (1,750) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | 1,227 | 6,693 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 23,629 | 26,360 |

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

| | Share capital | Share premium | Statutory reserve | Fair value reserve | Foreign currency translation reserve | Retained earnings | Sub-total | Proposed dividend | Equity attributable to shareholders of the Bank | Perpetual Tier 1 Sukuk | Total equity |
|-------------------------------------------------------|----------------|---------------|-------------------|--------------------|--------------------------------------|-------------------|----------------|-------------------|-------------------------------------------------|------------------------|----------------|
| | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 |
| As at 1 January 2024 | 206,000 | 80,375 | 8,871 | (4,517) | 1,175 | 11,124 | 303,028 | 12,360 | 315,388 | 75,808 | 391,196 |
| Net profit for the year | - | - | - | - | - | 22,402 | 22,402 | - | 22,402 | - | 22,402 |
| Other comprehensive income (loss) | - | - | - | 1,823 | (596) | - | 1,227 | - | 1,227 | - | 1,227 |
| Total comprehensive income for the year (loss) | - | - | - | 1,823 | (596) | 22,402 | 23,629 | - | 23,629 | - | 23,629 |
| Issue of bonus shares (Note 12) | 12,360 | - | - | - | - | - | 12,360 | (12,360) | - | - | - |
| Cash dividends (Note 12) | - | - | - | - | - | - | - | - | - | - | - |
| Transferred to the statutory reserve (Note 12) | - | - | 2,354 | - | - | (2,354) | - | - | - | - | - |
| Profit paid on Perpetual Tier 1 Sukuk (Note 13) | - | - | - | - | - | (3,075) | (3,075) | - | (3,075) | - | (3,075) |
| Proposed dividend (Note 12) | - | - | - | - | - | (13,102) | (13,102) | 13,102 | - | - | - |
| At 31 December 2024 | 218,360 | 80,375 | 11,225 | (2,694) | 579 | 14,995 | 322,840 | 13,102 | 335,942 | 75,808 | 411,750 |
| As at 1 January 2023 | 200,000 | 80,375 | 6,803 | (9,759) | (276) | 8,966 | 286,109 | 12,000 | 298,109 | 75,808 | 373,917 |
| 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 | - | - | - |
| At 31 December 2023 | 206,000 | 80,375 | 8,871 | (4,517) | 1,175 | 11,124 | 303,028 | 12,360 | 315,388 | 75,808 | 391,196 |

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

| | Notes | 2024 KD'000 | 2023 KD'000 |
|----------------------------------------------------------------|-------|-----------------|----------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax and board of directors' remuneration | | 23,541 | 20,674 |
| <i>Adjustments for:</i> | | | |
| Net investment income | 14 | (10,607) | (10,845) |
| Gain on de-recognition of leases | | (230) | - |
| Provision for employees' end of service benefits | | 1,438 | 1,227 |
| Depreciation expense | | 7,526 | 5,783 |
| Provision for impairment and credit losses | 16 | 10,408 | 2,508 |
| | | 32,076 | 19,347 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Placements with banks and the CBK | | 25,920 | (41,730) |
| Financing receivables | | (197,640) | (307,840) |
| Other assets | | 23,828 | (7,518) |
| Due to banks and other financial institutions | | 169,792 | 370,083 |
| Depositors' accounts | | 241,922 | 232,663 |
| Other liabilities | | 25,789 | 10,271 |
| End of service benefits paid | | (261) | (269) |
| Taxes paid | | (1,124) | (743) |
| Net cash flows from operating activities | | 320,302 | 274,264 |
| INVESTING ACTIVITIES | | | |
| Purchase/ capital contributions of financial assets at FVTPL | | (47,723) | (27,505) |
| Proceeds from sale/ redemption of financial assets at FVTPL | | 19,907 | 6,753 |
| Purchase of financial assets at FVOCI | | (289,377) | (205,014) |
| Proceeds from sale of financial assets at FVOCI | | 280,530 | 137,772 |
| Additions to investment in joint ventures | | (13,949) | (15,338) |
| Proceeds from sale/ redemption of investment in joint ventures | | 3,854 | 578 |
| Purchase of an investment property | | (35,931) | - |
| Proceeds from sale of an investment property | | - | 1,650 |
| Purchase of property and equipment | | (5,507) | (3,338) |
| Dividends received from financial assets | | 5,871 | 4,241 |
| Other investment income received | | 331 | 502 |
| Distributions received from joint ventures | | 1,159 | 4,463 |
| Rental income received | | 447 | 83 |
| Net cash flows used in investing activities | | (80,388) | (95,153) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issuance of Sukuk | | 152,950 | - |
| Repayment of Sukuk | | (152,450) | - |
| Payment of lease liabilities | | (3,400) | (4,487) |
| Profit paid to holders of Perpetual Tier 1 Sukuk | | (3,075) | (3,081) |
| Cash dividends paid | 12 | - | (5,150) |
| Net cash flows used in financing activities | | (5,975) | (12,718) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 233,939 | 166,393 |
| Cash and cash equivalents at 1 January | | 468,862 | 302,469 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 3 | 702,801 | 468,862 |
| Additional information on operational cash flows | | | |
| Finance costs paid | | (189,874) | (169,896) |
| Finance income received | | 258,703 | 215,723 |

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

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 Sharia, as approved by the Bank’s Sharia Supervisory Board.

The annual general assembly meeting (“AGM”) of the shareholders of the Bank held on 31 March 2024 approved the consolidated financial statements for the year ended 31 December 2023. 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.

The consolidated financial statements of the Bank and its wholly owned special purpose vehicles (collectively, the “Group”) for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 12 January 2025. 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 Accounting Standards”) as issued by International Accounting Standards Board (IASB) with the following amendments:

- i. 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 Accounting Standards 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 2024. 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 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

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

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

an electronic payment system before the settlement date

- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Group is currently not intending to early adopt the Amendments.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Group is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Group is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Group is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the consolidated financial statements, however, the assessment is yet to be concluded.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements.

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.

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 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; 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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.4.1 Basis of consolidation (continued)

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

| Name of subsidiary | Principal activities | Country of incorporation | Equity interest % | |
|---------------------------------|---------------------------------------------------|--------------------------|-------------------|------|
| | | | 2024 | 2023 |
| Themar Al Omania Company L.L.C. | Real estate | Sultanate of Oman | 100 | 100 |
| Warba Tier 1 (2) Sukuk Limited | Financial securities | Cayman Islands | 100 | 100 |
| Warba Advisory Ltd. | Corporate Management Services | Cayman Islands | 100 | 100 |
| Nasima Tower Investment L.L.C. | Investment in Commercial Enterprises & Management | United Arab Emirates | 100 | - |

2.4.2 Financial instruments – initial recognition

2.4.2.1 Date of recognition

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

2.4.2.2 Initial measurement of financial instruments

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

2.4.2.3 Day 1 profit or loss

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

2.4.2.4 Determining the classification and measurement of financial assets and liabilities

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

Cash and cash equivalents

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

Placements with banks, financing receivables, financial investments at amortised cost

The 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;

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 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.

Ijara

The lease contract is concluded between the Group (the lessor) and the customer (the lessee), whereby the Group achieves a return 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

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)

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).

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 judgment 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.

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

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

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities (and assets until 1 January 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities (and assets until 1 January 2018 under IAS 39) contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial liabilities other than at fair value through profit or loss

These financial liabilities are subsequently measured at amortised cost using the effective profit 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.

2.4.3 Financial instruments - Derecognition of financial assets and liabilities

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

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

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

De-recognition due to substantial modification or terms and conditions

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

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

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

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.

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)

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 Accounting Standards as adopted by CBK for use by the State of Kuwait.

Presentation of allowance for ECL in the consolidated statement of financial position

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

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, commodity price index and equity price index and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgment 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 judgment of a customer's financial and/or non-financial circumstances.

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

2.4.5 Write-offs

Financial assets are written off either partially or in their entirety only when the 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).

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.

2.4.10 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 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.

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.

2.4.16 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 212 thousand included under other liabilities in the consolidated statement of financial position which will be 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.

2.4.22 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 judgments, 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 judgments 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.

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 judgment and/or estimates are collated below with respect to judgments/estimates involved.

2.5.1 Significant judgments

Consolidation of wholly owned special purpose vehicles

A wholly owned special purpose vehicle is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group consolidates the structured entities that it controls, as explained in Note 2.4.1. When making this judgment, 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 judgment 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 judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

2.5.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investment in joint ventures

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

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

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

Impairment losses on financing receivables – as per CBK guidelines

The Group reviews its financing receivables on a regular basis to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

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 and Note 23.

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:

| | 2024 KD'000 | 2023 KD'000 |
|--------------------------------------------------------------------------------|----------------|----------------|
| Cash | 5,953 | 9,382 |
| Current account with CBK | 407,192 | 163,937 |
| Current accounts with commercial banks | 43,436 | 34,492 |
| Total cash and bank balances | 456,581 | 207,811 |
| Placements with the CBK whose original maturity is within three months or less | 107,192 | 124,232 |
| Placements with banks whose original maturity is within three months or less | 139,028 | 136,819 |
| Total cash and cash equivalents | 702,801 | 468,862 |

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.

| | 2024 KD'000 | 2023 KD'000 |
|-------------------------------------------------------|------------------|----------------|
| Murabaha receivables | 3,316,359 | 3,136,581 |
| Ijara receivables | 609,399 | 558,990 |
| Wakala receivables | 9,395 | 23,425 |
| Others | 21,497 | 33,614 |
| Less: deferred profit | (219,899) | (204,857) |
| Financing receivables before provision for impairment | 3,736,751 | 3,547,753 |
| Less: Provision for impairment as per CBK guidelines | (94,148) | (94,801) |
| | 3,642,603 | 3,452,952 |

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

| | 2024 KD'000 | 2023 KD'000 |
|-------------------------------------------------------|------------------|----------------|
| Corporate | 2,333,110 | 2,185,508 |
| Individuals | 1,403,641 | 1,362,245 |
| Financing receivables before provision for impairment | 3,736,751 | 3,547,753 |
| Less: Provision for impairment as per CBK guidelines | (94,148) | (94,801) |
| | 3,642,603 | 3,452,952 |

During the year, the Group has recovered KD 2,281 thousand from written off deals in the prior years (2023: KD 2,981 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 6,771 thousand (2023: KD 5,414 thousand) is included under other liabilities in the consolidated statement of financial position.

4. FINANCING RECEIVABLES (continued)

Movement in provision for impairment as per CBK instructions for cash and non-cash facilities is as follows:

| | 31 December 2024 | | |
|--------------------------------------------------------|--------------------|-------------------|----------------|
| | Specific provision | General provision | Total |
| | KD'000 | KD'000 | KD'000 |
| Cash facilities | | | |
| As at 1 January 2024 | 10,040 | 84,761 | 94,801 |
| Provision charged during the year | 6,225 | 1,764 | 7,989 |
| Written off balances during the year | (8,658) | - | (8,658) |
| Foreign currency movement | - | 16 | 16 |
| At 31 December 2024 | <u>7,607</u> | <u>86,541</u> | <u>94,148</u> |
| Non-cash facilities | | | |
| As at 1 January 2024 | 3,753 | 1,661 | 5,414 |
| Provision charged during the year | 825 | 542 | 1,367 |
| Foreign currency movement | - | (10) | (10) |
| At 31 December 2024 | <u>4,578</u> | <u>2,193</u> | <u>6,771</u> |
| Total facilities | | | |
| As at 1 January 2024 | 13,793 | 86,422 | 100,215 |
| Provision charged during the year (Note 16) | 7,050 | 2,306 | 9,356 |
| Written off balances during the year | (8,658) | - | (8,658) |
| Foreign currency movement | - | 6 | 6 |
| At 31 December 2024 | <u>12,185</u> | <u>88,734</u> | <u>100,919</u> |
| 31 December 2023 | | | |
| | Specific provision | General provision | Total |
| | KD'000 | KD'000 | KD'000 |
| Cash facilities | | | |
| As at 1 January 2023 | 14,100 | 81,313 | 95,413 |
| Provision (reversed) charged during the year | (2,156) | 3,426 | 1,270 |
| Written off balances during the year | (1,904) | - | (1,904) |
| Foreign currency movement | - | 22 | 22 |
| At 31 December 2023 | <u>10,040</u> | <u>84,761</u> | <u>94,801</u> |
| Non-cash facilities | | | |
| As at 1 January 2023 | 4,470 | 1,107 | 5,577 |
| Provision (reversed) charged during the year | (717) | 554 | (163) |
| At 31 December 2023 | <u>3,753</u> | <u>1,661</u> | <u>5,414</u> |
| Total facilities | | | |
| As at 1 January 2023 | 18,570 | 82,420 | 100,990 |
| Provision (reversed) charged during the year (Note 16) | (2,873) | 3,980 | 1,107 |
| Written off balances during the year | (1,904) | - | (1,904) |
| Foreign currency movement | - | 22 | 22 |
| At 31 December 2023 | <u>13,793</u> | <u>86,422</u> | <u>100,215</u> |

4. FINANCING RECEIVABLES (continued)

An analysis of the carrying amounts of financing receivables (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 2024 | | | |
|------------------------------|------------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Financing receivables | | | | |
| High | 1,752,086 | 29,674 | - | 1,781,760 |
| Standard | 1,522,850 | 150,462 | - | 1,673,312 |
| Past due or impaired | 103,875 | 133,419 | 44,385 | 281,679 |
| | <u>3,378,811</u> | <u>313,555</u> | <u>44,385</u> | <u>3,736,751</u> |

| | As at 31 December 2023 | | | |
|------------------------------|------------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Financing receivables | | | | |
| High | 1,597,217 | 65,792 | - | 1,663,009 |
| Standard | 1,487,564 | 167,147 | 14,965 | 1,669,676 |
| Past due or impaired | 122,834 | 69,301 | 22,933 | 215,068 |
| | <u>3,207,615</u> | <u>302,240</u> | <u>37,898</u> | <u>3,547,753</u> |

An analysis of the changes in the ECL in relation to financing receivables (cash facilities) computed under IFRS 9 in accordance to the CBK guidelines is as follows:

| | 31 December 2024 | | | |
|----------------------------------------|------------------|--------------|---------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| ECL allowance as at 1 January 2024 | 14,257 | 9,950 | 16,048 | 40,255 |
| Transfer from Stage 1 | (396) | 174 | 222 | - |
| Transfer from Stage 2 | 1,066 | (4,902) | 3,836 | - |
| Transfer from Stage 3 | 263 | 2,104 | (2,367) | - |
| (Reversal) additional ECL for the year | (2,241) | 2,155 | 22,800 | 22,714 |
| Amounts written off | - | - | (8,658) | (8,658) |
| At 31 December 2024 | <u>12,949</u> | <u>9,481</u> | <u>31,881</u> | <u>54,311</u> |

| | 31 December 2023 | | | |
|----------------------------------------|------------------|--------------|---------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| ECL allowance as at 1 January 2023 | 14,338 | 9,897 | 17,992 | 42,227 |
| Transfer from Stage 1 | (475) | 421 | 54 | - |
| Transfer from Stage 2 | 820 | (1,086) | 266 | - |
| Transfer from Stage 3 | 269 | 508 | (777) | - |
| (Reversal) additional ECL for the year | (695) | 210 | 417 | (68) |
| Amounts written off | - | - | (1,904) | (1,904) |
| At 31 December 2023 | <u>14,257</u> | <u>9,950</u> | <u>16,048</u> | <u>40,255</u> |

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 2024 | | | |
|----------------------------|------------------------|---------------|---------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Non-cash facilities | | | | |
| High | 200,912 | 1,188 | - | 202,100 |
| Standard | 181,949 | 64,697 | - | 246,646 |
| Past due or impaired | - | - | 15,926 | 15,926 |
| | <u>382,861</u> | <u>65,885</u> | <u>15,926</u> | <u>464,672</u> |

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

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:

| | As at 31 December 2024 | | | |
|----------------------------------------|------------------------|--------------|---------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| ECL allowance as at 1 January 2024 | 2,249 | 2,959 | 3,768 | 8,976 |
| Transfer from Stage 1 | (47) | 47 | - | - |
| Transfer from Stage 2 | 88 | (1,366) | 1,278 | - |
| Transfer from Stage 3 | 2 | - | (2) | - |
| (Reversal) additional ECL for the year | (68) | 2,470 | 11,861 | 14,263 |
| At 31 December 2024 | <u>2,224</u> | <u>4,110</u> | <u>16,905</u> | <u>23,239</u> |

| | As at 31 December 2023 | | | |
|----------------------------------------|------------------------|--------------|--------------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | KD 000 | KD 000 | KD 000 | KD 000 |
| 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) |
| At 31 December 2023 | <u>2,249</u> | <u>2,959</u> | <u>3,768</u> | <u>8,976</u> |

The expected credit losses calculated as per IFRS 9 according to the CBK guidelines amounted to KD 77,550 thousand as of 31 December 2024 (2023: KD 49,231 thousand), which is less than provisions computed as required by the CBK guidelines amounting to KD 100,919 thousand as of 31 December 2024 (2023: KD 100,215 thousand).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2024 KD'000 | 2023 KD'000 |
|-----------------------------|----------------|----------------|
| Equity instruments - quoted | 3,657 | 15,557 |
| Funds - unquoted | 193,470 | 141,925 |
| Other securities - unquoted | 1,787 | 4,771 |
| | 198,914 | 162,253 |

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

| | 2024 KD'000 | 2023 KD'000 |
|-----------------------------|----------------|----------------|
| Quoted Sukuk | 372,063 | 360,303 |
| Unquoted equity instruments | 9,497 | 9,631 |
| | 381,560 | 369,934 |

During the year ended 31 December 2024, 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 reversed ECL of KD 93 thousand (2023: charge of KD 212 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:

| | As at 31 December 2024 | | | |
|------------------------------------------------------------------------------|------------------------|-------------------|-------------------|-----------------|
| | Stage 1 KD'000 | Stage 2 KD'000 | Stage 3 KD'000 | Total KD'000 |
| Gross carrying amount as at 1 January 2024 | 328,618 | 31,685 | - | 360,303 |
| New assets purchased (payments and assets derecognised during the year), net | 11,577 | (1,849) | - | 9,728 |
| Fair value and exchange movements | 1,435 | 597 | - | 2,032 |
| At 31 December 2024 | 341,630 | 30,433 | - | 372,063 |

| | As at 31 December 2024 | | | |
|---------------------------------------|------------------------|-------------------|-------------------|-----------------|
| | Stage 1 KD'000 | Stage 2 KD'000 | Stage 3 KD'000 | Total KD'000 |
| ECL allowance as at 1 January 2024 | 613 | 572 | - | 1,185 |
| Impact due to purchase/de-recognition | 81 | 27 | - | 108 |
| Re-measurement of ECL | 105 | (306) | - | (201) |
| At 31 December 2024 | 799 | 293 | - | 1,092 |

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

| | 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 |
| At 31 December 2023 | <u>328,618</u> | <u>31,685</u> | <u>-</u> | <u>360,303</u> |

| | 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) | - | (276) |
| At 31 December 2023 | <u>613</u> | <u>572</u> | <u>-</u> | <u>1,185</u> |

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 Accounting Standards financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

| | 2024 KD'000 | 2023 KD'000 |
|------------------------------------------------------------------|----------------|----------------|
| As at 1 January | 119,271 | 107,880 |
| Net additions | 10,334 | 14,768 |
| Redemption | (692) | - |
| Share of results (Note 14) | (7,972) | (200) |
| Distributions received | (1,159) | (4,463) |
| Foreign currency translation adjustment | (553) | 1,415 |
| Share of other comprehensive loss of investment in joint venture | (438) | (129) |
| As at 31 December | <u>118,791</u> | <u>119,271</u> |

The major joint ventures of the Group are as follows:

| Name of joint venture | Principal activities | Country of incorporation | Equity interest % | |
|-----------------------------|------------------------|--------------------------|-------------------|------|
| | | | 2024 | 2023 |
| 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 | 98 |
| Attiva Malone | Real Estate Investment | USA | 98 | 98 |
| Tapestry Westland Property | Real Estate Investment | USA | 57 | 98 |
| Project Canyon | Real Estate Investment | USA | 86 | - |
| GCM Infinium | Real Estate Investment | UK | 99 | 99 |

7. INVESTMENT IN JOINT VENTURES (continued)

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

| | 2024 | 2023 |
|-----------------------------------------------------------------------------------|----------------|----------------|
| | KD'000 | KD'000 |
| Summarised statement of financial position of the joint ventures: | | |
| Current assets | 15,280 | 10,020 |
| Non-current assets | 131,234 | 141,978 |
| Current liabilities | (1,378) | (6,972) |
| Equity | 145,136 | 145,026 |
| Group's share in equity | 118,791 | 119,271 |
| Group's carrying amount of the investment | 118,791 | 119,271 |
| Summarised consolidated statement of profit or loss of the joint ventures: | | |
| Revenue | (9,543) | (10) |
| Administrative and other expenses | (222) | (191) |
| Loss for the year | (9,765) | (201) |
| Group's share of loss for the year | (7,972) | (200) |
| Share of other comprehensive loss | (438) | (129) |

The joint ventures had no capital commitments as at 31 December 2024 (2023: KD Nil) and no contingent liabilities as at 31 December 2024 and 2023.

8. INVESTMENT PROPERTIES

| | 2024 | 2023 |
|----------------------------------------------------------|---------------|--------------|
| | KD'000 | KD'000 |
| Opening balance at 1 January | 1,675 | 16,193 |
| Additions during the year | 35,931 | - |
| Sale during the year | - | (14,600) |
| Fair value adjustment to investment properties (Note 14) | 1,938 | 82 |
| Closing balance at 31 December | 39,544 | 1,675 |

During the year, the Bank has recognized a property for an amount of KD 35,931 thousand being the approximate fair value at the date of recognition through a wholly owned special purpose vehicle located in the UAE in a settlement of financing receivable balance due from one of the Bank's customers.

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 KD 1,938 thousand compared to its carrying values as at 31 December 2024 (2023: increase of KD 82 thousand).

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

8. INVESTMENT PROPERTIES (continued)

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.

| | 2024 | 2023 |
|----------------------------------------------------------------|--------|--------|
| | KD'000 | KD'000 |
| Rental income derived from investment properties | 447 | 94 |
| Direct operating expenses | (47) | (67) |
| Net rental income arising from investment properties (Note 14) | 400 | 27 |

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.

The fair value hierarchy of investment properties are disclosed in Note 23.

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 Murabaha and Wakala deposits, which have fixed maturity as specified in the term of the contract except for investment saving accounts and Mudaraba which are valid for an unlimited period.

11. SUKUK ISSUED

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).

On 10 July 2024, the Bank completed the issuance of an unsecured Sukuk (senior debt) amounting to US\$ 500 million (KD 154 million) with a tenor of up to 5 years maturing on 10 July 2029. Such Sukuk has a fixed coupon rate of 5.351% per annum, payable semi-annually in arrears. The Sukuk is listed on the London Stock Exchange International Securities Market and NASDAQ Dubai.

The unsecured Sukuk (senior debt) amounting to US\$ 500 million (KD 152 million) that was issued on 24 September 2019 has matured on 24 September 2024.

12. EQUITY

Share capital

The authorised, issued, and fully paid-up share capital as at 31 December 2024 comprise of 2,183,600 thousand shares (2023: 2,060,000 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 2,354 thousand was transferred to the statutory reserve during the year ended 31 December 2024 (2023: KD 2,068 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 31 March 2024 approved dividends of 6% bonus shares amounting to KD 12,360 thousand to the Bank's shareholders for the year ended 31 December 2023 (2023: 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).
- The shareholders of the Bank at the extra-ordinary general assembly ("EGM") held on 8 April 2024 approved the increase of Bank's authorised, issued, and fully paid share capital by issuing 123,600 thousand bonus shares at 6% of the authorised and paid-up share capital (i.e. 6 shares for each 100 shares) amounting to KD 12,360 thousand to the shareholders registered in the Bank's records as at the end of the record date on 9 May 2024. The legal proceedings relating to the issuance of bonus shares have been completed during the year. The increase in share capital was reflected in the commercial registration on 22 April 2024.
- The Board of Directors recommended distribution of 6% bonus shares (2023: 6% bonus shares) on outstanding shares as at 31 December 2024. 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.

On 29 November 2021, the Bank, through a Sharia 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 28 May 2024 and 26 November 2024.

14. NET INVESTMENT INCOME

| | 2024 KD'000 | 2023 KD'000 |
|--------------------------------------------------------------------------------------------|----------------|----------------|
| Realised gain on sale of debt instruments at fair value through other comprehensive income | 1,599 | 336 |
| Share of results of investment in joint ventures (Note 7) | (7,972) | (200) |
| Dividend income | 5,871 | 4,241 |
| Net rental income from investment properties (Note 8) | 400 | 27 |
| Gain on sale of investment property | - | 1,900 |
| Fair value adjustment to financial assets at fair value through profit or loss | 8,845 | 1,158 |
| Fair value adjustment to investment properties (Note 8) | 1,938 | 82 |
| Loss on sale of joint ventures | (410) | (28) |
| Other investment income | 336 | 3,329 |
| | 10,607 | 10,845 |

15. NET FEES AND COMMISSION INCOME

Net fees and commission income includes financing syndication fees earned on the successful completion of syndicated deals by the Group amounting to KD 1,897 thousand (2023: KD 2,005 thousand).

16. PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

| | 2024 KD'000 | 2023 KD'000 |
|--------------------------------------------------------------------------------------|----------------|----------------|
| (Reversal of) provision for expected credit losses for investments in Sukuk (Note 6) | (93) | 212 |
| (Reversal of) provision for expected credit losses for placements with banks | (49) | 55 |
| Provision for impairment as per CBK guidelines on credit facilities (Note 4) | 9,356 | 1,107 |
| Impairment on other assets | 1,194 | 1,134 |
| | 10,408 | 2,508 |

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.

| | 2024 | 2023 (Restated)* |
|---------------------------------------------------------|------------------|---------------------|
| Net profit for the year (KD'000) | 22,402 | 19,667 |
| Less: profit payment on Perpetual Tier 1 Sukuk (KD'000) | (3,075) | (3,081) |
| | <u>19,327</u> | <u>16,586</u> |
| Weighted average number of shares outstanding ('000) | <u>2,183,600</u> | <u>2,183,600</u> |
| Basic and diluted EPS (fils) | <u>8.85</u> | <u>7.60</u> |

* The comparative basic and diluted EPS has been restated to reflect the impact of bonus shares issued in 2024.

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.

| | 2024 KD'000 | 2023 KD'000 |
|--------------------------|----------------|----------------|
| Salaries and benefits | 3,452 | 3,541 |
| End of service benefits | 185 | 187 |
| Directors' remuneration* | 544 | 544 |
| | <u>4,181</u> | <u>4,272</u> |

* 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 2024 is subject to the approval of the annual general assembly meeting (AGM).

The AGM of the shareholders of the Bank held on 31 March 2024 approved directors' remuneration for the year ended 31 December 2023 amounting to KD 66 thousand (2022: KD 66 thousand).

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, major shareholders or joint ventures | | Number of related parties | | Outstanding balance | |
|-----------------------------------------------|---------------------------------------------------------------------------------|------|---------------------------|------|---------------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 KD'000 | 2023 KD'000 |
| Board Members | | | | | | |
| Financing facilities (secured) | - | 1 | - | - | - | 2 |
| Credit cards | 1 | 1 | 1 | - | 4 | - |
| Depositors' accounts | 8 | 7 | 32 | 27 | 9,457 | 6,417 |
| Contingent liabilities (letter of guarantees) | - | - | 4 | 4 | 1,283 | 734 |
| Executive Officers | | | | | | |
| Financing facilities (secured) | 9 | 7 | - | 1 | 1,159 | 1,307 |
| Credit cards | 3 | 3 | - | - | 5 | 5 |
| Depositors' accounts | 16 | 14 | 16 | 17 | 2,047 | 4,795 |
| Major Shareholders | | | | | | |
| Financing facilities (secured) | - | - | 3 | 2 | 5,497 | 2,527 |
| Depositors' accounts | 3 | 3 | 4 | 4 | 630,045 | 677,367 |
| Contingent liabilities (letter of guarantees) | - | - | 1 | 1 | 169 | 197 |
| Joint Ventures | | | | | | |
| Depositors' accounts | 39 | 39 | - | - | 227 | 382 |

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:

| | 2024 KD'000 | 2023 KD'000 |
|----------------------------------------------|----------------|----------------|
| Board Members | | |
| Net fees and commission income | 14 | 9 |
| Finance costs and distribution to depositors | 222 | 198 |
| Executive Officers | | |
| Placement and finance income | 190 | 175 |
| Finance costs and distribution to depositors | 122 | 190 |
| Major Shareholders | | |
| Placement and finance income | 205 | 126 |
| Net fees and commission income | 9 | 4 |
| Finance costs and distribution to depositors | 28,423 | 32,587 |

19. COMMITMENTS AND CONTINGENT LIABILITIES

| | 2024 | 2023 |
|--------------------------------------|----------------|----------------|
| | KD'000 | KD'000 |
| Acceptances and letters of credit | 102,519 | 71,624 |
| Letter of guarantees | 362,153 | 263,873 |
| Contingent liabilities | 464,672 | 335,497 |
| Capital and other commitments | 246,731 | 200,394 |

As at 31 December 2024, capital and other commitments includes irrevocable commitments to extend credit amounted to KD 147,868 thousand (2023: KD 125,854 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.

20.2 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.

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 22,589 thousand (2023: KD 24,488 thousand) from KD 20,336 thousand (2023: KD 22,098 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 36,094 thousand (2023: KD 39,825 thousand) higher than the reported allowance for credit losses as at 31 December 2024. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

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 15,977 thousand (2023: KD 18,005 thousand) lower than the reported allowance for credit losses on financing receivables.

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 | |
|-----------------------------------------------------------------------------------------|----------------------|------------------|
| | 2024 | 2023 |
| | KD'000 | KD'000 |
| Balances with banks | 450,628 | 198,429 |
| Placements with banks and the CBK | 385,084 | 425,786 |
| Financing receivables | 3,642,603 | 3,452,952 |
| Financial assets at fair value through other comprehensive income (investment in Sukuk) | 372,063 | 360,303 |
| Other assets | 19,662 | 9,467 |
| | 4,870,040 | 4,446,937 |
| Acceptances and letters of credit | 102,026 | 71,267 |
| Letter of guarantees | 355,875 | 258,816 |
| Total | 457,901 | 330,083 |
| Total credit risk exposure | 5,327,941 | 4,777,020 |

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 granted to a single counterparty as at 31 December 2024 amounted to KD 64,544 thousand (2023: KD 86,737 thousand) before taking account of collateral as per the credit concentration instructions from the CBK.

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:

| | 2024 | | 2023 | |
|-----------------------------|------------------|-------------------------|------------------|-------------------------|
| | Financial assets | Off-balance sheet items | Financial assets | Off-balance sheet items |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Geographic region: | | | | |
| Kuwait | 3,886,657 | 399,831 | 3,437,539 | 299,972 |
| Other Middle East Countries | 727,862 | 7,666 | 788,605 | 2,176 |
| Rest of the World | 255,521 | 50,404 | 220,793 | 27,935 |
| | 4,870,040 | 457,901 | 4,446,937 | 330,083 |

| | 2024 | | 2023 | |
|----------------------------------------|------------------|-------------------------|------------------|-------------------------|
| | Financial assets | Off-balance sheet items | Financial assets | Off-balance sheet items |
| | KD'000 | KD'000 | KD'000 | KD'000 |
| Industry sector: | | | | |
| Banks and other financial institutions | 1,425,771 | 42,145 | 1,192,040 | 31,263 |
| Construction and Real Estate | 1,388,824 | 202,799 | 1,368,993 | 154,029 |
| Trading and Manufacturing | 497,819 | 120,727 | 521,868 | 80,120 |
| Personal | 663,396 | - | 629,096 | - |
| Services | 320,187 | 69,564 | 193,876 | 54,435 |
| Other | 574,043 | 22,666 | 541,064 | 10,236 |
| | 4,870,040 | 457,901 | 4,446,937 | 330,083 |

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 2024 and 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 | | | Total KD'000 |
|--------------------------------------------------------------------------------------------|----------------------------------|-------------------------------|-----------------------------------|------------------|
| | High quality KD'000 | Standard quality KD'000 | Past due or impaired KD'000 | |
| | 2024 | | | |
| Balances with banks | 450,628 | - | - | 450,628 |
| Placements with banks and the CBK | 385,157 | - | - | 385,157 |
| Financing receivables | 1,781,760 | 1,673,312 | 281,679 | 3,736,751 |
| Financial assets at fair value through other comprehensive income (investment in Sukuk) | 270,428 | 101,635 | - | 372,063 |
| Other assets | 4,333 | 18,113 | - | 22,446 |
| | <u>2,892,306</u> | <u>1,793,060</u> | <u>281,679</u> | <u>4,967,045</u> |

| | Neither past due nor impaired | | | Total KD'000 |
|--------------------------------------------------------------------------------------------|----------------------------------|-------------------------------|-----------------------------------|------------------|
| | High quality KD'000 | Standard quality KD'000 | Past due or impaired KD'000 | |
| | 2023 | | | |
| 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 |
| | <u>2,560,863</u> | <u>1,767,069</u> | <u>215,068</u> | <u>4,543,000</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 | |
|-----------------------|--------------------------------|----------------------------|----------------------------|-----------------|----------------|
| | 2024 | | | | |
| | Financing receivables | <u>208,799</u> | <u>12,151</u> | <u>7,137</u> | <u>228,087</u> |
| 2023 | | | | | |
| Financing receivables | <u>126,069</u> | <u>17,232</u> | <u>42,288</u> | <u>185,589</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 2024 was KD 348,382 thousand (2023: KD 246,090 thousand). The collaterals consist of cash, securities, sukuk, letters of guarantee, real estate assets and other forms of collateral.

20.3 Market risk

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

Market risk management

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

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.

20. RISK MANAGEMENT (continued)

20.3 Market risk (continued)

20.3.3. Currency risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the KD, with all other variables held constant, on profit or loss and equity (due to changes in fair value and foreign currency translation recognised in OCI).

| Currency | 2024 | | | 2023 | | |
|----------|------------------------------|------------------------------------|----------------------------|------------------------------|------------------------------------|----------------------------|
| | Change in currency rate % | Effect on profit or loss KD'000 | Effect on equity KD'000 | Change in currency rate % | Effect on profit or loss KD'000 | Effect on equity KD'000 |
| USD | +1 | (1,621) | 837 | +1 | (2,736) | 818 |
| EUR | +1 | (72) | 60 | +1 | (221) | 63 |
| GBP | +1 | (338) | 292 | +1 | (238) | 307 |

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 2024 would have increased equity by KD 174 thousand (2023: KD 741 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.

20. RISK MANAGEMENT (continued)
20.4 Liquidity risk (continued)

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.

The maturity profile of assets and liabilities as at 31 December is as follows:

| 2024 | Within 3 months KD'000 | 3 to 6 months KD'000 | 6 to 12 months KD'000 | Over 1 year KD'000 | Total KD'000 |
|-------------------------------------------------------------------|---------------------------|-------------------------|--------------------------|-----------------------|------------------|
| Assets | | | | | |
| Cash and balances with banks | 456,581 | - | - | - | 456,581 |
| Placements with banks and the CBK | 305,524 | 79,560 | - | - | 385,084 |
| Financing receivables | 1,741,871 | 534,256 | 398,939 | 967,537 | 3,642,603 |
| Financial assets at fair value through profit or loss | - | - | - | 198,914 | 198,914 |
| Financial assets at fair value through other comprehensive income | 37,446 | 6,542 | 30,520 | 307,052 | 381,560 |
| Investments in joint ventures | - | - | - | 118,791 | 118,791 |
| Investment properties | - | - | - | 39,544 | 39,544 |
| Other assets | 15,853 | 5,600 | 148 | 30,614 | 52,215 |
| Property and equipment | - | - | - | 18,480 | 18,480 |
| | <u>2,557,275</u> | <u>625,958</u> | <u>429,607</u> | <u>1,680,932</u> | <u>5,293,772</u> |
| Liabilities | | | | | |
| Due to banks and other financial institutions | 915,212 | 111,778 | 121,579 | 184,072 | 1,332,641 |
| Depositors' accounts | 1,835,690 | 820,970 | 415,121 | 77,286 | 3,149,067 |
| Sukuk issued | - | 154,254 | - | 154,050 | 308,304 |
| Other liabilities | 78,491 | - | - | 13,519 | 92,010 |
| | <u>2,829,393</u> | <u>1,087,002</u> | <u>536,700</u> | <u>428,927</u> | <u>4,882,022</u> |

| 2023 | Within 3 months KD'000 | 3 to 6 months KD'000 | 6 to 12 months KD'000 | Over 1 year KD'000 | Total KD'000 |
|-------------------------------------------------------------------|---------------------------|-------------------------|--------------------------|-----------------------|------------------|
| Assets | | | | | |
| Cash and balances with banks | 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 |
| | <u>2,365,636</u> | <u>648,743</u> | <u>320,764</u> | <u>1,497,066</u> | <u>4,832,209</u> |
| Liabilities | | | | | |
| 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 |
| | <u>2,884,805</u> | <u>679,606</u> | <u>491,429</u> | <u>385,173</u> | <u>4,441,013</u> |

20. RISK MANAGEMENT (continued)
20.4 Liquidity risk (continued)

The liquidity profile of financial liabilities of the Group summarised below reflects the cash flows including future interest payments over the life of these financial liabilities based on contractual repayment arrangements. 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 |
|-----------------------------------------------|---------------------------|-------------------------|--------------------------|-----------------------|------------------|
| 2024 | | | | | |
| Due to banks and other financial institutions | 927,921 | 113,814 | 125,319 | 186,664 | 1,353,718 |
| Depositors' accounts | 1,981,432 | 832,874 | 434,545 | 78,433 | 3,327,284 |
| Sukuk issued | 4,122 | 158,191 | - | 161,925 | 324,238 |
| | <u>2,913,475</u> | <u>1,104,879</u> | <u>559,864</u> | <u>427,022</u> | <u>5,005,240</u> |
| | 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 |
| 2023 | | | | | |
| 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 |
| | <u>2,972,011</u> | <u>712,978</u> | <u>514,622</u> | <u>380,337</u> | <u>4,579,948</u> |

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

| | Within 3 months KD'000 | 3 to 12 months KD'000 | Over 1 year KD'000 | Total KD'000 |
|-----------------------------------|---------------------------|--------------------------|-----------------------|-----------------|
| 2024 | | | | |
| Acceptances and letters of credit | 48,879 | 49,028 | 4,612 | 102,519 |
| Letter of guarantees | 362,153 | - | - | 362,153 |
| Capital and other commitments | 147,868 | 98,863 | - | 246,731 |
| | <u>558,900</u> | <u>147,891</u> | <u>4,612</u> | <u>711,403</u> |
| | Within 3 months KD'000 | 3 to 12 months KD'000 | Over 1 year KD'000 | Total KD'000 |
| 2023 | | | | |
| 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 |
| | <u>428,063</u> | <u>102,602</u> | <u>5,226</u> | <u>535,891</u> |

20.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, systems failure, human error, or from external events. When controls fail to perform, it can have legal or regulatory implications, or lead to a financial or reputational loss.

Management of operational risk

The Group has a set of policies approved by the Board and are applied to identify, assess and supervise operational risk in addition to other types of risk relating to the banking and financial activities of the Group. Suitable operational risk procedures have been agreed with various groups and departments of the Group and implemented for effectively reporting, monitoring and controlling operational risks.

Operational risk is managed under the Risk Management Group. This group ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall prudent and robust Risk Management Framework.

The Group manages operational risks in line with the CBK instructions regarding “General Guidelines for Internal Control Systems” and directives regarding “Sound Practices for the Management and Control of Operational Risks”.

The Group has established its Business Continuity Management (“BCM”) policy to meet any internal or external failures and eventualities enabling smooth functioning of the Group’s operations.

The Group has established a Disaster Recovery (“DR”) site for its IT infrastructure, and ensures that the operational risks from any potential disruption do not adversely impact the banking business. The Group pays special attention to operational risks that may arise from non-compliance to Sharia principles and any possible failure in fiduciary responsibilities.

21. SEGMENT INFORMATION

The Group’s operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operating segments meet the criteria for reportable segments and are as follows:

- **Corporate** - comprising of range of banking services and investment products to corporate customers, in addition to providing commodity and real estate Murabaha finance and Ijara facilities.
- **Retail** - comprising of a diversified range of products and services to individual customers. The range includes consumer finance, credit cards, deposits and other branch related services.
- **Treasury** – comprising of Bank’s funding operations management, local and international Murabaha and other Islamic financing primarily with banks and financial institutions.
- **Investment** - comprising of investment in direct equity, real estate investment, other investments, asset management and structured financing.
- **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 |
|-----------------------------|---------------------|------------------|--------------------|----------------------|-----------------|-----------------|
| 2024 | | | | | | |
| Net operating income (loss) | 64,965 | 10,499 | 5,538 | (696) | - | 80,306 |
| Net profit (loss) | 54,944 | (4,234) | 4,803 | (3,776) | (29,335) | 22,402 |
| Total assets | 2,486,184 | 716,738 | 874,019 | 1,154,074 | 62,757 | 5,293,772 |
| Total liabilities | 1,194,671 | 1,258,186 | 2,343,867 | - | 85,298 | 4,882,022 |
| | | | | | | |
| | Corporate KD'000 | Retail KD'000 | Treasury KD'000 | Investment KD'000 | Other KD'000 | Total KD'000 |
| 2023 | | | | | | |
| Net operating income (loss) | 55,355 | 5,438 | 3,378 | (49) | - | 64,122 |
| Net profit (loss) | 47,668 | (6,478) | 2,633 | 2,272 | (26,428) | 19,667 |
| Total assets | 2,328,863 | 649,184 | 672,862 | 1,107,077 | 74,223 | 4,832,209 |
| Total liabilities | 1,000,468 | 1,155,040 | 2,224,172 | - | 61,333 | 4,441,013 |

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 2024 are calculated in accordance with the CBK Circular number 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

| | 2024 KD'000 | 2023 KD'000 |
|--------------------------------------------|------------------|----------------|
| Risk weighted assets | 2,623,355 | 2,483,686 |
| Capital required | 341,036 | 322,879 |
| Capital available | | |
| Common equity Tier 1 "CET1" capital | 335,942 | 318,068 |
| Additional Tier 1 perpetual Sukuk | 74,239 | 74,246 |
| Total Tier 1 capital | 410,181 | 392,314 |
| Total Tier 2 capital | 31,090 | 29,351 |
| Total capital available | 441,271 | 421,665 |
| CET1 capital adequacy ratio: common equity | 12.81% | 12.81% |
| Total Tier 1 capital adequacy ratio | 15.64% | 15.80% |
| Total capital adequacy ratio | 16.82% | 16.98% |

22. CAPITAL MANAGEMENT (continued)

The Group's financial leverage ratio for the year ended 31 December 2024 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:

| | 2024 | 2023 |
|--------------------------|------------------|-----------|
| | KD'000 | KD'000 |
| Tier 1 capital | 410,181 | 392,314 |
| Total exposure | 5,737,661 | 5,193,373 |
| Financial leverage ratio | 7.15% | 7.55% |

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial and non-financial assets 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.

23. FAIR VALUE MEASUREMENT (continued)

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

| | Fair value measurement | | | |
|-----------------------------------------------------------|------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|
| | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| 2024 | KD'000 | KD'000 | KD'000 | KD'000 |
| Assets measured at fair value on a recurring basis | | | | |
| Financial assets at FVTPL | | | | |
| Quoted equity instruments | 3,657 | 3,657 | - | - |
| Funds (unquoted) | 193,470 | - | - | 193,470 |
| Other securities (unquoted) | 1,787 | - | - | 1,787 |
| | <u>198,914</u> | <u>3,657</u> | <u>-</u> | <u>195,257</u> |
| Financial assets at FVOCI | | | | |
| Quoted Sukuk | | | | |
| - Sovereign Sukuk | 173,854 | 173,854 | - | - |
| - Corporate Sukuk | 198,209 | 198,209 | - | - |
| | <u>372,063</u> | <u>372,063</u> | <u>-</u> | <u>-</u> |
| Unquoted equity instruments | 9,497 | - | - | 9,497 |
| | <u>381,560</u> | <u>372,063</u> | <u>-</u> | <u>9,497</u> |
| Non-financial assets: | | | | |
| Investment properties | 39,544 | - | 1,563 | 37,981 |

| | Fair value measurement | | | |
|-----------------------------------------------------------|------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|
| | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| 2023 | KD'000 | KD'000 | KD'000 | KD'000 |
| Assets measured at fair value on a recurring basis | | | | |
| Financial assets at FVTPL | | | | |
| Quoted equity instruments | 15,557 | 15,557 | - | - |
| Funds (unquoted) | 141,925 | - | - | 141,925 |
| Other securities (unquoted) | 4,771 | - | - | 4,771 |
| | <u>162,253</u> | <u>15,557</u> | <u>-</u> | <u>146,696</u> |
| Financial assets at FVOCI | | | | |
| Quoted Sukuk | | | | |
| - Sovereign Sukuk | 183,034 | 183,034 | - | - |
| - Corporate Sukuk | 177,269 | 177,269 | - | - |
| | <u>360,303</u> | <u>360,303</u> | <u>-</u> | <u>-</u> |
| Unquoted equity instruments | 9,631 | - | - | 9,631 |
| | <u>369,934</u> | <u>360,303</u> | <u>-</u> | <u>9,631</u> |
| Non-financial assets: | | | | |
| Investment properties | 1,675 | - | 1,675 | - |

Movements in Level 3 assets measured at fair value

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

| | At 1 January 2024 | Additions | Sales/ redemptions | Change in fair value | Exchange rate movements | At 31 December 2024 |
|----------------------------------|-------------------------|---------------|-----------------------|----------------------------|-------------------------------|---------------------------|
| | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 |
| Financial assets at FVTPL | | | | | | |
| Funds (unquoted) | 141,925 | 47,489 | (5,200) | 9,663 | (407) | 193,470 |
| Other securities (unquoted) | 4,771 | - | (967) | (2,030) | 13 | 1,787 |
| | <u>146,696</u> | <u>47,489</u> | <u>(6,167)</u> | <u>7,633</u> | <u>(394)</u> | <u>195,257</u> |
| Financial assets at FVOCI | | | | | | |
| Unquoted equity instruments | 9,631 | - | - | (134) | - | 9,497 |
| | <u>9,631</u> | <u>-</u> | <u>-</u> | <u>(134)</u> | <u>-</u> | <u>9,497</u> |
| Non-financial assets | | | | | | |
| Investment properties | - | 35,931 | - | 2,050 | - | 37,981 |
| | <u>-</u> | <u>35,931</u> | <u>-</u> | <u>2,050</u> | <u>-</u> | <u>37,981</u> |

| | At 1 January 2023 | Additions | Sales/ redemptions | Change in fair value | Exchange rate movements | At 31 December 2023 |
|----------------------------------|-------------------------|---------------|-----------------------|----------------------------|-------------------------------|---------------------------|
| | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 | KD'000 |
| Financial assets at FVTPL | | | | | | |
| 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> |
| Financial assets at FVOCI | | | | | | |
| 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> |

There were no transfers between any levels of the fair value hierarchy during 2024 or 2023.

The fair value of financial assets 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 assets 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 assets classified as Level 3 were altered by 5 percent.

The assumptions used in the fair value measurements of investment properties categorised within Level 2 and Level 3 of the fair value hierarchy are disclosed in Note 8.

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.

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 |
| 31 December 2024 | | | |
| Forward contracts | 1 | - | 5,297 |
| 31 December 2023 | | | |
| Forward contracts | - | (11) | 14,276 |

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 2024 amounted to KD 537,657 thousand (2023: KD 346,617 thousand).

26. PILLAR 2 - INCOME TAXES

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction they operate.

The jurisdictions in which the Group operates including the State of Kuwait have joined the IF. The Group expects to be liable for the Global Minimum Tax under Pillar 2 of the BEPS regulations starting from the year 2025.

On 24 December 2024, the State of Kuwait enacted Law No. 157 of 2024 (the "Law"), introducing a Domestic Minimum Top-Up Tax (DMTT) effective from 2025. Under the Law, a top-up tax will be levied on taxable income at a rate equal to the difference between 15% and the entity's effective tax rate within Kuwait.

Since the Executive Regulations in Kuwait are not yet issued, the Group cannot reasonably estimate the potential impact of the regulations in 2025 at this stage. The Group will continue to assess the potential impact of adopting the Pillar 2 tax regulations on the consolidated financial statements.

27. SUBSEQUENT EVENTS

The following events took place subsequent to the year-ended 31 December 2024:

Subsequent to the year-end, Warba Bank signed an agreement to fully acquire a Kuwaiti Limited Liability Company "Alghanim Trading Company W.L.L." (the "Acquiree") for a consideration of KD 498,161,127. The Acquiree owns 32.75% of equity interest in Gulf Bank K.S.C.P., a bank listed on Boursa Kuwait. The legal formalities of this transaction are pending regulatory approvals.

On 7 January 2025, the Board of Directors of the Bank recommended the increase of the authorized, issued, and paid-up share capital of the Bank by 100%, and inviting its shareholders to subscribe to the rights issue. On 9 January 2025, the Central Bank of Kuwait ("CBK") has approved the Board of Directors' recommendation. The Bank is currently in the process of finalizing the rights issue procedures and obtaining the remaining regulatory approvals.

The capital increase is subject to the regulatory authorities and the Shareholders' Extra-Ordinary General Assembly approvals.

INTERNATIONAL RATINGS

MOODY'S Baa2

Fitch Ratings A



