



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

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01

PROFILE, PURPOSE, VISION, MISSION & VALUES

PROFILE

Warba Bank was established on February 17th, 2010 by virtue of the Amiri Decree No. 2009/289, 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.



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.



VISION

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



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.

02

**CHAIRMAN'S
MESSAGE**

**Dear Valued Shareholders,
Peace, Mercy and Blessings
of Allah be upon you.**

It is with great pride that I present to you, on behalf of the Board of Directors, the Executive Management, and all our colleagues at Warba Bank, the 2025 Annual Report, which highlights a year of strategic progress, operational resilience, and meaningful achievements that strengthened the Bank's performance and long-term positioning.

With Allah's guidance, Warba Bank has remained persistent in its commitment to innovation and operational excellence, ensuring that we deliver sustainable value to our stakeholders. As we evaluate our progress, this year stands as a turning point. It's a milestone that reinforces our identity as a leading Islamic financial institution, both within the State of Kuwait and across the region.

Financial Performance

Building on the strong growth achieved at the beginning of 2025, the Bank continued to deliver an exceptional financial performance during the first nine months of the year. These results highlight the strength of Warba Bank's strategy, driven by expansion, continuous investment in digital capabilities, and a renewed focus on social responsibility. This progress supports our long-term vision and translates our brand promise, "Let's Own Tomorrow," into clear and measurable outcomes.

Profitability recorded a significant uplift over the period, with net profit rising by %122 to KD 49.6 million, equivalent to 11.5 fils per share, compared to KD 22.4 million in the same period of 2024. This outstanding and sustainable

performance reflects Warba Bank's balanced approach to revenue diversification and operational efficiency, supported by strong governance and risk management frameworks.

Net investment income was a key contributor, increasing by %208 to KD 32.7 million. Net fees and commissions also grew by %53 to reach KD 11.8 million, up from KD 7.7 million in 2024. In addition, net financing income grew by %9 to reach KD 59.8 million as of 31 December 2025, compared to KD 54.8 million in the corresponding period last year.



The Bank's strong operating performance translated into a solid balance sheet and strengthened financial position. Total assets increased by %14 to KD 6 billion, while customer deposits reached KD 3.5 billion, representing growth of %11. Total shareholders' equity rose substantially to KD 980.1 million, compared to KD 411.8 million as of 31 December 2024, reflecting enhanced capital strength. Financing receivables also expanded to KD 4 billion, an increase of KD 364.9 million, representing year-on-year growth of %10. We can proudly say that these results reflect the confidence of our customers and shareholders and reaffirm Warba Bank's ability to deliver sustainable growth and leadership within the Islamic banking sector.

Accordingly, the Board of Directors has recommended to the General Assembly the distribution of proposed cash dividends to shareholders amounting to 5 fils per share, as well as the distribution of bonus shares at a rate of %5, subject to the approval of the General Assembly and the relevant regulatory authorities.

A historic achievement reflecting the confidence of our shareholders and the Kuwaiti market in supporting the economy

To support our long-term growth and solidify our position at the forefront of Kuwait's banking sector, we achieved an important milestone in 2025. During the Extraordinary General Meeting, shareholders approved a %100 increase in the Bank's authorized capital, raising it to KD 436.7 million. This increase sets us on the path toward the next stage of the Bank's development, supporting our ambition to strengthen our leadership in Islamic banking in Kuwait and beyond.

The Largest Subscription in Kuwait's History

With the grace of God and the trust of our shareholders, the subscription for the capital increase has been successfully completed, achieving the highest value and coverage ratio ever recorded, at approximately %430 of the offered amount of KWD 436.72 million. This resulted in a total subscription of approximately

KWD 1.9 billion, making it the largest capital increase subscription ever achieved in Kuwait.

Moreover, the capital increase strengthens the Bank's financial and regulatory base, giving us greater flexibility to expand, innovate, and invest in advanced digital banking solutions. With this strengthened foundation, and a strong focus on local investment, human capital development, and digital innovation, we are proud to position Warba Bank as one of the most advanced Islamic banks in Kuwait, while always achieving the highest standards of transparency, governance, and regulatory compliance.

Sukuk Issuance

Our leadership in the Sharia-compliant capital markets reached new heights this year. We acted as Joint Lead Manager and Bookrunner for a USD 500 million Senior Unsecured Sukuk, which achieved a highly competitive %5.20 profit rate and was oversubscribed by three-folds, reaching a staggering USD 1.7 billion in orders within a single day.

Furthermore, we co-led the USD 750 million issuance listed on Euronext Dublin. This transaction was notable for its diverse institutional appetite; %52 of the allocation was secured by private banks and %43 by global fund managers. With %56 of demand originating from the MENA region and the remainder spanning the UK, Europe, Asia, and the US, these transactions prove that Warba Bank is a global conductor of liquidity. Our ability to execute these complex, high-demand offerings at such scale reinforces our strategic vision to be the leading provider of innovative Sharia-compliant debt instruments for both regional issuers and international investors.

Credit Ratings

During the year, Warba Bank achieved several milestones that represent its financial strength, strategic clarity, and long-term growth goals. Most notably, Moody's Investors Service upgraded the Bank's credit ratings across multiple categories.

This recognition reflects our strong financial performance, a robust capital base, improving

profitability, and consistently stable asset quality. This upgrade, accompanied by a stable outlook, represents an important international endorsement of the Bank's resilience, governance, and risk management.

Expanding the Bank's Operations

At the beginning of 2025, Warba Bank announced the signing of an agreement to acquire the entire share capital of Warba Strategy Company (Formerly Al Ghanim Trading Company), which owns %32.75 of the share capital of Gulf Bank. This transaction represents a significant strategic step and a major milestone in the Bank's journey, as the acquisition is expected to contribute to achieving sustainable growth amid internal and external challenges arising from developments in the local and global economic environment.

The Bank is currently conducting feasibility studies for a potential merger between the two banks, with the objective of creating a single Sharia-compliant banking entity. This would present a promising strategic opportunity for growth and expansion through the integration of both banks and the realization of operational synergies between them, in addition to enhancing competitiveness within the local Islamic banking sector. In this context, Warba Bank has signed a Memorandum of Understanding with Gulf Bank and has commenced the appointment of leading international and local advisory firms to conduct feasibility studies and due diligence, in preparation for assessing the potential merger with Gulf Bank.

Together, these developments highlight our continued progress toward strengthening our market position, expanding our strategic options, and delivering sustainable value for our shareholders, customers, and the national economy. Guided by prudent governance, innovation, and a clear vision for growth, the Bank remains well positioned to pursue future opportunities while maintaining financial strength and long-term stability.

Thanks and Appreciation

I would like to take this opportunity to express my profound appreciation to His Highness the

Amir of the State of Kuwait, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, may Allah protect him, whose wise leadership and ongoing support continues to guide Kuwait's journey of development, stability, and prosperity.

My sincere thanks are also extended to His Highness the Crown Prince, Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah, for his continued dedication and valuable contributions to strengthening the State's institutions and advancing national priorities.

I would further like to convey our appreciation to the Governor of the Central Bank of Kuwait, His Excellency Mr. Basel Ahmad Al-Haroon, for his important role in maintaining a resilient, well-regulated, and forward-looking banking sector. His leadership and guidance remain important in fostering confidence and sustainable growth across the financial system.

Our gratitude also extends to all regulatory authorities for their constructive oversight, as well as to our shareholders and customers, whose confidence, loyalty, and long-term partnership are fundamental to Warba Bank's progress and achievements.

I would like to acknowledge the commitment and professionalism of our esteemed Board of Directors, our Executive Management, the honorable members of the Sharia Supervisory Board, and all Warba Bank employees. Their collective efforts, guided by the principles of Islamic banking, continue to strengthen the Bank's performance and reinforce its mission to deliver ethical, responsible, and sustainable financial solutions.

Together, these contributions form the foundation upon which Warba Bank continues to grow, serve the community, and contribute positively to Kuwait's economy.

And Allah is the Grantor of success.

Mr. Hamad Musaed Al-Sayer
Chairman

03

CEO'S MESSAGE

To our Valued Shareholders, Customers, and Partners,

As I reflect on our 2025 journey, I am filled with a profound sense of pride in what we have accomplished together. We began this year with a clear set of ambitions, and seeing those ambitions transform into tangible achievements on the ground stands as clear evidence of the strength of our strategy, the resilience of our business model, and the dedication of our teams to excellence.

The Bank's performance throughout the year clearly demonstrated the strength of our journey, as we achieved balanced growth and unprecedented accomplishments across our various business sectors, reflecting the efforts of our people and the continued trust of our shareholders and customers.

Through these achievements, we reaffirmed our ability to redefine Islamic banking through a modern approach that balances authenticity and innovation, while meeting customer expectations and the evolving needs of the market.

Operational Excellence and Building Sustainable Foundations

In 2025, we remained focused on strengthening the Bank's core operations, placing operational efficiency, governance, and service quality at the heart of our priorities. Through enhancements across internal processes and systems, we supported business growth while ensuring strict adherence to the highest standards of risk management and regulatory compliance, enhancing our future readiness and reinforcing our reliability as a solid financial institution.

Strategic Expansion

Strategic expansion remained a key priority. During the year, we took qualitative steps to reinforce our operational presence, including the acquisition of a strategically located property in the heart of Kuwait City to serve as the Bank's headquarters. This step reflects our deep confidence in the national economy and our belief in the long-term growth prospects of the local market.



Key Achievements

The year 2025 marked a period of strong progress, as the Bank successfully accomplished a series of key achievements aligned with its strategic priorities across financial performance, capital strength, digital innovation, and institutional sustainability.

The Bank delivered exceptional financial performance during 2025, with net profit growing by %122 for the year and total assets reaching KD 6 billion, further strengthening the Bank's position and financial resilience.

Additionally, the successful completion of our %100 capital increase in the second quarter was a defining moment. It represented a clear message of confidence from our shareholders in our ability to execute our strategy and deliver sustainable long-term value.

We further optimized our capital structure through the issuance of USD 250 million in perpetual Additional Tier 1 (AT1) Sukuk, which was met with strong demand from regional and international investors, confirming confidence in our financial position and business model. These achievements form a solid foundation that enables us to invest in innovation, expand our business scope, and continue delivering attractive returns to our shareholders.

Digital Leadership and Customer Experience

Significant progress was also achieved in digital banking and customer engagement, as we shifted toward a "Fintech-First" mentality. Aiming to improve customer experience and cater to their needs, we successfully launched a series of new digital initiatives, most notably the "Wave Banking" account, which successfully attracted the student segment through tailored benefits such as

cashback and rewards. As a recognition, the Bank was awarded the Best Customer Service Award at the Card & Payments Middle East 2025 awards, reflecting our commitment to customer-centric innovation.

Operational excellence remains deeply embedded in the Bank's culture. In 2025, Warba Bank was honored for the fifth consecutive year with Elite Quality Awards from J.P. Morgan, recognizing our consistently high straight-through processing rates in USD and EUR payments. These achievements highlight the Bank's efficiency, reliability, and strong operational controls in international payment processing.

Sustainability and Leadership Development Sustainability and talent development continued to shape our long-term priorities. The Bank achieved a notable five-point improvement in its S&P Global ESG rating, reflecting tangible progress in our environmental, social, and governance practices. In parallel, we launched the Ignite leadership development program, reinforcing our commitment to preparing future leaders and ensuring leadership continuity.

Strategic Acquisition in Gulf Bank

The year 2025 will be remembered as a pivotal milestone in Warba Bank's history, as we reached a definitive agreement to acquire the entire share capital of Warba Strategy Company (Formerly Alghanim Trading Company), which owns 32.75% of the share capital of Gulf Bank.

This strategic investment strengthens our position at the heart of major banking transformations in Kuwait and supports our vision to build a financial institution with regional and global competitiveness.

Together, these achievements reflect a year of progress. They reaffirm the Bank's position as a

trusted and leading Islamic financial institution in Kuwait, committed to delivering sustainable value, advancing responsible finance, and contributing positively to the communities we serve.

Syndicated Finance

Our ambition has always been to position Warba Bank as a bridge between regional capital and global opportunity. This vision materialized during the year through our leadership of one of the aviation sector's most prominent financing transactions.

I am immensely proud of our role as the Initial Mandated Lead Arranger and Bookrunner in successfully closing a USD 1 billion syndicated financing facility for Avolon, one of the world's premier aviation finance companies, marking a landmark transaction at the regional level.

By spearheading this USD 1 billion facility, we have demonstrated our ability to lead complex, large-scale international syndications alongside major regional peers. This achievement highlights two key realities: the depth of global demand for Sharia-compliant financial instruments, and Warba Bank's technical expertise and institutional capability to facilitate such transactions. Transactions like Avolon financing reinforce our reputation as a trusted partner in the global capital markets.

Sukuk Issuance

Following the successful launch of our Sustainable Sukuk, our achievements extended beyond financial performance. In June 2025, our latest Sustainability Report received formal recognition from the Global Reporting Initiative (GRI), having been prepared in line with leading global frameworks, including MSCI, S&P Global, and IFRS S1 and S2 standards, providing stakeholders with clear and comparable insights into our ESG performance.

Sustainable Initiatives

The year 2025 was not limited to financial achievements and reporting; it also represented an opportunity to strengthen our commitment to sustainability within the community, bringing together sustainability, creativity, and cultural heritage in an engaging public environment.

Warba Bank also supported entrepreneurs, artisans, and environmentally friendly businesses by enabling them to showcase their work, connect with the public, and grow their ideas. These initiatives reflect our belief that sustainability is not confined to sukuk and formal frameworks, but is embodied in people, ideas, and everyday choices, underscoring our responsibility to invest in community initiatives that help build a more inclusive and resilient future for Kuwait, where economic progress and social responsibility go hand in hand.

Thanks and Appreciation

We extend our heartfelt appreciation to the Central Bank of Kuwait and the Capital Markets Authority, along with all regulatory authorities, for their continued support and pivotal role in enhancing financial stability.

We are deeply grateful to our shareholders for their trust, to our customers for their loyalty, and to our partners for their collaboration. It is through this shared trust that we continue our journey toward building a more inclusive and sustainable financial future, fulfilling our enduring promise: "Let's Own Tomorrow."

Mr. Shaheen Hamad Al-Ghanem
Chief Executive Officer

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**BOARD OF
DIRECTORS**



MR. HAMAD MUSAED AL-SAYER
Chairman



MR. BADER KHALED AL-SHALFAN
Vice-Chairman



MR. MOHAMMAD HAMED AL-SHALFAN
Board Member



MR. MUBARAK NASSER AL-SAYER
Board Member



MR. KHALDOUN SHAKER AL-TABTABAIE
Board Member



MR. MOHAMMAD ABDULAZIZ AL-BAHAR
Board Member



MR. MOHAMMAD AHMAD AL-RUWAYEH
Board Member



MS. MAY MOHALHAL AL-MUDHAF
Board Member



MS. BASMA HAMED AL-SANEE
Board Member



MR. ABDULLAH YOUSEF ALSHAJIE
Board Member



MR. MISHARI FAHAD ALMUSALLAM
Board Member

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SHARIA SUPERVISORY BOARD MEMBERS



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.



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.



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.

An aerial photograph of a desert landscape, showing a vast, flat, sandy terrain with some sparse vegetation. The image is overlaid with a dark blue, semi-transparent geometric shape that resembles a stylized 'W' or a series of overlapping triangles. The overall color palette is dominated by dark blues and greys, with the white text providing a high-contrast focal point.

06

SHARIA SUPERVISORY BOARD MEETINGS



SHARIA SUPERVISORY BOARD MEETINGS:

The Sharia Supervisory Board consists of three members appointed by the General Assembly, in order to carry out the work of the Board and ensure Warba Bank's commitment to the teachings of Islamic Sharia, and the Sharia Supervisory Board held 15 meetings during the year 2025.

Names of the members of the Sharia Committee and the number of meetings it held during the year 2025.

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 Fatwa & Sharia Supervisory Board amounts to KD 1,356,959 as of 31 December 2025.

A photograph of the Dubai skyline at sunset, with the water in the foreground and the city lights reflecting on the surface. The sky is a mix of orange, pink, and blue. The buildings are silhouetted against the bright sky, with some lights starting to glow.

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SHARIA SUPERVISORY BOARD REPORT



SHARIA SUPERVISORY BOARD REPORT

Date: 08 January 2026

Warba Bank
Report of
Sharia Supervisory Board
For the fiscal year ending on 31/12/2025

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 31/12/2025. 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 31/12/2025, 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 31/12/2025, 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 Alrashed

Member of SSB



Sheikh Dr. Isam Khalaf Al Enazi

Chairman of SSB



Sheikh Dr. Mohammad Oud AlFuzai

Member of SSB

EXTERNAL SHARIA AUDIT REPORT



Date: 06 January 2026

To: Esteemed Shareholders

Warba Bank K.S.C.P.

Peace, mercy, and blessings of Allah be upon you.

We are pleased to present to you the **External Sharia Audit Report of Warba Bank** for the financial year ended **31 December 2025**.

Responsibility of the External Sharia Audit Office:

Based on our engagement agreement, the External Sharia Audit Office is responsible for supervising and auditing all transactions and dealings to verify the extent of Warba Bank's compliance with the provisions and principles of Islamic Sharia in accordance with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board.

Responsibility of Warba Bank:

The Bank is responsible for ensuring compliance with Islamic Sharia provisions in accordance with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board, and for providing all necessary information to facilitate the External Sharia Audit of all transactions and dealings.

External Sharia Audit Procedures and Results:

We reviewed the minutes of meetings and reports of the Fatwa and Sharia Supervisory Board, as well as the plans and reports of the Internal Sharia Audit Department. We also examined the Sharia approvals for policy and procedure manuals and their amendments across all Bank departments. Furthermore, we audited and reviewed investments, contracts, banking and commercial transactions, their related products, and their execution stages, ensuring that the responsible departments implemented these operations in accordance with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board.



Field Visits, Communication, and Results:

Communication with the Bank's executive departments was conducted through in-person meetings and field visits, as well as via telephone, virtual meetings, and email correspondence.

The **External Sharia Audit team** held several meetings necessary to reach the final opinion, totaling **eleven (11) meetings**, which included:

- **Nine (9) meetings** with the audited Bank departments.
- **One (1) meeting** with the **Fatwa and Sharia Supervisory Board**.
- **Two (2) field visits** to Warba Bank branches.

These were complemented by telephone and virtual communications, conducted over the period from **September 2025 to January 2026**, with directors and their assistants across the Bank's departments.

Independent Final Opinion of the External Sharia Auditor:

We believe that the audit conducted on the Bank's activities for the period from **01 January 2025 to 31 December 2025** provides a reasonable basis for expressing our **independent opinion**. Based on the information, clarifications, and confirmations obtained—which we consider necessary to provide sufficient evidence—we confirm with reasonable assurance that the Bank's executive management has complied with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board, according to our review. Accordingly, 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 resolutions and Fatwas of the Fatwa and Sharia Supervisory Board**.

External Sharia Auditor
Mr. Salem Mufid Khaled Eid

EXTERNAL SHARIA AUDIT REPORT



Date: 06 January 2026

**To: Esteemed Sirs
Warba Bank K.S.C.P.**

**External Sharia Audit Office Report
For the Financial Year Ended 31 December 2025**

Peace, mercy, and blessings of Allah be upon you.

Based on the engagement agreement between us, and following our review of the information provided to us pursuant to the request for identifying the transactions and activities executed during the above-mentioned period, conducting field visits, and reviewing the responses and supporting documents, and in light of the foregoing, the External Sharia Audit Office hereby presents its report in accordance with the requirements of the regulatory authorities and the instructions related to **Sharia 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 covers the activities of Warba Bank's departments through auditing commercial and financial transactions, securities dealings, and contracts, and assessing the extent of compliance of such groups and departments with the resolutions and Fatwas of the **Fatwa and Sharia Supervisory Board**.

Second: Responsibility of the External Sharia Audit Office

The responsibility of the External Sharia Audit Office is to determine the extent of the Bank's compliance with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board by expressing an independent opinion based on our audit of investments, contracts, banking and commercial transactions, their products, and stages of execution, and verifying that the relevant departments of the Bank have implemented these operations in accordance with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board.

Third: Responsibility of the Bank

The executive management of the Bank is responsible for ensuring compliance with the provisions and principles of Islamic Sharia in accordance with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board, and for providing all information necessary to conduct the external Sharia audit.

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Fourth: General Policies of the External Sharia Audit

- Ensuring compliance with the application of Islamic Sharia principles and provisions in accordance with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board.
- Examining and reviewing investments, contracts, banking and commercial transactions, and their products.
- Verifying the soundness of transaction procedures, the responsible parties, and stages of execution.
- Ensuring the existence of Sharia reference frameworks governing such transactions.
- Providing Sharia treatments for any violations—if any—of the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board, whether related to contracts or operational execution, including proposed corrective measures and timelines.
- Conducting field visits and documenting their results.
- Reviewing the minutes and resolutions of the Fatwa and Sharia Supervisory Board meetings.
- Reviewing 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 meetings with the Human Resources and General Services Group.

2. New or Amended Policies and Procedures

- Sharia approvals for policy and procedure manuals and their amendments for all audited Bank departments were reviewed.

3. Activities of the Fatwa and Sharia Supervisory Board

- Minutes of the Fatwa and Sharia Supervisory Board meetings issued during 2025 were reviewed.
- The resolutions and Sharia approvals issued by the Fatwa and Sharia Supervisory Board for the audited departments were reviewed.
-



4. Compliance with the Acquisition Plan and Instructions of the Fatwa and Sharia Supervisory Board

- Minutes of the Fatwa and Sharia Supervisory Board meetings related to the acquisition process were reviewed.
- Compliance of the executive management of Warba Bank with the instructions of the Fatwa and Sharia Supervisory Board regarding the acquisition plan was verified, including:
 1. Sharia approval for Warba Bank's issuance of Tier 1 capital instruments (Sukuk).
 2. Fatwa and Sharia Supervisory Board Resolution No. (SSB-25-M2-R5-1) regarding anticipated customer inquiries related to the acquisition of a stake in Gulf Bank.
 3. Resolution No. (SSB-25-M2-R5-2) regarding Warba Bank's intention to increase its capital through a public offering.
 4. Circular Resolution No. (03-2025) regarding the acquisition agreement of the company owning the stake in Gulf Bank.
 5. Circular Resolution No. (04-2025) regarding the mechanism for dealing with profits resulting from the acquisition and the treatment of conventional liabilities.
 6. Fatwa and Sharia Supervisory Board Resolution No. (SSB-25-M3-R4) regarding the retention of Gulf Bank share profits to settle the acquired company's liabilities.

5. Internal Sharia Audit Unit

- Review of the Internal Sharia Audit Unit's 2025 audit plan.
- Review of the Internal Sharia Audit reports for 2025.
- Review of Sharia observations, recommendations, and their treatments by the Fatwa and Sharia Supervisory Board.
- Review of samples and audit forms used by the Internal Sharia Audit Unit during 2025.

6. Sharia Compliance Unit

- Review of the training plan approved by the Sharia Supervisory Board for 2025.



7. Banking Accounts

- Review of Sharia approvals for opening accounts with foreign banks.
- Verification that accrued interest was transferred to the **charity suspense account**.

8. Examination and Review of Investments, Contracts, Banking and Commercial Transactions, Their Products, and Execution Stages, and Verification of Implementation by the Responsible Bank Departments in Accordance with the Resolutions and Fatwas of the Fatwa and Sharia Supervisory Board, as Follows:

Investments

- **Sukuk:** The Sharia approvals for the issued Sukuk were reviewed. The entities responsible are the **Investment Banking Group** and the **Treasury Group**.
- **Financial Transactions:** The Sharia approvals for investments in subsidiaries and associates, listed and unlisted securities, managed portfolios, and investment and commercial real estate were reviewed. The entities responsible are the **Operations Group, Corporate Banking Group, Retail Banking Group, Investment Group,** and the **Financial Control Group**.

Contracts and Transactions

- **Contracts:** The Sharia approvals for the contract templates were reviewed. Each group/department in the Bank executes its own contracts separately.
- **Sponsorships and Activities:** The Sharia approvals for sponsorships and activities conducted during the mentioned period were reviewed. The entities responsible are the **Marketing and Corporate Communications Group**.

Banking and Commercial Transactions

- **Operations:** The procedures for conducting operations and their execution stages were examined, and the Sharia approvals for these operations were reviewed. The entities responsible are the **Operations Group, Corporate Banking Group, Retail Banking Group,** and the **Treasury Group**.
- **Products:** The Sharia approvals for financing and investment products, cards, accounts, and investment services were reviewed. The entities responsible are the **Product Management and Customer Segmentation Department, Operations Group, Corporate Banking Group, Retail Banking Group,** and the **Digital Banking Group**.
- **Fees and Commissions:** The approved fees and commissions of the Bank were reviewed. The entities responsible are the **Personal Finance Department** and the **Corporate Banking Group**.



Sixth: Sharia Reference Framework

Sharia reference standards issued by the Fatwa and Sharia Supervisory Board governing transactions, products, and financing and investment policies were reviewed.

Seventh: Field Visits, Communication, and Results:

Warba Bank appointed a liaison officer to communicate directly with the External Sharia Audit team and to provide a secure cloud storage space between the External Sharia Audit team and the Bank's various groups and departments. This arrangement contributed effectively to obtaining information in a timely manner according to the plan, throughout the period of the audit plan approved by the Fatwa and Sharia Supervisory Board. It is worth noting that the mechanism adopted by the Bank to provide information, files, and data through the secure cloud storage significantly reduced the number and duration of in-person meetings with the Bank's departments. The work extended from **September 2025 to January 2026**, involving directors and their assistants across various departments and groups of the Bank. Communication with the directors and their assistants was conducted through meetings and field visits, totaling **eleven (11) meetings**, including **nine (9) meetings** with the audited Bank departments, **one (1) meeting** with the Fatwa and Sharia Supervisory Board, and **two (2) field visits** to Warba Bank branches, in addition to telephone and email correspondence.

Below is a table detailing these field meetings as follows:

Body/ Authority	Date	Results
Fatwa and Sharia Supervisory Board (Meeting Minutes 11/2025)	Sunday, on 16/10/2025	<ul style="list-style-type: none"> - The External Sharia Auditor's plan was presented to the Fatwa and Sharia Supervisory Board of Warba Bank for review, noting that it had been previously submitted on Tuesday, 30 September 2025. - The working mechanism between the External Sharia Audit team and the relevant groups and departments of the Bank was confirmed. - The requirements of the External Sharia Auditor for all groups and departments of the Bank were discussed and followed up.
Human Resources and General Services Group	Sunday, on 28/09/2025	Review the organizational structure issued by the Board of Directors of Warba Bank.



Operations Group	Sunday, on 28/09/2025	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.
Retail Banking Group	Sunday, on 28/09/2025	The group's officials were heard about and discussed 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.
Corporate Banking Group	Monday, on 29/09/2025	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.
Investment Banking Group	Monday, on 29/09/2025	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.



Sharia Department	Monday, on 29/09/2025	<ul style="list-style-type: none"> - The requirements of the External Sharia Auditor for all groups and departments of the Bank were discussed and followed up. - A meeting was requested to review the acquisition plan. - The schedule for visits to Warba Bank branches was determined. - Efforts were undertaken to address and overcome all obstacles facing the audit team to ensure the completion of the External Sharia Audit process.
Sharia Department	Tuesday, on 28/12/2025	<ul style="list-style-type: none"> - Discussion of Warba Bank's acquisition of a stake in Gulf Bank. - Review of the resolutions and minutes of the Fatwa and Sharia Supervisory Board meetings related to the acquisition process.
Financial Control Group	Tuesday, on 30/12/2025	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.

Eighth: Assessment of Employees' Awareness of Procedures and Islamic Banking Culture

As part of the external Sharia audit, a preliminary assessment was conducted to evaluate the level of awareness among selected Bank employees regarding approved procedures and Islamic banking culture. This assessment covered two different branches and included a random sample of three (3) employees. Based on the results, a more comprehensive and systematic assessment is planned for the coming year, in coordination with the Internal Sharia Auditor, to enhance Sharia compliance and governance.



Ninth: Sharia Violations and Their Treatment

No Sharia violations were identified.

Tenth: Independent Final Opinion of the External Sharia Auditor

We believe that the audit conducted on the Bank's activities for the period from **01 January 2025 to 31 December 2025** provides a reasonable basis for expressing our independent opinion. Based on the information, explanations, and confirmations obtained, which we consider sufficient and appropriate to provide reasonable assurance, we conclude that the groups and departments of Warba Bank have complied, in all material respects, with the resolutions and Fatwas of the Fatwa and Sharia Supervisory Board. Accordingly, 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 resolutions and Fatwas of the Fatwa and Sharia Supervisory Board.**

External Sharia Auditor
Mr. Salem Mufid Khaled Eid

08

**EXECUTIVE
MANAGEMENT**



MR. SHAHEEN HAMAD AL-GHANEM
Chief Executive Officer



MR. ANWAR BADER AL-GHAITH
Deputy Chief Executive Officer
Support Services & Treasury



MR. THUWAINI KHALID AL THUWAINI
Chief Investment Banking-Officer



MR. FAISAL ABDULRAZAQ AL-NASSAR
Chief Corporate Banking-Officer



MS. MAALI ABDULLAH ALRASHEED
Chief Human Resources & General
Services Officer



MR. MOHAMED SABRY EISSA
Chief Financial Officer



MR. ABDULLAH MAHMOUD ALLANGAWI
Chief Treasury Officer



MS. LAYALI MOSTAFA AL-FAHAD
Chief Operations Officer



MR. HAMAD FOUZAN AL-FOUZAN
Chief Strategic Planning Officer



MR. AHMAD FAISAL AL-QATAMI
Chief Retail Banking Officer



MR. NASER MAHER AL-MUTAWAA
Chief Digital Officer



DR. MOHAMED BARAKAT
Chief Marketing & Corporate
Communication Officer



MS. NAJAT MOHAMMAD SALEH
Chief Risk Officer



MR. MOHAMMED BADER ALGHANIM
Chief Technology Officer



MR. SOUD SALAH AL-RASHED
Chief Compliance Officer



MR. MOHAMMAD MUSAED MANDANI
Chief Legal Officer



HANAN GHANIM HAMADAH
Acting Chief Internal Auditor



09

MANAGEMENT DISCUSSION & ANALYSIS REPORT



MANAGEMENT DISCUSSION & ANALYSIS REPORT

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INVESTMENT BANKING GROUP

The Investment Banking Group continued to demonstrate resilience and forward-looking discipline throughout 2025, a year shaped by shifting global economic expectations and renewed attention to liquidity management. Easing inflation in several major economies, alongside a gradual recalibration of interest rate policies by leading central banks, influenced capital flows and investment decisions across global markets. At the same time, persistent geopolitical tensions in the Middle East and Europe kept risk sentiment cautious, while structural adjustments in energy markets and global supply chains added further complexity.

Despite these evolving conditions, IBG maintained steady progress by navigating market volatility with a balanced approach to risk and opportunity. IBG demonstrated its ability to operate confidently within an environment marked by both opportunity and uncertainty. In doing so, the Group reaffirmed its standing as a reliable and forward-looking participant in the regional and global markets.

The International Banking Division

The **International Banking Division (IBD)** oversees the Bank's debt capital markets, structured finance, and cross-border financing activities, while fostering and maintaining relationships with local and international financial institutions. The division comprises three key departments: **Structured and Syndicated Finance (SSF)**, **Debt Capital Markets (DCM)**, and **Financial Institutions (FID)**.

Despite challenging market conditions, and by the grace of Allah, coupled with the team's diligence, dedication, and hard work, IBD successfully executed a series of landmark transactions.

SSF manages all cross-border corporate and project finance opportunities across diverse sectors, including aviation, oil & gas, infrastructure, power, and utilities. The department specializes in structuring and arranging syndicated solutions tailored to the Bank's corporate banking clients.

In the structured and syndicated finance market, Warba Bank capitalized on opportunities to act as **Mandated Lead Arranger (MLA)**, **Bookrunner**, and **Lead Arranger (LA)** on several high-profile transactions, including:

- **Avolon:** Acted as Initial MLA and Bookrunner for a landmark **USD 1 billion syndicated financing** for Avolon, the world's second-largest aircraft leasing company. This transaction featured both conventional and Islamic tranches, marking Avolon's first engagement with Islamic financing.
- **Government of Bahrain:** Served as Initial MLA, Bookrunner, and Joint Coordinator for a **USD 1.4 billion syndicated facility** for the Ministry of Finance and National Economy to support Bahrain's general budgetary requirements.
- **Africa Finance Corporation:** Acted as Senior LA for a **USD 400 million syndicated financing** for this multilateral development finance institution, which funds infrastructure, heavy industry, and natural resource projects across Africa.
- **Eskan Bank:** Acted as Initial MLA and Bookrunner for a **USD 332 million syndicated financing** for Eskan Bank, fully owned by the Government of Bahrain and a strategic partner to the Ministry of Housing and Urban Planning.
- **Vision Invest:** Participated as Initial MLA and Bookrunner in a **USD 650 million syndicated financing** for Vision International Investment Company, a leading Saudi Arabian development and investment holding firm at the forefront of PPP projects in the region.

Beyond these flagship deals, SSF successfully engaged in multiple other cross-border financing opportunities through both established and newly formed relationships.

In 2025, the **Debt Capital Markets (DCM)** team achieved a record-breaking year as a Sukuk Arranger, completing **18 Sukuk issuances** with an aggregate transaction volume of approximately **USD 8.66 billion**. The team successfully executed **17 mandates as Joint Lead Manager (JLM) and Bookrunner (BR) and one mandate as Sole Lead Manager (SLM)**.

DCM led several innovative Sukuk transactions, expanded into new markets such as **Turkey**, and increased overall transaction volume considerably in 2025 by nearly **45% compared to 2024**, reaffirming Warba Bank's leadership in Islamic capital market space.

Key Sukuk Issuances – JLM and BR Roles

- USD 500 million **Sharjah Islamic Bank Sukuk**
- USD 750 million **DAMAC Real Estate Development Limited Sukuk**
- USD 500 million **Ajman Bank (Debut) Sukuk**
- USD 500 million **Omniyat Holding Limited (Debut Green) Sukuk**
- USD 500 million **Sobha Realty Sukuk**
- USD 250 million **Warba Bank (AT1) Sukuk**
- USD 650 million **Saudi Awwal Bank (Debut Green AT1) Sukuk**
- USD 500 million **Al Rayan Bank Sukuk**
- USD 500 million **Boubyan Bank Sukuk**
- USD 750 million **Dar Al Arkan Sukuk**
- USD 450 million **Arada Developments Sukuk**
- USD 500 million **Binghatti Sukuk**
- USD 750 million **Sobha Realty (Green) Sukuk**
- USD 500 million **Binghatti Sukuk**
- USD 500 million **Islamic Corporation for the Development of the Private Sector Sukuk**
- USD 500 million **Vakif Katilim (Debut AT1) Sukuk**

Sukuk Issuance – Sole Lead Manager Role

- USD 55 million **Arcapita Perpetual Non-Culminative Capital Sukuk**

The **Financial Institutions Department (FID)** plays a pivotal role in strengthening Warba Bank's institutional presence and fostering reciprocal, holistic relationships with local and international financial institutions. Its mandate includes supporting client needs in international business, particularly in **multi-currency clearing and trade finance solutions**.

In 2025, FID:

- Expanded operations into new geographies and markets.
- Enhanced capabilities in financing and trade finance flows.
- Grew its **correspondent banking network** through new relationships and FI/Treasury agreements.

Building on record trade finance volumes and revenues in 2024, FID achieved **the highest-ever trade finance business volume and income in 2025**, driven by transactions across diverse geographies and institutions.

Looking ahead, FID will closely monitor **regional and global geopolitical developments** that could impact economic growth, inflation, and financial market stability, adopting an **opportunistic approach to mitigate risks**.

Principal Investment Division

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

Warba Investment Management oversees and manages a total Assets Under Management of approximately KWD 715 million (USD 2.34 billion) as of December 31st, 2025, representing a growth year-over-year of nearly 33% 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; and 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 one new fund this year: the second series of the Bank's flagship 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 KWD 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 Shariah-compliant investment solutions.

Fiduciary Services Department

Fiduciary Services Department continued its trajectory of strong performance in 2025, delivering key achievements that reflect the Bank's ongoing commitment to excellence in investment services and client support. Building on last year's momentum, the team further enhanced its service offering, strengthened operational efficiency, and maintained a client-centric approach.

Fiduciary Services Department successfully achieved notable growth in Assets Under Management (AUMs), reaffirming the trust and confidence of both corporate and retail clients in the Bank's investment capabilities.

These milestones reflect the continued trust and confidence of clients in the Bank's investment offerings.

CORPORATE BANKING GROUP

Driving Growth Through Innovation, Digital Excellence, and Strong Client Relationships

In 2025, the Corporate Banking Group continued to strengthen its position as a trusted partner for leading businesses in Kuwait, delivering robust growth across all key indicators. With a strategic focus on expanding the client base, enhancing digital capabilities, and introducing value-driven banking solutions, the Group successfully navigated a dynamic operating environment while maintaining disciplined portfolio quality and customer-centric execution.

The Group added **over 270 new corporate clients** to its portfolio, reflecting strong market confidence in Warba Bank's financing solutions and financing advisory capabilities. As a result, the **corporate financing portfolio grew by 10%**, equivalent to **KD 270 million**, driven by growth in multiple economic sectors such as construction, contracting, services, retail, and bespoke corporate financing solutions designed to support sectoral growth.

Complementing this momentum, the Business Banking segment "Beyond" achieved remarkable expansion, attracting **more than 820 new SME clients**. This growth underscores Warba Bank's role in empowering entrepreneurs through innovative products, simplified onboarding, and a unified digital experience tailored to the needs of small and medium enterprises.

Digital transformation remained a cornerstone of the Group's strategy. Significant enhancements were introduced across the corporate online banking and Beyond mobile application, including **multi-level approvals, document upload and preview features, password reset enhancements, and single-level transaction workflows** for business clients. These upgrades successfully elevated operational efficiency and improved user experience, reinforcing the Bank's leadership in corporate digital banking.

A key milestone this year was the **launch of the Transaction Banking Unit**, designed to deliver advanced cash management and supply chain finance solutions. This initiative positions Warba Bank as a progressive financial partner capable of supporting corporates with end-to-end liquidity management tools aligned with international best practices.

The Group also broadened its service offering by enabling **card delivery for Beyond business** clients, expanding transaction channels, and improving onboarding journeys; all contributing to a more seamless and integrated customer experience.

Looking ahead, the Corporate Banking Group remains committed to delivering sustainable growth, deepening client relationships, and harnessing digital innovation to enhance efficiency, strengthen portfolio quality, and reinforce Warba Bank's role in supporting Kuwait's economic progress.

RETAIL BANKING GROUP

Warba Bank constantly strives to keep pace with developments and enhance innovative solutions for customers and non-customers, under our slogan “Let’s Own Tomorrow,” with the aim of achieving excellence in performance and ensuring the highest levels of customer satisfaction. In this context, the Retail Banking Group continues to provide innovative products and services that meet the needs and expectations of its customers through a comprehensive strategic plan aimed at creating added value and strengthening the Bank’s position as a trusted and innovative partner in the world of retail banking services.

During 2025, the Group achieved remarkable accomplishments on various fronts, reflecting our deep commitment to providing an exceptional banking experience. We received the MasterCard award for the highest spending rate per credit card during the fiscal year 2024, in addition to the award for Best Customer Experience for Cards and Payments in the Middle East, which confirms our leadership in providing banking services based on innovation and customer satisfaction.

The Retail Banking Group recorded strong financial performance during the year, achieving significant growth in all key indicators. Profitability levels rose significantly compared to the previous year, supported by the continuous growth of the deposit and financing portfolios, while maintaining low levels of non-performing financing. Fee and commission revenues also recorded notable gains, reflecting the Group’s success in diversifying income sources and enhancing its ability to achieve sustainable returns. These results confirm the strength of the business model and the efficiency of the strategies adopted, which enhances customer confidence and supports future growth.

As part of our commitment to developing the customer experience and enhancing digital transformation and services, we launched a set of strategic initiatives that contributed to expanding the scope of banking services and improving customer convenience. We launched the digital prepaid card issuance service through the Warba application, along with developing application services by enabling minor customers’ data updates and enhancing “WAMD” services, which significantly reduced card and service issuance time, making access to banking services easier. In line with our ongoing efforts to improve customer experience and service quality, we developed the Super Saving foreign currency savings account by adding new currencies to meet diverse customer needs and issued new banking cards with the updated identity design for all segments to strengthen brand presence. Additionally, we launched the Wave Banking account dedicated to the youth segment with innovative products for this category. We also marketed a range of investment funds and sukuk for Private Banking and Royal Banking clients, compliant with Islamic Sharia principles, contributing to expanding investment options for our customers. Furthermore, we implemented innovative marketing campaigns, including a partnership with Emirates Airlines to offer up to 10% discounts for Mastercard and Visa credit and prepaid cardholders. We also introduced a special cashback campaign of up to 10% on international transactions during the summer period, along with launching a new salary campaign offering instant gifts to customers.

To enhance communication with our customers, we organized a series of entertainment and social events, including a padel tournament during Ramadan, pottery-making and flower arrangement competitions, as well as participation in distinguished events such as the Communications and Information Technology Regularity Authority (CITRA) event and the Kuwait Oil Tanker Company (KOTC) event, reflecting our commitment to providing a comprehensive banking experience that goes beyond traditional services. We concluded these initiatives by launching the interactive digital brochure for Royal premium services, reflecting our commitment to innovation and delivering a comprehensive banking experience that meets our customers' aspirations.

As part of our commitment to Environmental, Social, and Governance (ESG) initiatives, we launched special offers on Mercedes Benz and BYD electric cars, reflecting our dedication to reducing emissions and promoting environmental sustainability. We also installed solar panels in several branches to reduce energy consumption and enhance operational efficiency. Additionally, we launched the Ramadan card usage campaign, where 10% of the value of Visa credit and prepaid card purchases was donated to the orphanage, in a step that embodies our commitment to supporting the community and promoting values of solidarity and social responsibility.

The year 2025 witnessed geographical expansion through the opening of two new branches in the Shamiya and Saad Al-Abdullah areas, bringing the total number of branches to 21 to serve customers. To enhance Royal Banking services, a dedicated section for Royal customers was opened in the Shamiya branch. Additionally, the Bank increased the number of ATMs to more than 154 machines distributed in vital locations, including 33 machines inside branches and 121 machines in external locations, aiming to enhance accessibility to banking services.

Through these initiatives and achievements, we reaffirm our commitment to promoting innovation, providing a comprehensive banking experience, and achieving sustainability goals in line with our values and responsibilities toward society and the environment, as we continue our journey toward leadership in the banking sector.

RISK MANAGEMENT GROUP

During the year, the Bank continued to strengthen its enterprise risk management capabilities through a series of targeted enhancements aimed at reinforcing governance, analytical rigor, and regulatory alignment. A key development was the enhancement of risk reporting to the Board Risk Committee through the introduction of a consolidated reporting framework integrating information across all material risk areas. The redesigned format improved the quality and clarity of reporting, enabled more focused deliberations, and incorporated key risk insights and recommendations. By replacing multiple standalone reports with a unified structure, the Bank achieved a more efficient and streamlined governance process.

The Bank also finalized and implemented an enhanced Stress Testing and Internal Capital Adequacy Assessment Process (ICAAP) methodology in collaboration with external advisors. The revised framework aligns stress testing assumptions with the Bank's evolving risk profile and balance sheet structure, strengthening forward-looking capital planning and improving management's ability to assess resilience under adverse economic scenarios.

Further reinforcing its risk governance framework, the Bank developed and aligned a revised Risk Appetite Framework in coordination with key stakeholders. This framework establishes a clearer linkage between risk limits, strategic business objectives, and capital planning considerations. It enhances the monitoring of key risk indicators, supports disciplined decision-making within approved thresholds, and promotes a proactive and risk-aware culture across the organization.

To strengthen oversight of non-financial risks, the Bank initiated a reorganization of its Non-Financial Risk structure in collaboration with specialized advisors. This initiative defined clearer ownership and accountability across functions, improving coordination and oversight, and enhancing the Bank's ability to identify, manage, and monitor non-financial risk exposures in a structured and consistent manner.

In parallel, the Bank commenced a comprehensive enhancement of its Fund Transfer Pricing (FTP) framework. The revamp aims to establish a more robust foundation for product-level profitability analysis and capital allocation. Upon full implementation, the enhanced FTP framework is expected to enable equitable pricing between business units, support strategic decision-making through integration with risk-adjusted performance metrics, and optimize balance sheet management.

Additionally, the Bank successfully completed the automation of its Expected Credit Loss (ECL) model and system execution processes. This initiative improves calculation accuracy, operational efficiency, and compliance with IFRS 9 and regulatory requirements. Automation enhances data integrity, accelerates provisioning processes, and strengthens the Bank's readiness for regulatory reporting and supervisory reviews.

Through these initiatives, the Bank continues to evolve its risk management framework, reinforcing governance effectiveness, strengthening resilience, and supporting sustainable growth within a disciplined and forward-looking risk environment.

TREASURY GROUP

In 2025, Warba Bank's Treasury Group played a pivotal role in navigating a volatile interest-rate environment while maintaining a strong liquidity position. Through disciplined liquidity management, strategic interest-rate risk actions, and funding cost optimization, Treasury delivered significant value to the Bank's overall performance. The team also advanced tailored Tahawat solutions, strengthening Warba Bank's position as a market maker and provider of structured digital products that meet diverse client needs.

Treasury had a strategic role in funding the acquisition of ATC while maintaining optimal liquidity ratios and bridging funding gaps through effective balance sheet management. Treasury Group positioned the Bank as the market maker for Tahawat and rolled out advanced digital solutions that improved pricing efficiency, transaction execution, and client engagement. Treasury Group led the successful execution of AT1 sukuk issuance at the most competitive price in the local and GCC market, showcasing confidence in Warba Bank's performance and long-term strategic direction.

Treasury enhanced liquidity resilience by diversifying funding sources, optimizing durations, and lowering overall funding costs. It ensured resilient liquidity profile despite the external environment challenges. The Bank maintained robust HQLA levels, including local government securities, sovereign instruments, and investment-grade sukuk.

In addition, the Group delivered a record FX Trading Income of USD 14.75 million, supported by disciplined risk management, client-driven activity, and effective market execution.

Building on the success of the Electronic Trading (ET) platform, Treasury expanded digital adoption across Warba Bank's FX client base, and operational systems, reinforcing the Bank's position as a market maker. The team also advanced in the automation of liquidity and regulatory ratio monitoring, enabling forward-looking visibility of liquidity needs and supporting more proactive, data-driven decision-making.

The primary focus for 2026 is to support the Bank's growth strategy while managing interest-rate volatility and evolving liquidity conditions efficiently. Treasury will continue leveraging emerging technologies to enhance operational efficiency, elevate the client experience, and further reduce risk. Product expansion will remain a priority, including advanced Tahawat tools, structured products solutions, and sustainability-linked products aligned with the Bank's long-term ESG commitments.

Alongside these achievements, the Treasury Group continued to invest in capability building, with team members attaining globally recognized professional qualifications, including two CFA certifications, further strengthening the depth of expertise within the function.

INFORMATION TECHNOLOGY GROUP

Empowering Warba Bank's Digital Leadership Journey

In 2025, the Information Technology Group (ITG) upheld its commitment to advancing Warba Bank's digital vision and strengthening its position as one of Kuwait's most innovative financial institutions. Throughout the year, ITG focused on stability, cybersecurity, customer-centric digital services, and operational excellence, while preparing the Bank for future advancements in open banking, artificial intelligence, and data-driven financial services.

Despite a dynamic technology landscape, ITG delivered high-impact initiatives that enhanced customer experience, improved system performance, ensured strict cybersecurity governance, and drove operational efficiencies across the Bank.

Strengthening Digital Banking & Core Capabilities

During the year, ITG reinforced the Bank's digital ecosystem by enhancing core systems, delivering seamless customer journeys, and improving processing efficiency. Key achievements included:

- Launch of digital prepaid and premium card products, including instant issuance capabilities via mobile channels.
- Introduction of automated PIN reset and unlock services, enabling immediate customer self-service.
- Supporting secure and scalable card-management operations.
- Significant improvements in core banking processing performance.
- Enhancing Retail and SIDI mobile app architecture along with an integration layer to avoid excessive calls to the core and enhance mobile/core performance.
- Enhanced efficiency, compliance, and customer experience through major platform upgrades, automation, improved data transparency, strengthened integrations, and streamlined financial operations.

These initiatives reflect the Bank's ongoing investment in agile and future-ready digital banking services.

Advancing Innovation & Future-Ready Platforms

ITG progressed initiatives that support the Bank's long-term innovation roadmap and ecosystem readiness:

- Prepared the Bank's systems for the Central Bank of Kuwait's Open Banking Framework.
- Supported the responsible and secure adoption of productivity enhancement tools, ensuring robust compliance with cybersecurity and regulatory expectations.
- Continued enhancing digital service architecture to enable future models such as Banking-as-a-Service (BaaS) and advanced API-based services.

Cybersecurity & Service Continuity Excellence

Cybersecurity remained a top priority for the Bank. ITG strengthened its technology risk framework and reinforced digital trust by:

- Maintaining full compliance with CBK Cybersecurity Framework, PCI-DSS, and SWIFT CSP standards.
- Enhancing firewalls, endpoints, and cloud security controls with improved monitoring and resilience.
- Achieving a strong cybersecurity control score, supported by advanced threat protection and continuous risk assessments.
- Sustaining a high external security rating reflects the Bank's secure digital footprint.
- Capitalising on Cyber Security human resources through continuous training and certification.

The Bank continued to deliver secure banking services while proactively adapting to an evolving threat landscape.

Operational Excellence & Automation

To support process efficiency and customer satisfaction, ITG introduced automation, business enablement, and operational enhancements across the Bank:

- Implemented end-to-end digital workflows for card issuance, PACI biometric validation, treasury operations, and corporate salary processing.
- Optimized end-of-day processing and accelerated data refresh cycles to strengthen real-time banking performance.

These efforts contributed to faster turnaround times, reduced manual intervention, and enhanced customer service quality.

Data, Reporting & Regulatory Compliance

ITG continued reinforcing the Bank's data governance and reporting capabilities by:

- Enhancing data accuracy and report automation across finance, risk, and regulatory functions.
- Delivering performance improvements to AML and CBK reporting processes.
- Expanding self-service analytics capabilities through upgraded business-intelligence platforms.
- Ensuring accurate, timely, and compliant regulatory submissions, including new reporting mandates from the Central Bank of Kuwait.

IT Governance & Audit Assurance

Governance remained a core pillar of ITG operations, demonstrating high transparency and risk discipline:

- Successful completion of internal, external, and integrated audits.
- Closure of audit observations and strengthening of IT controls.
- Rigorous oversight over technology changes, with structured post-implementation reviews.

These measures reinforced the Bank's resilience and supported sustainable, secure, technology-driven growth.

LOOKING FORWARD

Entering 2026, ITG will continue driving the Bank's digital innovation and efficiency agenda by focusing on:

- Enhancing digital product offerings and customer journeys.
- Expanding open-banking capabilities and API-based services.
- Enhancing efficiency, compliance, and customer experience through AI-driven automation.
- Advancing data automation, analytics, and reporting maturity.
- Strengthening cyber defence and resilience frameworks.
- Introducing emerging technologies responsibly and securely.
- Supporting cloud strategy and modern infrastructure initiatives.

Through its strategic investments and commitment to excellence, the Information Technology Group remains dedicated to enhancing shareholder value, elevating customer experience, and contributing to the Bank's role in shaping the future of banking in Kuwait.

DIGITAL GROUP

Established in 2020, Warba Bank's Digital Group has remained at the forefront of digital innovation and transformation, fully aligned with the Bank's strategic objectives and the Central Bank of Kuwait's regulations. In 2025, the Group evolved into four core pillars:

- 1. Digital Transformation Division:** dedicated to adopting cutting edge technologies, strategic partnerships, and innovation programs that enhance business processes and institutional efficiency.
- 2. Digital Division:** a creative hub for developing customer focused digital solutions and journeys across Warba, SiDi, and BEYOND applications through collaborative Agile squads.
- 3. Business Excellence Department:** focused on optimizing internal operations and strategic decision making through AI powered analytics, dashboards, and streamlined workflows, with a special mandate over the SiDi ecosystem.
- 4. Business Simulation Department:** newly established in 2025 to provide advanced market benchmarking, product simulations, financial and behavioral analysis, and data driven recommendations that guide digital product design and performance management.

In 2025, a key highlight for the Digital Group was the expansion and deepening of the SiDi ecosystem, including SiDi Easy Finance, SiDi Savings Account, SiDi Marketplace, and WAMD instant payments, supported by richer analytics, dashboards, and simulation capabilities. Together, these four pillars strengthened Warba Bank's digital proposition, enhanced customer experiences, and reinforced the Bank's position as a leading innovator in the region.

Digital Transformation Division

The Digital Transformation Division at Warba Bank is committed to leveraging innovative technologies and strategic partnerships to redefine business operations and strengthen the Bank's digital capabilities. The division focuses on identifying and adopting technological advancements that enhance Warba's digital presence, streamline operational efficiency, and enable seamless cross functional collaboration.

It consists of two key areas:

- Innovation & Partnerships: which explores emerging technologies, ecosystem collaborations, and POC to support the Bank's strategic ambitions.
- The Transformation Program Office: which ensures the disciplined execution of these initiatives and realization of tangible business value.

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

Digital Factory

The Digital Factory is a cutting-edge center where product owners, developers, designers, scrum masters, and strategists collaborate to continuously enhance Warba and SiDi's digital channels. Its mission is to deliver customer-centric, always on digital experiences.

Organized into specialized Agile squads, the teams focus on key domains such as consumer financing, loyalty and rewards, payments and transfers, marketplace services, and platform enhancements. They design and deliver end-to-end journeys, from onboarding to servicing, while ensuring robustness, performance, and security.

In addition, the Digital Factory houses the AI-Wateen Shield team, responsible for monitoring and resolving customer issues and feedback across Warba's mobile applications, ensuring a consistent and high-quality digital experience.

Business Excellence

The Business Excellence Department, led by the MIS & Research Unit, continued in 2025 to strengthen Warba Bank's internal operational capabilities and strategic decision making. The Department expanded the use of efficient workflows and automation, significantly improving processing speed, accuracy, and overall efficiency across multiple internal services.

A comprehensive suite of dashboards and reporting solutions was further developed, covering core operations, SiDi performance, remittance services, and service health, providing actionable insights to management and enabling a more data driven culture across the Bank. The integration of AI-based analytics continued to empower staff to conduct advanced data mining and forecasting in support of strategic planning.

Building on the foundation laid in 2024, Business Excellence played a central role in expanding the SiDi ecosystem in 2025. Through streamlined workflows, enhanced analytics, and targeted product enhancements, SiDi Easy Finance, SiDi savings account, SiDi Marketplace, WAMD, and other services have contributed meaningfully to financial inclusion, revenue growth, and customer satisfaction.

Business Simulation Department

Launched in 2025, the Business Simulation Department adds a new strategic capability to the Digital Group. The department's mandate is to simulate, benchmark, and optimize the performance of Warba's digital products and services.

Business Simulation develops market comparison and digital performance reports to benchmark Warba's position in Kuwait and the wider GCC, supports feasibility studies and product simulations, and designs event calendars and measurement frameworks across SiDi, remittance, gold, and rewards propositions. The department also recommends pricing strategies, product features, and channel strategies, such as voucher competitiveness, and remittance fee structures while establishing automated testing frameworks and service health monitoring tools to provide a holistic view on the services health.

This new pillar has strengthened Warba's ability to take evidence-based decisions on digital investments, ensuring that customer needs, market dynamics, and financial returns are holistically considered.

MAJOR ACHIEVEMENTS OF THE DIGITAL GROUP IN 2025

In 2025, the Digital Group at Warba Bank demonstrated its unified vision through impactful innovations, operational enhancements, data driven simulation, and ecosystem partnerships, further reinforcing the Bank's leadership in digital banking. The major achievements include, but are not limited to, the following:

1. Customer engagement and digital innovation

● Reef Defense – Warba World AR Experience

Launched Warba World – Reef Defense in collaboration with The Scientific Center of Kuwait, an augmented reality (AR) experience that engages customers and raises awareness on the importance of protecting Kuwait's coral reefs.

● Enhanced WAMD and instant payments journeys

Expanded the WAMD instant payment service with group send and Eidiya features, split bill capabilities, and unregistered requests-to-pay, alongside enhanced conversational transfer journeys and widgets on Warba's mobile applications.

● Digital expansion

Introduced key SiDi digital features including the SiDi Marketplace pilot, BEYOND WhatsApp chatbot entry point, digital issuance and replacement of prepaid cards, and enhancements to the Holy Quran application such as Tilawah mode, tools pages, and accessibility and tablet support, further enriching customers' everyday digital journeys.

2. Efficiency and service enhancement

- **Streamlined SiDi workflows and products**

Launched SiDi Easy Finance and enhanced microfinance journeys, improved SiDi bulk onboarding for corporates, activated dormant accounts through the app, redesigned remittance journeys, and optimized the limit matrix and risk rating for SiDi customers, resulting in smoother processes and better risk management.

- **Service quality, testing, and monitoring**

Established an automated testing framework and a service health monitoring tool with clear failure threshold standards, improving the resilience and reliability of digital services across the Group.

- **Operational dashboards and automation**

Expanded MIS & Research dashboards and workflows including core operations, SiDi platform, WAMD, communication center, suspicious transactions, and fee and settlement dashboards, providing real time visibility and automation that support faster decisions and operational excellence.

3. AI, data, and simulation led insights

- **AI-driven analytics and reporting**

Delivered a POC for automated trend analytics reporting using AI agents and local news sources, and a separate POC for transaction enrichment that transforms transactional data into more digestible, categorized insights enabling more targeted offers and improved customer understanding.

- **Market benchmarking and digital performance**

Developed market comparison and digital performance reports benchmarking Warba's digital presence across Kuwait and the GCC and conducted a UX/UI assessment with 11:FS where Warba's mobile app ranked 2nd in the GCC and 34th worldwide in the financial sector.

- **Simulation-based recommendations**

Produced business recommendations on Pocket earn-and-redeem ideas, voucher pricing competitiveness, and remittance fees, supported by event calendars for SiDi, Pocket, remittance, and gold campaigns translating analytics and simulation outputs into actionable business decisions.

4. Campaigns and community outreach

- **Remittance and transfer campaigns**

Ran a comprehensive Western Union and Super Transfer marketing plan and events that delivered significant growth in transferred amounts, supported by the Summer Transfer campaign and Super Transfer summer promotion for SiDi customers.

- **Customer and community engagement**

Organized multiple SiDi related events including local activations, SiDi Champions initiatives, enhanced e-voucher promotions, and stronger social media presence to increase customer awareness and engagement.

- **Social responsibility and sponsorship**

Supported a blood donation initiative and a human rights awareness event, reinforcing Warba's commitment to social responsibility, community impact, and inclusion.

5. Financial growth and strategic expansion

● SiDi growth and performance

Introduced the SiDi Savings Account and enabled card ordering through the app, adjusted the minimum onboarding age, and continued to optimize pricing and costs. These initiatives, alongside Easy Finance and WAMD, contributed to overachieving SiDi's onboarding and revenue targets for 2025.

● Remittance and marketplace performance

Western Union and Super Transfer campaigns, combined with expanded digital channels and communication, drove strong remittance growth. Agreements with Payzah and LikeCard as marketplace aggregators enhanced product availability and pricing on the Warba marketplace under a revenue share, zero cost model.

● Corporate and payroll expansion

Continued corporate outreach, including bulk onboarding tools and company visits, positioned SiDi as an attractive payroll solution and strengthened the Bank's role in serving salaried and low to middle income segments.

6. Strategic programs and ecosystem innovation

● Strategic MoUs and partnerships

Signed an MoU with the Ministry of Commerce and Industry to collaborate on digital transformation, operational enhancements, integrations, and knowledge sharing. Signed an MoU with Maqsaf (school meals pre-ordering platform) and agreements with Ruba for flexible tuition payments, further embedding Warba into customers' day-to-day ecosystems.

● Rowad 6.0 and innovation ecosystem

Renewed and expanded the partnership with DIFC Innovation Hub to launch Rowad 6.0, targeting Kuwaiti and GCC students in top universities across the EU and UK, adding an extra hackathon with waived fees and a paid internship for the winning team. The division also contributed to the KBA Motawer program, the Kuwait National Robotics Competition judging committee, and ongoing collaborations with Kuwait University.

● Internal innovation culture

Launched the Warba Idea Hub to encourage staff creativity, gathering 44 implementable ideas focused on reducing branch waiting time, improving customer satisfaction, and enhancing revenue and cost efficiency, further embedding innovation into the Bank's culture.

THE ACHIEVEMENTS OF THE DIGITAL GROUP IN 2025

The achievements of the Digital Group in 2025 reflect Warba Bank's steadfast commitment to innovation, collaboration, data driven decision making, and customer-centric growth. By integrating advanced technologies, strengthening simulation and analytics capabilities, streamlining processes, and expanding strategic partnerships, the Group has laid a strong foundation for sustainable value creation.

As we move into 2026, we are highly optimistic about introducing further innovations, products, and ecosystem collaborations that will continue to add value to Warba Bank and its stakeholders. The Digital Group remains dedicated to driving transformative solutions and maintaining the Bank's leadership in the dynamic and rapidly evolving digital banking landscape.

OPERATIONS GROUP

Overview

The Operations Group plays a pivotal role in supporting Warba Bank's strategic priorities by ensuring the integrity, efficiency, and reliability of end-to-end banking operations. Through its four specialized divisions: Central Operations, Credit Administration, Banking Operations, and Operations Excellence, the Group provides comprehensive operational support across payment processing through multiple instruments, corporate, retail, and trade finance disbursements, as well as credit administration activities including contract preparation, collateral management, and facility setup. Complemented by strong governance, control frameworks, and an embedded culture of quality assurance and continuous improvement, the Operations Group ensures that Warba Bank's operational foundation remains resilient, customer-oriented, and aligned with the Bank's long-term strategic ambitions.

People Management

Throughout the year, the Operations Group continued to invest in developing its workforce through specialized training programs and structured learning pathways that support upskilling and long-term talent sustainability. The Group also maintained its internship offerings, reinforcing the Bank's commitment to community engagement and the development of future professionals. At the same time, a centralized framework for Quality Objectives and KPI management was rolled out, strengthening alignment across the Group and fostering a culture of quality, operational discipline, and customer-focused performance.

Major Achievements

In 2025, the Operations Group achieved significant milestones that elevated Warba Bank's operational strength and market standing. The year opened with global recognition as the Bank earned three J.P. Morgan Elite Awards for STP Quality, marking the fourth consecutive year of excellence and reaffirming Warba Bank's position as Kuwait's leader in international payment performance. The Group also successfully renewed its ISO 9001:2015 certification, underscoring its commitment to consistent, high-quality operating standards. A major highlight was the Group's central role in executing the KD 1.9 billion capital increase, where it ensured seamless subscription processing, reconciliation, and timely refunds, contributing to the success of one of the largest corporate actions in the local market. Additionally, the Group advanced Warba Bank toward full qualification under the KCC Settlement Bank framework, strengthening the Bank's readiness to support capital market clearing and settlement operations.

Process transformation remained a key focus throughout the year. The Group introduced new digital capabilities and redesigned core operational workflows, automating high-volume activities such as transfer execution, fee processing, and reconciliation. These initiatives incorporated modern automation tools, machine-driven validation, and streamlined system integrations, reducing dependency on manual intervention and improving the speed, accuracy, and resilience of operational processes. The Group's continuous improvement agenda was further strengthened with the establishment of a dedicated Lean Management Unit, mandated to apply continuous-improvement methodologies, enhance productivity, and streamline operational processes, thereby elevating quality standards and strengthening operational effectiveness across all levels.

Enhancements to governance and oversight provided another step forward in operational maturity. The launch of a centralized Incident Management Dashboard improved visibility across operational units, enabling proactive issue tracking and faster resolution cycles. The Group also contributed to the Bank's digital transformation journey by introducing a digital retail vendor invoice portal, replacing paper-based submissions with efficient process that improves vendor experience.

HUMAN RESOURCES & GENERAL SERVICES GROUP

Empowering Talent, Enabling Growth, and Building the Workforce of Tomorrow

In 2025, the Human Resources & General Services Group delivered strong and measurable progress in advancing Warba Bank's HR strategy, strengthening institutional capabilities, and embedding a workplace culture centered on engagement, wellbeing, and continuous development. Guided by the Bank's commitment to investing in national talent and aligning with Kuwait's workforce strategic objectives, a series of high-impact initiatives were implemented to support employees across all stages of their career journey.

One of the year's most notable achievements was the continued increase in Kuwaitization rates across all levels, exceeding regulatory requirements and underscoring the Bank's commitment to empowering national talent. Kuwaitization reached **88% across senior management and professional roles**, reflecting Warba Bank's success in attracting, developing, and retaining highly qualified Kuwaiti professionals.

In the context of national leadership development, two Kuwaiti leaders were appointed to senior leadership positions during the year. These appointments further strengthened Kuwaitization at leadership levels, supported leadership sustainability, and reaffirmed the Bank's strategic approach to localizing expertise and building a strong national leadership pipeline capable of driving long-term growth.

Employee engagement remained a strategic priority through the implementation of a comprehensive program of initiatives designed to enrich the work environment and foster a strong sense of belonging. These included volunteer initiatives, women empowerment sessions, a cultural trip to Failaka Island, coffee tasting events, Warba Yard activities, the Ramadan football tournament, and a Quran competition for employees' children, in addition to awareness campaigns such as Breast Cancer Awareness Month and Prostate Cancer and Men's Health Awareness. Collectively, these initiatives contributed to a vibrant, connected, and supportive institutional culture.

The Group also expanded initiatives with a lasting impact on the employee experience, with a clear focus on mental and physical wellbeing. A comprehensive campaign titled **"Take a Breath"** was launched in collaboration with Dr. Ahmed Abdulmalik, featuring a structured series of awareness sessions addressing mental health, work-life balance, and workplace recovery. The campaign played a key role in raising awareness, reducing workplace stress, and enhancing overall quality of work life.

The **"Ambition"** program, dedicated to personal and professional development, witnessed notable expansion through increased participation and diversified development tracks, reflecting growing employee interest in skills development, capability building, and the creation of clearer and more sustainable career pathways.

Talent development continued to be a strategic priority. The Middle Management Training Program, delivered in collaboration with the National Leadership Institute, contributed to strengthening managerial capabilities and preparing future leaders within the Bank. In parallel, early-career talent was supported through the **"Intilaqa"** Internship Program, with two cohorts completing structured training and hands-on mentoring during the year.

Extending its support to employees and their families, the Bank launched a summer camp program for employees' children in collaboration with the Sabah Al-Ahmad Center for Talent and Creativity. This was complemented by the Back-to-School campaign, which aimed to prepare employees' children for the new academic year by providing essential educational supplies, reinforcing work-life balance and positioning the Bank as a family-friendly employer.

As part of the Bank's long-term expansion and infrastructure development strategy, the Human Resources & General Services Group oversaw several key milestones, including the acquisition of the new headquarters and adjacent land, the acquisition and opening of the Shamiya branch, and the completion and opening of the Saad Al-Abdullah branch—one of the Bank's largest branches by area—supporting growth plans and strengthening geographical presence.

The year also witnessed further enhancements to the digital HR portal, streamlining processes, automating services, and improving the employee experience through faster and more seamless access to HR services. These digital improvements align with the Bank's broader institutional transformation objectives and support a more efficient, technology-enabled work environment.

Through these achievements, the Human Resources & General Services Group continues to play a pivotal role in delivering an exceptional employee experience, nurturing talent, and building a strong foundation to support Warba Bank's future growth.

FUTURE OUTLOOKS

• Global Economy:

Global growth is projected to remain resilient at 3.3 percent in 2026 and at 3.2 percent in 2027: rates similar to the estimated 3.3 percent outturn in 2025. The forecast marks a small upward revision for 2026 and no change for 2027 compared with that in the October 2025 World Economic Outlook (WEO). This steady performance on the surface results from the balancing of divergent forces. Headwinds from shifting trade policies are offset by tailwinds from surging investment related to technology, including artificial intelligence (AI), more so in North America and Asia than in other regions, as well as fiscal and monetary support, broadly accommodative financial conditions, and adaptability of the private sector.

Global headline inflation is expected to decline from an estimated 4.1 percent in 2025 to 3.8 percent in 2026 and further to 3.4 percent in 2027.

The inflation projections are also broadly unchanged from those in October and envisage inflation returning to target more gradually in the United States than in other large economies.

Risks to the outlook remain tilted to the downside. Re-evaluation of productivity growth expectations about AI could lead to a decline in investment and trigger an abrupt financial market correction, spreading from AI-linked companies to other segments and eroding household wealth. Trade tensions could flare up, prolonging uncertainty and weighing more heavily on activity. Domestic political tensions or geopolitical tensions could erupt, introducing new layers of uncertainty and disrupting the global economy through their impact on financial markets, supply chains, and commodity prices. Larger fiscal deficits and high public debt could put pressure on long-term interest rates and, in turn, on broader financial conditions. On the upside, activity could be further lifted by AI-related investment and eventually transform into sustainable growth if faster AI adoption translates into strong productivity gains and increased business dynamism. Activity could also be supported by a sustained easing in trade tensions. Policies to foster stability and sustainably lift medium-term growth prospects require a keen focus on restoring fiscal buffers, preserving price and financial stability, reducing uncertainty, and implementing structural reforms without further delay.

<https://www.imf.org/-/media/files/publications/weo/2026/january/english/text.pdf>

GCC Economy:

Economic Outlook:

Economic performance in the Middle East and North Africa, Afghanistan, and Pakistan (MENAP) and the Caucasus and Central Asia (CCA) has remained generally robust in 2025 as both regions largely avoided the direct fallout from higher US tariffs and global trade disruptions, whereas recent regional geopolitical tensions had only a limited and short-term impact.

MENAP oil exporters have benefited from increased oil production as the unwinding of OPEC+ cuts accelerated. Meanwhile, MENAP oil importers saw gains from robust demand sustained by low energy prices, strong remittances, and buoyant tourism.

Growth in the CCA region continued to exceed expectations, driven by solid domestic demand, credit expansion, and hydrocarbon exports. Despite relatively tight monetary policy stances, financial market conditions remain supportive. Sovereign spreads have narrowed, nominal exchange rates depreciated, and several countries successfully accessed international financial markets.

Inflation trends diverged, easing across most MENAP economies thanks to falling food and energy prices but rising in many CCA countries because of strong demand and imported price pressures. Looking ahead, GDP growth in the MENAP region is expected to strengthen gradually, supported by higher oil output, resilient local demand, and ongoing reforms. In CCA economies, growth is projected to slow to a more sustainable pace. Inflation is projected to ease in most countries, helped by lower projected energy prices and projected tightening of fiscal policy stances, on account of progress in mobilizing revenues and rationalizing spending, including through subsidy reforms.

<https://www.imf.org/-/media/files/publications/reo/mcd-cca/2025/october/english/text.pdf>

Kuwait Economy:

We have kept our GDP growth projections for Kuwait unchanged at 3.4% in 2026 and 2.7% in 2027. The oil sector is likely to drive activity and expand by 4.2% this year, assuming that OPEC+ production hikes resume in H2 2026. We expect growth to pick up to 2.8% in the non-oil economy, which entered 2026 on a strong footing.

Kuwait's non-oil PMI for December climbed to an eight-month peak of 54, while corporate sentiment rose to its highest in two years. Solid confidence was also evident in the 11.1% y/y improvement in business credit in November. We think these readings indicate that non-oil growth will gain pace in 2026, despite ongoing softness in the consumer economy, signified by a 4.2% decline in the value of card spending over the year to Q3 2025.

Government efforts to address delays in project execution likely boosted spending in the 2025-2026 fiscal year, reaching KWD601.5mn over the first nine months, compared with KWD468mn over FY2024-2025. Momentum is also evident in the Mubarak Al-Kabeer Port scheme entering its execution phase. Faster project implementation should drive non-oil activity over the medium term, though more limited spending as oil revenues decline is a downside risk to progress.

The fiscal deficit is projected to widen to 6.8% of GDP in 2026 and increase to 7.8% in 2027 as oil prices decline. This highlights the need for fiscal reforms as recommended in the IMF's most recent Article IV consultation, including implementing the GCC-wide excise tax and the gradual phase-out of energy subsidies. Further bond issuance is likely needed to finance the growing fiscal deficit and support project spending, and we forecast debt will rise to 14.2% of GDP in 2026.

Inflation in September increased to 2.5% y/y, driven by a spike in food and beverage inflation to its highest rate in 17 months. We anticipate the headline rate will tick up over 2026, averaging 2.5%, as employment growth increases in an already tight labor market and hiring expenses rise. We expect the Central Bank of Kuwait to follow the US Federal Reserve by cutting its discount rate by 50bps this year, but sticky inflation could result in a more cautious approach.

Warba Bank:

Warba Bank continued to advance its strategic priorities during the year of 2025 through a series of impactful initiatives aligned with sustainability, innovation, governance and community development. These achievements reflect the Bank's commitment to responsible growth, financial inclusion and long-term value creation for all stakeholders.

In line with its sustainability vision and transition toward clean energy solutions, Warba Bank promoted electric vehicle adoption and this initiative aimed to raise awareness of sustainable mobility solutions and reinforce the Bank's commitment to environmentally responsible financing.

Supporting education, youth empowerment and innovation remained a key focus. Warba Bank sponsored the Kuwait National Robotics Championship at Kuwait University in collaboration with the Public Authority for Youth, encouraging technological innovation among young talent. The Bank also supported the Ocean Minded Winter Camp to enhance environmental awareness and sponsored the Scientific Center's Summer Camp.

Expanding its customer-centric offering, Warba Bank opened the Al-Shamiya Branch, dedicated to Priority and Royal segments. The Bank also introduced Wave Banking, a fully digital youth banking experience designed to meet the evolving lifestyle and financial needs of younger customers through rewarding and innovative solutions. Moreover, Warba Bank revamped the "Marketplace" section on the Warba Bank mobile application, to make it a seamless, valuable hub for vouchers, gift, promo codes, and banking offers for Warba application users.

Warba Bank continued to foster innovation through the successful completion of the ROWAD 6.0 Innovation Program, which recorded its highest-ever participation with 96 applicants. The final cohort included a strong representation from leading European universities, with expanded participation from PhD candidates and Master's degree holders, reinforcing the program's regional and international reach.

In support of financial inclusion, Warba Bank launched Kuwait's first fully digital "SiDi Easy Finance" solution for domestic workers, providing accessible financing to underserved segments.

Community engagement and environmental responsibility remained central to Warba Bank's social initiatives. The Bank launched the "Plant It for Free" initiative, sponsored the Mafaz Competition in collaboration with the Ministry of Awqaf at JACC—engaging 54 schools—and partnered with the Ministry of Electricity, Water and Renewable Energy. Additionally, Warba Bank sponsored the graduation ceremonies of the 10th and 11th training batches at the Saud Al-Nasser Al-Sabah Diplomatic Institute.

The Bank's achievements were further recognized through multiple prestigious awards, including "Best Customer Service" at the Card & Payments Middle East 2025 and seven awards from Islamic Finance News, underscoring Warba Bank's leadership in customer experience, innovation and sustainable Islamic finance.

INTERNAL AUDIT GROUP

IAG is an independent assurance and consulting activity within the Bank with functional reporting to the BAC. IAG's mandate, roles, responsibilities and authorities are defined in its Charter prescribed as per the Global Internal Audit Standards, Central Bank of Kuwait (CBK) and other applicable guidelines.

The purpose of IAG function is to strengthen the Bank's ability to create, protect, and sustain value by providing the BAC and management with independent, risk-based, and objective assurance, advice, insight, and foresight. IAG enhances successful achievement of objectives, Governance, risk management, and control processes.

IAG structure is aligned with the business lines in order to provide the right expertise and skills as well as understanding of the related business lines risks.

Major initiatives

- **Contribution to Internal Control Awareness & Induction Training:**

Actively contributed to the design and delivery of the Internal Control Awareness and Induction Training Program, enhancing organizational understanding of control principles and promoting a strong control culture across the Bank.

Outstanding projects or activities completed during the year

- **Completion of the Approved Audit Plan:**

Successfully executed the full scope of the internal audit plan for the year, ensuring comprehensive coverage of high-risk areas and alignment with strategic priorities.

- **Internal Quality Assurance Review (QAR):**

Conducted a thorough Internal Quality Assurance Review in accordance with the revised Global Internal Audit Standards. The function achieved a conformance level of 89%, resulting in a rating of "Generally Conforms", affirming the robustness and professionalism of the audit practices.

- **Timely Submission of External Review Reports:**

Delivered the Internal Control Review (ICR) and Cybersecurity Framework (CSF) reports to the Central Bank of Kuwait ahead of regulatory deadlines, demonstrating strong project management and stakeholder engagement.

- **Thematic Audit Review Execution:**

Conducted a strategic Thematic Audit Review aimed at fulfilling Global Internal Audit Standards (GIAS) requirements. The review provided senior management and the Board Audit Committee with an independent evaluation of emerging trends and systemic observations across both the Bank and Group entities.

- **Data Analytics Maturity Assessment & IAG Readiness to use AI:**

Completed a comprehensive assessment of the Internal Audit Group's data analytics maturity. The initiative identified opportunities to leverage Artificial Intelligence (AI) in audit activities, evaluated potential tools, and produced a formal assessment paper to guide future innovation.

CORPORATE SOCIAL RESPONSIBILITY

WARBA STRENGTHENS ITS COMMUNITY IMPACT THROUGH A COMPREHENSIVE CORPORATE SOCIAL RESPONSIBILITY PROGRAM IN 2025

During 2025, Warba Bank continued to reinforce its position as a leading financial institution in the field of corporate social responsibility by implementing a comprehensive and structured program built around high-impact initiatives in youth empowerment, digital innovation, health, environmental sustainability, and the promotion of national values. The program was fully aligned with the Bank's strategy to deliver long-term sustainable impact and integrated with its institutional priorities, the Sustainable Development Goals, and Kuwait Vision 2035. It marked an advanced stage in the Bank's CSR journey, shifting from expanding the scope of initiatives to deepening their impact and measuring outcomes through clear performance indicators, thereby enhancing transparency and ensuring the sustainability of community impact.

Youth Empowerment and Entrepreneurship

Under the youth empowerment pillar, the Bank launched the enhanced edition of the "Rowad 6.0" program in partnership with the DIFC Innovation Hub of the Dubai International Financial Centre (DIFC). The program has evolved into an integrated innovation platform that attracts outstanding Kuwaiti students studying abroad and equips them with advanced knowledge and technical skills in technology, artificial intelligence, and banking innovation, qualifying them to lead digital transformation in the region.

In addition, the Bank launched the "Warba Digital Academy," offering free training programs in cybersecurity, data analytics, and financial programming for university students, alongside the introduction of an early banking training program for high school students aimed at enhancing financial literacy and instilling savings and investment concepts among younger generations.

As part of its continued support for technological innovation, the Bank maintained its sponsorship of the Kuwait National Robotics Championship and expanded its presence at technology and entrepreneurship events, contributing to the empowerment of Kuwaiti youth and strengthening their competitiveness in advanced technology fields.

Health and Quality of Life

Within the health and quality of life pillar, the Bank launched the "Warba Hayah" program, which included awareness campaigns on mental health and healthy lifestyles within and beyond the workplace, in addition to organizing blood donation campaigns in collaboration with local health authorities.

The Bank also continued its support for breast cancer awareness initiatives in partnership with Tamdeen Group, launched initiatives to support high-priority humanitarian cases, and implemented programs to empower women and strengthen their leadership and professional presence.

Environmental Protection and Climate Action

On the environmental front, the Bank launched the "Thura" initiative, which included planting thousands of trees and organizing beach clean-up campaigns, alongside awareness programs for school students in collaboration with the Scientific Center affiliated with the Kuwait Foundation for the Advancement of Sciences.

The Bank also continued its efforts to reduce carbon emissions by minimizing paper-based transactions and accelerating the transition to digital operations at record levels, in addition to offsetting emissions resulting from employee travel through specialized partnerships in this field.

Promoting Identity and Community Values

As part of its commitment to national values, the Bank launched awareness campaigns to combat drug abuse in cooperation with the Ministry of Interior and sponsored cultural and media initiatives that promote national identity and support purposeful youth-driven content.

The Bank also continued to support seasonal and religious initiatives by leveraging digital solutions to facilitate charitable donations during the holy month of Ramadan, and by providing support and services to pilgrims, reaffirming its commitment to community and humanitarian values.

Launch of the First Kuwaiti Press Sports Tournament

As part of its strategic plan to motivate the Kuwaiti media landscape and create impactful sporting events, the Bank launched the first sports tournament for Kuwaiti newspapers. The tournament featured numerous media football talents who left a strong mark on the competition and showcased healthy sports rivalry among print and digital media outlets, which now form the backbone of Kuwait's media sector. The tournament also enhanced the Bank's understanding of the creative Kuwaiti media youth, particularly in photography and media coverage.

Sustainable Impact and Future Outlook

The 2025 CSR program achieved wide-ranging impact, benefiting thousands of individuals across different age groups through its various initiatives. Warba Bank affirms that investment in society will remain a core pillar of its future strategy, stemming from its belief that sustainable development is a shared responsibility and that empowering people is the foundation for building a more prosperous and stable future for the State of Kuwait.

INSTITUTIONAL CAPABILITIES

EMPOWERING TALENT, ENABLING GROWTH, AND BUILDING THE WORKFORCE OF TOMORROW

1. Strategic Workforce Development & Kuwaitization

In 2025, the Human Resources & General Services Group delivered measurable progress in advancing Warba Bank's HR strategy, strengthening institutional capabilities and reinforcing a culture of engagement, wellbeing, and continuous development.

Kuwaitization rates reached 88%, exceeding regulatory requirements and reflecting the Bank's strong commitment to attracting, developing, and retaining highly-qualified Kuwaiti talent.

As part of the Bank's leadership sustainability strategy, two Kuwaiti leaders were appointed to Executive leadership positions during the year. These appointments strengthened national representation at leadership levels and reinforced the Bank's long-term strategy of building a strong and sustainable local leadership pipeline.

Warba Bank also continues to lead in gender representation, with women holding 24% of leadership positions, representing the highest female leadership representation amongst local banks.

2. Employee Engagement & Institutional Culture

Employee engagement remained a strategic priority throughout the year. A comprehensive program of initiatives was implemented to foster belonging, strengthen internal culture, and enhance employee wellbeing.

Key initiatives included:

- Volunteer initiatives (Warba Bank being the first bank in Kuwait to introduce Volunteer Work Leave)
- Women empowerment sessions
- Cultural trip to Failaka Island
- Coffee tasting events
- Warba Yard activities
- Ramadan Football Tournament
- Quran Competition for employees' children
- Awareness Health campaigns including:
 - Breast Cancer Awareness Month
 - Prostate Cancer & Men's Health Awareness

These initiatives collectively contributed to building a vibrant, connected, and supportive workplace culture.

3. Wellbeing & Work-Life Balance

The Group expanded initiatives focused on mental and physical wellbeing.

A comprehensive campaign titled "Take a Breath" was launched in collaboration with Dr. Ahmed Abdulmalik. The campaign included structured awareness sessions addressing:

- Mental health
- Work-life balance
- Workplace recovery

The initiative significantly contributed to reducing workplace stress and improving overall quality of work life. Additionally, family-oriented initiatives reinforced Warba Bank's position as a family-friendly employer:

- Summer Camp Program for employees' children (in collaboration with Sabah Al-Ahmad Center for Talent and Creativity)
- Back-to-School Campaign providing essential educational supplies

4. Learning, Development & Talent Pipeline

Talent development remained central to the Bank's strategy.

Ambition Program

The "Ambition" program expanded significantly in 2025, with increased participation and diversified development tracks, supporting clearer career pathways and capability building.

Middle Management Training Program

Delivered in collaboration with the National Leadership Institute, this program strengthened managerial capabilities and prepared future leaders within the Bank.

Intilaqa Internship Program

Two cohorts successfully completed structured training and hands-on mentoring, supporting early-career talent development and strengthening the Bank's future talent pipeline.

5. Employee Experience & Satisfaction

The Employee Satisfaction Survey achieved a record participation rate, with over 900 employees participating.

Employee satisfaction improved from 80% in 2024 to 82% in 2025, reflecting steady progress in employee engagement and workplace experience.

Further enhancements to the Digital HR Portal streamlined processes, automated services, and improved accessibility, supporting a more efficient and technology-enabled work environment aligned with the Bank's broader digital transformation objectives.

6. Infrastructure & Expansion Milestones

As part of Warba Bank's long-term expansion strategy, the Human Resources & General Services Group oversaw several key milestones:

- Acquisition of the new headquarters and adjacent land
- Acquisition and opening of the Shamiya Branch
- Completion and opening of Saad Al-Abdullah Branch (one of the Bank's largest branches by area)

These milestones support the Bank's growth strategy and strengthen its geographical presence across Kuwait.

7. Community & Organizational Branding

Warba Bank participated in the 2025 Watheefti Career Fair and, for the first time in Kuwait, sponsored Yasser Al Hazimi as a keynote speaker—strengthening the Bank's employer brand and engagement with national talent.

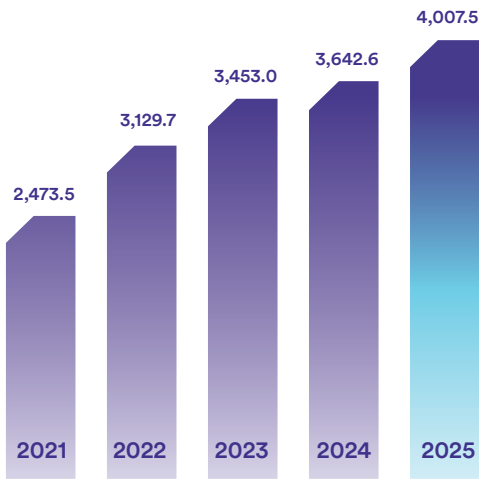
Through these achievements, the Human Resources & General Services Group continues to play a pivotal role in enhancing employee experience, developing national talent, and building a resilient workforce to support Warba Bank's sustainable growth.

AWARDS IN 2025

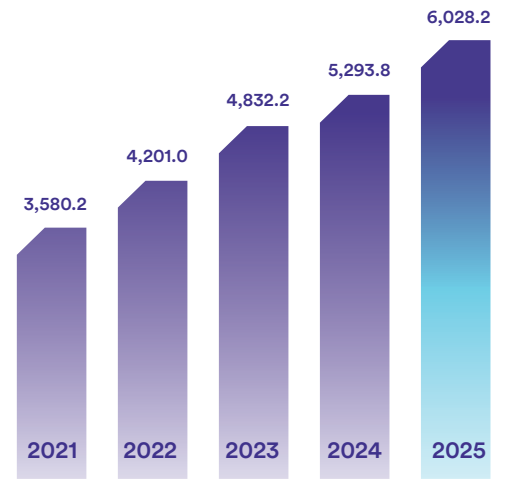


- “MOST INNOVATIVE ISLAMIC DIGITAL SOLUTIONS BANK KUWAIT 2025”
AWARD FROM INTERNATIONAL FINANCE
- “BEST COMMUNITY INITIATIVE BANKING KUWAIT 2025”
AWARD FROM INTERNATIONAL FINANCE
- “FIRST B2B REMITTANCE SERVICE LAUNCH IN QATAR & KUWAIT 2025”
AWARD FROM MASTERCARD

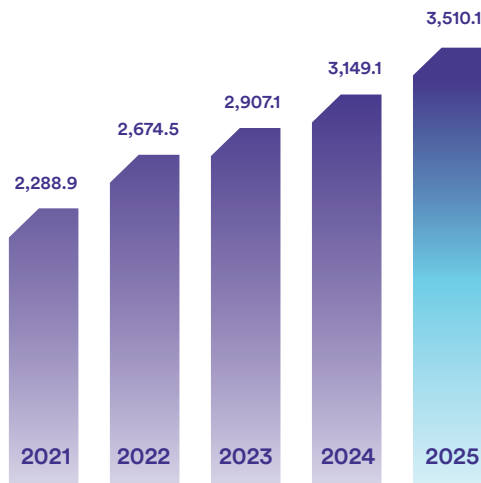
KEY FINANCIAL INDICATORS



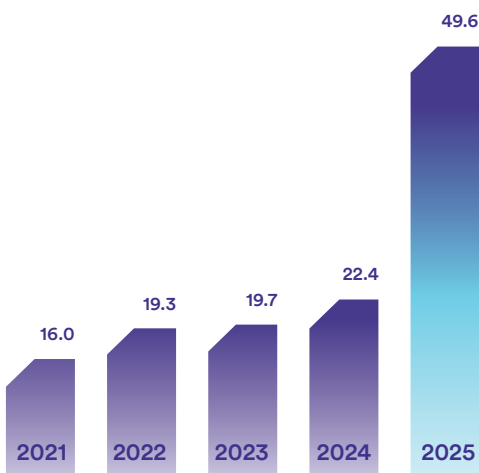
FINANCING RECEIVABLE
(MILLIONS)
KD 4,007.5



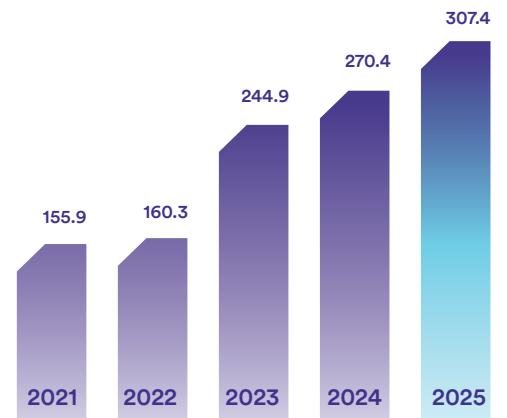
TOTAL ASSETS
(MILLIONS)
KD 6,028.2



CUSTOMER DEPOSITS
(MILLIONS)
KD 3,510.1



NET PROFITS
(MILLIONS)
KD 49.6



TOTAL OPERATING INCOME
(MILLIONS)
KD 307.4



10

CORPORATE GOVERNANCE REPORT



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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.

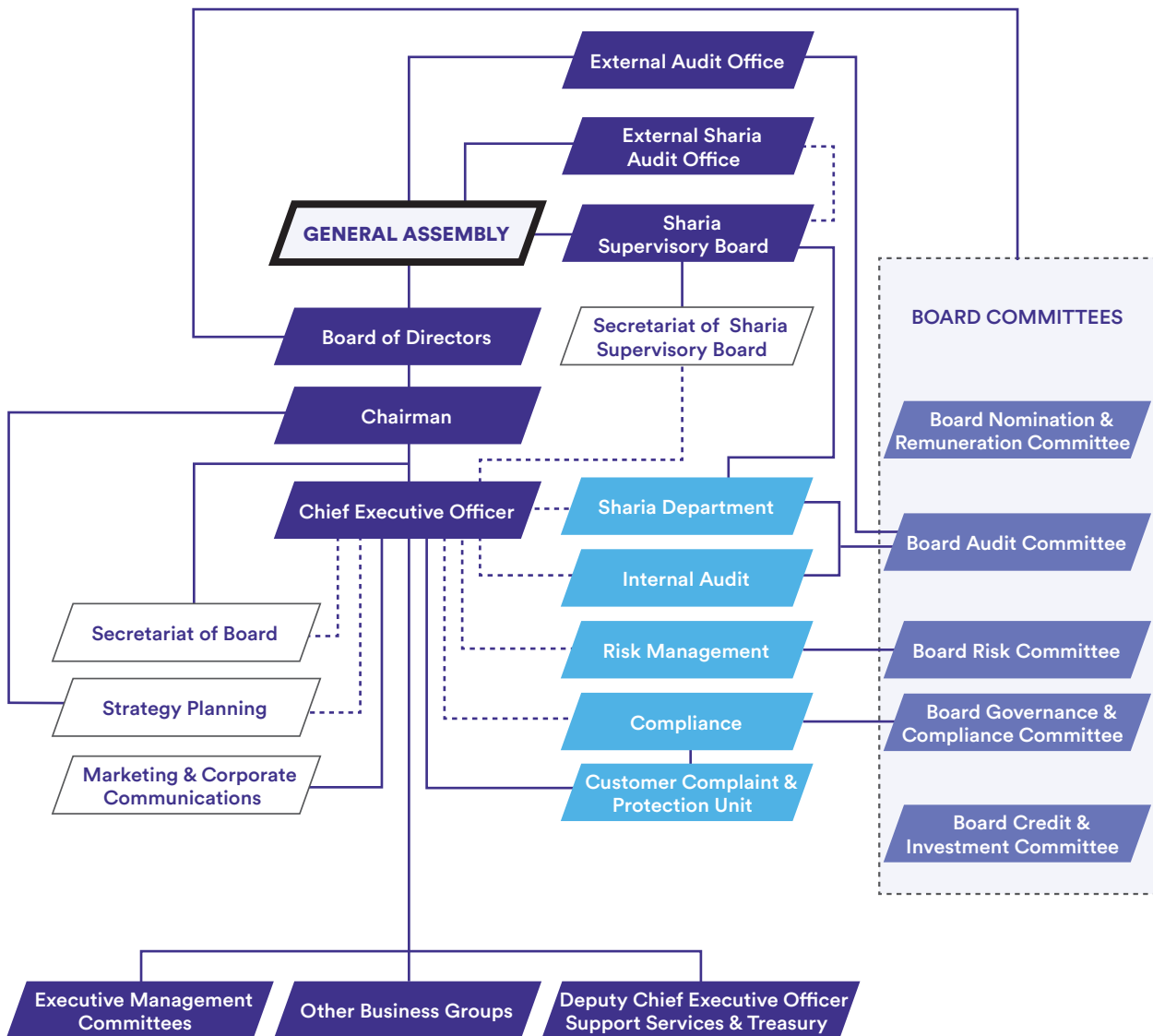
Furthermore, in September 2019, the Central Bank of Kuwait issued an update to these instructions, prompting Warba Bank to make significant strides in meeting the new requirements. Updates include revising charters for the Board and its committees to align with the latest standards. Efforts are ongoing 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.

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 Committees
- Administrative Reporting Line
- Control Functions
- Other Functions

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 2025

Warba Bank places paramount importance on training programs for its Board members, recognizing their crucial role in developing leadership skills. Two training programs were scheduled during October and November 2025 in collaboration with specialized training and development providers. These programs covered several key areas, including but not limited to: corporate governance, AML & CFT, combating cybercrime, information security and cybersecurity, governance, social and environmental responsibility (ESG), artificial intelligence in business and innovation in information technology, principles of sustainable leadership, advanced risk management, and updates to International Financial Reporting Standards (IFRS). Furthermore, a significant number of Board members participated in a training program titled "Governance and Oversight of AML in the Banking Sector," organized by the Institute of Banking Studies in November 2025. Additionally, a Sharia-compliant training program on "Sharia Rulings Related to the Acquisition of a Controlling Stake in a Conventional Bank and its Merger and Conversion into an Islamic Bank," presented by the Chairman of the Bank's Sharia Supervisory Board, was also held in November 2025.

BOARD MEMBERS FOR THE SIXTH SESSION (2025-2027)

At the Ordinary General Assembly meeting held on March 27, 2025, for the fiscal year that ended December 31, 2024, the Bank's Board of Directors was formed. This Board comprises 11 members for the sixth session (2025-2027), 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 2019, he has been serving as the Vice-Chairman of Warba Bank and has been Chairman of the Bank since March 2022 to date. He is also a Board Member of the Kuwait Chamber of Commerce and Industry, a position he has held since March 2022. Prior to this role, Al-Sayer 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.



MR. BADER KHALED AL-SHALFAN
Vice-Chairman

Al-Shalfan graduated with a Bachelor's degree of Science in Business Administration from Kuwait University (2000). He has been a member of the Board of Directors of Warba Bank since 2019 and Vice-Chairman of the Board since March 2022. He joined the Ministry of Finance in 2001 as an employee and researcher in the Procurement Systems Department. He then co-founded Health Company, where he served as General Manager for over ten years. In 2013, he established Bond International Real Estate, a company providing consulting and research services in local and international real estate investment and markets. In 2025, he founded Bader Khaled Al-Shalfan Real Estate Consulting Company.



**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 position 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 Inoest 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. 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. KHALDOUN SHAKER AL-TABTABAEI
Board Member

Independent

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. MOHAMMAD ABDULAZIZ
AL-BAHAR**
Board Member

Independent

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.



MR. MOHAMMAD AHMAD AL-RUWAYEH
Board Member

Independent

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



MS. MAY MOHALHAL AL-MUDHAF
Board Member

Independent

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.

An independent member of the Board of Directors of Warba Bank since March 2022 to date, Al-Mudhaf possesses a wealth of knowledge and extensive relationships in the banking and financial sector, acquired through her banking experience spanning more than three decades. She previously served as CEO of First Abu Dhabi Bank in Kuwait, and before that, she was the Senior General Manager at Burgan Bank, where she was responsible for managing the treasury, financial institutions, investment sector, and private banking. Prior to that, she was Head of Treasury at Commercial Bank of Kuwait. She was ranked by Forbes as one of the "100 Most Powerful Arab Businesswomen in the Middle East" for four consecutive years from 2014 to 2017. She also received an award from Forbes on May 22, 2017. In 2018, she was honored by Forbes as one of the most influential women in the Middle East. She also received the Middle East Women Leader Award from the CSR Day program and the Global Sustainability Program.



Ms. Basma Hamed Al-Sanee
Board Member

Appointed by the Public
Institution for Social Securities

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

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

In addition to her responsibilities at PIFSS, Al-Sanee holds positions as a Board Member in several companies, including Egycap Investments and Kuwait Medical City Company.



MR. ABDULLAH YOUSEF AL-SHAIJIE
Board Member

representing the Kuwait
Investment Authority

Al-Shaijie graduated with a Bachelor's degree in Accounting from Kuwait University, obtained in 2007. He has been a member of the Board of Directors of Warba Bank, representing the Kuwait Investment Authority, since March 27, 2025. He currently holds the position of Investment Manager in the General Reserve Sector at the Kuwait Investment Authority, where he began his career.

The Authority seconded him for seven years to work at Equity Capital, which is the investment arm of the Kuwait Investment Authority in Tunisia, to serve as Deputy General Manager, Director of Direct Investments, and a member of the company's Board of Directors. He also contributed to the membership of the Boards of Directors of a number of companies in Tunisia during that period, in addition to his participation in many training programs and seminars in various fields.



MR. MISHARI FAHAD ALMUSALLAM
Board Member

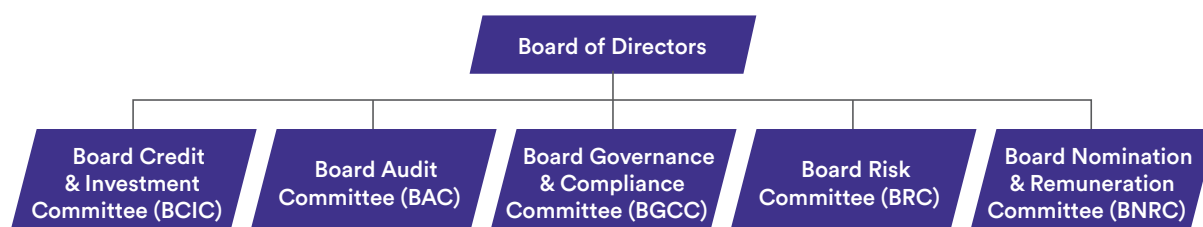
(Appointed by the Kuwait
Investment Authority)

Al-Musallam graduated with a Bachelor's degree in Finance and Financial Institutions from Kuwait University in 2008, and a Master's degree in Business Administration from Kuwait University in 2015. He is a member of the Board of Directors of Warba Bank, appointed by the Kuwait Investment Authority from March 27, 2025. He currently holds the position of Investment Manager in the General Reserve Sector at the Kuwait Investment Authority, where he began his career.

He also serves as Chairman of the Board of Directors of the National Technology Projects Company (NTEC). He has previously served on the Boards of Directors of a number of companies, most notably Al-Ajyal Holding Company in Morocco, Asia Capital Investment Company, and Kuwait Flour Mills and Bakeries Company, in addition to his participation in many training programs and seminars in various fields.

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:

From January 1, 2025, to March 27, 2025:

Mr. Mohammad A. Saleem *	Chairman
Ms. May Mohalhal Al-Mudhaf	Vice-Chairman
Mr. Bader Khaled Al-Shalfan	Member
Ms. Basma Hamed Al-Sanee	Member

*His membership continued until March 27, 2025.

From March 27, 2025, to December 31, 2025:

Mr. Bader Khaled Al-Shalfan	Chairman
Ms. May Mohalhal Al-Mudhaf	Vice-Chairman
Mr. Mohammad Ahmad Al-Ruwayeh	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:

From January 1, 2025, to March 27, 2025:

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-Bahar	Member

*His membership continued until March 27, 2025.

From March 27, 2025, to December 31, 2025:

Mr. Mohammad Abdulaziz Al-Bahar	Chairman
Mr. Mubarak Nasser Al-Sayer	Vice-Chairman
Mr. Khaldoun Shaker Al-Tabtabaie	Member
Mr. Abdullah Youssef Al-Shaijie	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:

From January 1, 2025, to March 27, 2025:

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

*His membership continued until March 27, 2025.

From March 27, 2025, to December 31, 2025:

Mr. Hamad Musaed Al-Sayer	Chairman
Mr. Mohammad Ahmad Al-Ruwayeh	Vice-Chairman
Ms. Basma Hamed Al-Sanee	Member
Mr. Mishari Fahad Al-Musallam	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:

From January 1, 2025, to March 27, 2025:

Mr. Khaldoun Shaker Al-Tabtabaie	Chairman
Mr. Mubarak Nasser Al-Sayer	Vice-Chairman
Mr. Mohammad Hamed Al-Shalfan	Member
Mr. Mohammad Riyad Al-Mutawa*	Member
Mr. Mohammad Abdulaziz Al-Bahar	Member

*His membership continued until March 27, 2025.

From March 27, 2025, to December 31, 2025:

Mr. Khaldoun Shaker Al-Tabtabaie	Chairman
Mr. Mohammad Hamed Al-Shalfan	Vice-Chairman
Mr. Abdullah Youssef Al-Shaijie	Member
Mr. Mubarak Nasser Al-Sayer	Member
Mr. Mohammad Abdulaziz Al-Bahar	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:

From January 1, 2025, to March 27, 2025:

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

From March 27, 2025, to December 31, 2025:

Ms. May Mohalhal Al-Mudhaf	Chairman
Mr. Mohammad Hamed Al-Shalfan	Vice-Chairman
Mr. Bader Khaled Al-Shalfan	Member
Ms. Basma Hamed Al-Sanee	Member
Mr. Mishari Fahad Al-Musallam	Member

ATTENDANCE AT MEETINGS OF THE BOARD AND THE COMMITTEES OF THE BOARD DURING 2025:

From January 1, 2025, to March 27, 2025:

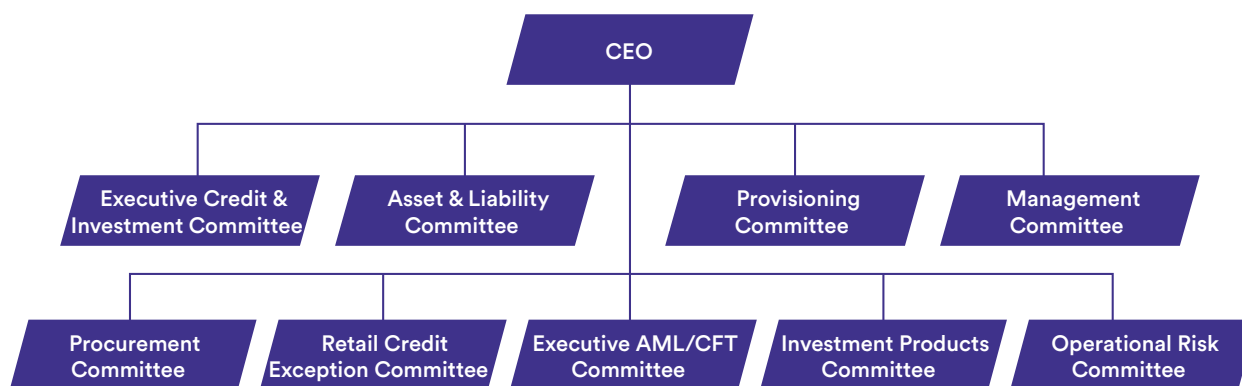
Member	Title	BoD	BCIC	BAC	BRC	BGC	BNRC
Hamad M. Al-Sayer	Chairman	6				0	
Bader K. Al-Shalfan	Vice-Chairman	6	4				0
Basma H. Al-Sanee	Member	6	3				0
Khaldoun S. Al-Tabtabaei	Independent Member	6		2	3		
Mubarak N. Al-Sayer	Member	4		2	3		
Mohammad A. Al-Ruwayeh	Independent Member	6		2		0	
Mohammad H. Al-Shalfan	Member	6			3		0
Mohammad R. Al-Mutawa	Member	5		2	3		
Mohammad A. Saleem	Member	5	2			0	
Mohammad A. Al-Bahar	Independent Member	6		2	3		0
May M. Al-Mudhaf	Independent Member	6	4				0
Total number of meetings during the period		6	4	2	3	0	0

From March 27, 2025, to December 31, 2025

Member	Title	BoD	BCIC	BAC	BRC	BGC	BNRC
Hamad M. Al-Sayer	Chairman	11				4	
Bader K. Al-Shalfan	Vice-Chairman	11	15				5
Basma H. Al-Sanee	Member	9				4	3
Khaldoun S. Al-Tabtabaei	Independent Member	11		8	7		
Abdullah Yousef Al Shaijie	Member	11		8	7		
Mubarak Nasser Al-Sayer	Member	10		8	7		
Mohammad A. Al-Ruwayeh	Independent Member	11	15			4	
Mohammad H. Al-Shalfan	Member	11			7		5
Mohammad A. Al-Bahar	Independent Member	11		8	7		
Mishari Fahad Al-Musallam	Member	11				4	5
May M. Al-Mudhaf	Independent Member	11	14				5
Total number of meetings during the period		11	15	8	7	4	5
Total number of meetings during the year 2025		17	19	10	10	4	5

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

The Executive Credit & Investment Committee is authorized to evaluate and review all credit financing and investment proposals within its delegated authority. It either approves these proposals or recommends them to the Board Credit & Investment Committee or the Board of Directors based on its Delegation of Authority. Moreover, the Executive Credit & Investment Committee oversees and assesses the Bank's financing and investment portfolio, including risk concentrations and delinquent exposures, implementing necessary actions to maintain sound and prudent performance of these assets.

2. ASSETS AND LIABILITY MANAGEMENT COMMITTEE

The Assets and Liability Management Committee 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 support sustained profitability and business growth, while ensuring compliance with regulatory, financial, and internal policy requirements.

3. PROVISIONING COMMITTEE

The Provisioning Committee is tasked with analyzing and assessing all outstanding exposures within approved financing facilities and investments on a periodic basis. 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 (IFRS, including IFRS 9) and Central Bank of Kuwait regulatory stipulations. Additionally, the committee is authorized to review abandonment and debt write-offs and provide relevant recommendations to the Executive Credit & Investment Committee, the Board Credit & Investment Committee, the Board Audit Committee and the Board of Directors in accordance with the Delegation of Authority.

4. MANAGEMENT COMMITTEE

The Management Committee is tasked with overseeing and supporting the Bank's vision and strategy by reviewing and providing recommendations where applicable. It meets fortnightly, or as business requirements dictate 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 from a coordination and oversight perspective. Additionally, it addresses and resolves any other issues referred to it 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 in accordance with the Procurement Policy and applicable Delegation of Financial Authority. 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 within approved budgets. 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 and preventing conflicts of interest.

6. RETAIL CREDIT EXCEPTIONS COMMITTEE

The Retail Credit Exceptions Committee has been established to review all retail housing consumer finance personal finance transactions necessitating careful and thorough examination that deviate from approved policies, procedures, or product parameters. It provides insights on the feasibility of granting exceptions and makes decisions regarding approval or disapproval for transactions exceeding KD 50,000 based on specific credit considerations and rationale, all within the framework of the Bank's long-term business objectives, acceptable risk tolerance, and applicable regulatory requirements.

7. EXECUTIVE AML/CFT COMMITTEE

In compliance with CBK Circular No. (2/BS/IBS/507/2023) dated February 16, 2023, CBK instructions dated August 28, 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 three voting members, with the Chief Operations Officer serving as the Chairperson, alongside the Chief Retail Banking Officer and Chief Compliance Officer.

The committee is responsible for maintaining a register and documenting decisions for all suspicious cases and preparing summary reports when required, which may be submitted to the approving authority, Internal Audit, or CBK upon request.

8. INVESTMENT PRODUCTS COMMITTEE

The Investment Products Committee is tasked with overseeing the introduction, rollout, and management of investment products, offerings, and services to existing and prospective clients of the Bank, including non-deposit investment product 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 asset management strategy approved by the Board of Directors and comply with applicable legal, regulatory, and Sharia requirements' approved strategy for asset management.

9. OPERATIONAL RISK COMMITTEE

The Operational Risk Committee is a management-level committee established to manage overlook risks other than market and credit risk 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 reviews, approves, or recommends actions to mitigate risks in accordance with the Risk Acceptance Policy exceeding the Bank's risk appetite if they were to materialize.

The Operational Risk Committee's purview includes managing various risks such as operational risks, information security risks, IT risks, AML risks, legal risks (non-financing related), 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
Shaheen Hamad Al-Ghanem	Chief Executive Officer	37	Kuwait	Master's
Anwar Bader Al-Ghaith	Deputy Chief Executive Officer Support Services & Treasury	28	Kuwait	Bachelor's
Thuwaini Khalid Al-Thuwaini	Chief Investment Banking Officer	20	Kuwait	Bachelor's
Faisal Abdulrazaq Al-Nassar	Chief Corporate Banking Officer	27	Kuwait	Bachelor's
Maali Abdullah Al-Rasheed	Chief Human Resources & General Services Officer	24	Kuwait	Master's
Mohamed Sabry Eissa	Chief Financial Officer	26	Egypt	Bachelor's
Abdullah Mahmoud Allanqawi	Chief Treasury Officer	19	Kuwait	Master's
Layali Mustafa Al-Fahad	Chief Operations Officer	32	Kuwait	Master's
Hamad Fouzan Al-Fouzan	Chief Strategic Planning Officer	20	Kuwait	Master's
Ahmad Faisal Al-Qatami	Chief Retail Banking Officer	24	Kuwait	Bachelor's
Naser Maher Al-Mutawaa	Chief Digital Officer	18	Kuwait	Bachelor's
Dr. Mohamed Barakat	Chief Marketing & Corporate Communication Officer	34	Germany	PhD
Najat Mohammad Saleh	Chief Risk Officer	35	Kuwait	Bachelor's
Mohammed Bader Alghanim	Chief Technology Officer	25	Kuwait	Master's
Soud Salah Al-Rashed	Chief Compliance Officer	19	Kuwait	Bachelor's
Mohammad Musaed Mandani	Chief Legal Officer	22	Kuwait	Bachelor's
Hanan Ghanim Hamada	Acting Chief Internal Auditor	21	Kuwait	Bachelor's

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 37 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 28 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, 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. THUWAINI KHALID AL THUWAINI
Chief Investment Banking-Officer

Al Thuwaini holds a Bachelor's degree in Economics from the University of Maryland, College Park, and has attended several executive leadership development programs. Throughout his 20 years of experience in banking and investment, Al Thuwaini held several executive positions before joining Warba Bank in January 2015, where he currently serves as the Chief Investment Banking Officer.



MR. FAISAL ABDULRAZAQ AL NASSAR
Chief Corporate Banking-Officer

Al Nassar holds a Bachelor's degree in Economics from the University of Colorado, USA, obtained in 1998. He has over 27 years of experience in Corporate Banking and Corporate Finance, which began in 1999 when he joined the Bank of Kuwait and the Middle East, where he progressed to become the Assistant Manager in 2003. In 2005, he joined A'ayan Leasing and Investment Company as Vice-President – Treasury and Corporate Finance, before joining Boubyan Bank in 2010 as Senior Manager of Corporate Banking. Al Nassar joined Warba Bank in 2012 as Senior Manager in the Corporate Banking Group, where he advanced through successive roles until assuming the position of Head of Corporate Banking Group in 2021. He also holds a Credit Management certificate from the Institute of Banking Studies (1999) and completed the Leadership and Management Certificate Program from the Wharton School in 2022.



MS. MAALI ABDULLAH ALRASHEED
Chief Human Resources & General
Services Officer

Alrasheed 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 24 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. Alrasheed 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. MOHAMED SABRY EIISA
Chief Financial Officer

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 26 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, Eissa joined Warba Bank as Chief Financial Officer.



MR. ABDULLAH MAHMOUD ALLANQAWI
Chief Treasury Officer

Allanqawi 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.

Allanqawi 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. Allanqawi 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 as well as 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.



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 32 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 "Women and Leadership in International Business program" delivered in collaboration with the London School of Economics and Political Science in 2019, 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.



MR. HAMAD FOUZAN AL FOUZAN
Chief Strategic Planning Officer

Al Fouzan holds an MBA from Imperial College London and a Bachelor's degree in Information Science from the University of Arkansas, USA. With 20 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 Telecommunication sector, he later joined Banking 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. Al Fouzan joined Warba Bank back in May 2021, he currently serves as the Chief Strategic Planning Officer reporting to the Chairman of the Board.



MR. AHMAD FAISAL AL-QATAMI
Chief Retail Banking Officer

Al-Qatami holds a Bachelor's degree in Business Administration in General Management from Portland State University, complemented by over 24 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, 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, Al-Qatami joined Warba Bank in February 2023 as the Chief Retail Banking Officer.

Throughout his career, 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. NASER MAHER AL MUTAWAA
Chief Digital Officer

Al Mutawaa 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. He 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. Al Mutawaa was also a member and chairman of several national and institutional committees such as the Consumer Protection Committee, the Digital System Committee for Control and Inspection, and the National Platform for Data Exchange. He 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.



DR. MOHAMED BARAKAT
Chief Marketing & Corporate
Communication Officer

Barakat holds a PhD in Management from Imperial College, London (UK), in addition to a Master's of Science in the same field, a Diploma of the Imperial College (DIC), and a Bachelor of Science (BSc) in Engineering. He is fluent in English, Arabic, Italian, German, and French.

He is an executive with over 34 years of experience in global and regional markets, with a proven record of accomplishment in driving business growth and strategic transformation. Prior to joining Warba Bank, he served as a Business Professor at universities in the UK. Before that, he held several leadership positions, including Head of Marketing at Boubyan Bank, Chief Commercial Officer at flynas Airlines, Head of Marketing and Products at Jazeera Airways, Executive Director at Alshaya Group (Retail), and Sector Manager at Procter & Gamble in Europe. Barakat has a strong background in marketing strategy development & execution, business growth, and digital innovation. He also designs and delivers management and marketing courses.



MS. NAJAT MOHAMMAD SALEH
Chief Risk Officer

Saleh holds a Bachelor of Science (B.Sc.) degree from Kuwait University and has over 35 years of Banking experience. She 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.

Saleh is 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, she 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.

Prior to joining Warba Bank, Saleh was appointed as Chief Risk Officer at Ahli United Bank, where she successfully integrated risk management priorities into the Bank's strategic objectives. She also held senior leadership positions at Arab Banking Corporation and Commercial Bank of Kuwait, where she led transformational initiatives in credit operations, international banking and risk management, cementing her reputation as an industry leader.



MR. MOHAMMED BADER ALGHANIM
Chief Technology Officer

Alghanim holds a Master's in Business Administration from Kuwait Maastricht Business School, and a Bachelor's in Electrical Engineering from Kuwait University. He has been a Certified Information Systems Security Professional since 2004 and has completed executive education programs at Harvard Business School, Harvard Kennedy School, in areas of leadership, risk management, and strategic execution.

He is a seasoned technology and cybersecurity executive with over 25 years of experience in the banking and financial services sector. He currently serves as the Chief Technology Officer at Warba Bank, where he leads the Bank's digital strategy, technology infrastructure, and innovation agenda. Prior to joining Warba Bank, Alghanim held several executive roles in leading local financial institutions.



MR. SOUD SALAH AL RASHED
Chief Compliance Officer

Al Rashed holds a Bachelor's degree in Accounting from Kuwait University (2006) and brings solid experience in compliance and governance within the banking sector. In his role, he contributes to strengthening regulatory compliance and implementing best governance practices in line with regulatory requirements and the Bank's strategic objectives. Al Rashed is the Chief Compliance Officer at Warba Bank.



MR. MOHAMMAD MUSAED MANDANI
Chief Legal Officer

Mandani holds a Bachelor's degree in Law from Kuwait University (2002) and has an extensive experience in the banking and financial sector. Through his role, he provides legal oversight and support, ensuring compliance with applicable laws and regulations while safeguarding the Bank's interests and supporting its strategic objectives. Mandani is the Chief Legal Officer at Warba Bank.



HANAN GHANIM HAMADAH
Acting Chief Internal Auditor

Hamadah holds a Bachelor's degree in English Language and Literature from Kuwait University and earned the Certified Internal Auditor (CIA) designation in 2015. She also completed the Executive Development Program in Kuwaiti Banks, delivered in collaboration with Harvard Business School, titled Strategic Leadership in the Age of Financial Sustainability. Hamadah brings 21 years of banking experience, including 17 years in internal audit. Throughout her career, she has held senior audit leadership roles across multiple banks, leading enterprise-wide risk assessments, developing annual audit plans and reporting to audit committees and executive management, while overseeing Retail, Corporate, Investment, Information Technology and Banking Operations audits. Hamadah is committed to modernizing audit methodologies, improving audit efficiency, strengthening governance and enhancing operational resilience in alignment with international standards and industry best practices.

COMPENSATION POLICY (SALARY & REMUNERATION)

The Bank's Compensation Policy (Salary & Remuneration) 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 the best international 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 (Salary & Remuneration) 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 31/12/2025, the Nominations & Remunerations Committee held 5 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 2025 amounted to KD 66 Thousand.

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

The total compensation and remunerations paid to the six key executives who received the highest compensation package for 2025, including the CEO, CFO, CRO, and CIA, amounted to KD 2,873,541.39*. This amount includes basic salaries, allowances, entitlements, and end-of-service benefits.

*One employee has been undertaken with doing some of the work of the six key executives during 2025.

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

Total compensations paid to the executive management for 2025 (CEO and his deputies and/or other senior executives subject to the approval of regulatory and supervisory bodies, i.e. 18 individuals) amounted to KD 4,734,921.84* inclusive of basic salaries, allowances, entitlements, and end-of-service benefits.

*One employee has been undertaken with doing some of the work of the executive management during 2025.

Total compensations paid to the Financial Control and Risk employees, i.e. (14) employees, amounted to KD 1,497,047.81, 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 4,323,469.51, 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. Relevant policies and procedures are reviewed and amended annually, or whenever required, to ensure the Bank's full compliance with all legislative and regulatory requirements. These include, among others, dealing with customers based on risk assessments associated with money laundering and terrorism financing, as well as identifying risk factors related to customers, executed banking transactions, and country risks.

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 and financing of terrorism, Warba Bank ensures the effectiveness of its human resources and systems in identifying unusual or suspicious transactions. Staff receive annual training and guidance on AML/CFT patterns issued by the KFIU. In accordance with CBK's amended instructions No. (507/2023) issued on 16/02/2023, Warba Bank has established the necessary internal mechanisms and controls designed to help mitigate the risks of money laundering and terrorism financing. Additionally, the Bank has formed a tripartite committee comprising members of the Bank's senior management to make final decisions regarding suspicious transactions and reporting them to the KFIU.

Warba Bank also complies with the USA Foreign Account Tax Compliance Act (FATCA) requirements and the related ministerial resolutions issued in this regard. These efforts have included updating account opening forms, Know Your Customer (KYC) forms, and self-certification forms for both individuals and legal entities, as well as other new account opening procedures implemented by the Bank. Furthermore, the Bank has engaged a global audit firm approved by the Ministry of Finance to verify compliance and review FATCA reports. The upload of the FATCA reports for the financial year 2024 has been postponed until further notice from the Ministry of Finance.

In line with the Bank's commitment to implementing the Common Reporting Standards (CRS) Agreement signed by the State of Kuwait on 19/08/2016, and the related ministerial resolutions issued in this regard, Warba Bank complies with the requirements of this agreement, including any necessary amendments to procedures, policies, and forms required for the preparation of the reports to be uploaded to the Ministry of Finance website, in accordance with the provisions of the agreement. The Bank has also engaged an audit firm approved by the Ministry of Finance to review its systems in order to assess compliance with CRS requirements. The Bank's CRS reports for the years 2022 and 2023 were submitted to the Ministry of Finance within the specified deadline in September 2024. The upload of the Bank's CRS report for 2024 has been postponed until further notice, as requested by the Ministry of Finance.

COMPLIANCE

The Compliance Group 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 2025, the Group achieved significant milestones, bolstering bank-wide compliance with regulatory instructions and corporate governance systems and rules. This involved updating policies and procedures to facilitate employee compliance and support implementation efforts. Moreover, the Group prioritized enhancing staff compliance by conducting comprehensive awareness programs covering regulatory requirements across all Bank activities. These initiatives underscore our unwavering commitment to upholding regulatory standards and fostering a culture of compliance within Warba Bank.

CODE OF BUSINESS CONDUCT AND ETHICS

Warba Bank upholds the highest standards of ethical conduct, which govern the practices and activities of all staff members, whether they are working for the bank or representing its interests.

The Board of Directors of Warba Bank establishes the Code of Business Conduct and Ethics as part of its commitment to promoting professional conduct standards, ensuring that Warba Bank continues to operate with the required transparency, integrity, and credibility, while safeguarding the Bank's reputation. The Code of Business Conduct and Ethics includes:

- Integrity standards.
- Conflict of interest policy.
- Information confidentiality policy.
- Compliance with laws and regulations.
- Whistleblowing policy encouraging the reporting of any illegal or unethical conduct.
- Fair dealing policy governing all the employees in their interactions with the Bank's customers, suppliers, and other third parties.

Members of the Board of Directors review and sign their commitment to these policies, and Warba Bank employees also review these policies and periodically confirm their adherence to the provisions contained therein. The Bank also promotes comprehensive awareness of the culture of business conduct and ethics through direct training and awareness communications conducted throughout the year.

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 Group. 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 periodically through media outlets.

ADEQUACY OF INTERNAL CONTROLS

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

The Board, assisted by its committees, routinely evaluates the effectiveness of the internal control systems as evaluated by various internal control functions. It ensures these functions are adequately positioned, staffed, and resourced to carry out their duties independently and effectively. The Board also scrutinizes management letters from external financial auditors, along with reports on accounting records and internal control systems, to ensure compliance and effectiveness. The Board attests that as of December 31, 2025, 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 2025 to conduct an independent review report on the Bank's internal controls for 2024. The report was presented to the Board Audit Committee and the Board of Directors in the meeting held on 24/06/2026. The report was submitted to the CBK on 25/06/2025 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 13/01/2025 in respect of conducting internal control review for 2024. 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 31/12/2024 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 30/09/2025 and 31/12/2025 concerning the report on accounting and other records and internal control systems for the year ended 31/12/2024 was sent to CBK on 23/09/2025 and 30/12/2025 and concluded that the Bank has resolved all findings except for one observation that is expected to be resolved by Q2 2026.

EXTERNAL AUDITOR REPORT ON INTERNAL CONTROL REVIEW



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

22 June 2025

Dear Sirs,

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 09 February 2025, 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 2024:

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 Group

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) circular dated 13 January 2025 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

Protiviti Member Firm Kuwait WLL

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respect of risk management and internal controls issued by the CBK on 20 June 2012 and its amendments on 10 September 2019, instructions dated 16 February 2023 concerning anti money laundering and combating financing of terrorism 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 2024, 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 13 January 2025,
- 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 2024,
- c) The actions taken by the Bank to address the findings referred in the report are satisfactory.

Yours faithfully,



Daryoush Mohammadi Pour
Country Managing Director – Kuwait
Protiviti Member Firm Kuwait WLL

11

CAPITAL ADEQUACY DISCLOSURES

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PUBLIC DISCLOSURE REQUIREMENTS (BASEL III)

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

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

FIRST: BANK STRUCTURE

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

SECOND: CAPITAL STRUCTURE

The Bank’s regulatory capital comprises:

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

The Bank’s capital does not include either structured instruments or complex equity instruments.

As at 31 December 2025, Tier 1 “Core Capital” amounted to KD 498,609 thousand (2024: KD 410,181 thousand), and Tier 2 “Supplementary Capital” amounted to KD 37,791 thousand (2024: KD 31,090 thousand) as detailed below:

Capital Structure	2024 (KD'000)	2025 (KD'000)
Tier (1) Capital		
A Common Equity Tier 1 (CET1)		
1- Directly issued qualifying common share capital plus related stock surplus*	311,837	771,048
2- Eligible Minority Interest in Consolidated Subsidiaries	-	-
3- Retained earnings (loss)	14,995	30,732
4- Other reserves	9,110	25,940
5- Proposed dividends	-	(22,491)
Total (A) CET1 before deductions	335,942	805,029
Deductions from CET1		
1- Treasury shares	-	-
2- Dividends (Declared but not incurred)	-	-
3- Goodwill	-	-
4- Other deductions	-	(457,183)
Total (A) CET1 after deductions	335,942	347,569
B Additional Tier 1 (AT1)	75,808	152,595
Deduction from AT1	(1,569)	(1,555)
Total (B) AT1 after deductions	74,239	151,040
Total (A+B) Tier 1 after deductions	410,181	498,609
Tier (2) Supplementary Capital		
1- Capital Eligible as T2	-	-
2- General provisions	31,090	37,791
Total Tier (2) Supplementary Capital before deductions	31,090	37,791
Deduction from Tier (2) Supplementary Capital	-	-
Total Tier (2) Supplementary Capital after deductions	31,090	37,791
	-	-
Total Available Capital (Tier 1 & Tier 2) before adjustments	441,271	536,400
	-	-
Total Available Capital (Tier 1 & Tier 2) After adjustments	441,271	536,400

As at 31 December 2025, Profit Equalization Reserve and Investment Risk Reserve amounted to KD Nil (2024: 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)	2025 (KD'000)
Common Equity Tier 1 capital: instruments and reserves			
1.	Directly issued qualifying common share capital plus related stock surplus	311,837	771,048
2	Retained earnings	14,995	30,732
3	Accumulated other comprehensive income (and other reserves)	9,110	25,740
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	-	(22,491)
7	Common Equity Tier 1 capital before regulatory adjustments	335,942	805,029
Common Equity Tier 1 capital: regulatory adjustments			
8	Prudential valuation adjustments	-	-
9	Goodwill (net of related tax liability)	-	-
10	Other intangibles (net of related tax liability)	-	-
11	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
12	Cash-flow hedge reserve	-	-
13	Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	-
14	Taskeek gain on sale (as set out in para 72 of these guidelines)	-	-
15	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
16	Defined-benefit pension fund net assets (para 68)	-	-
17	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-
18	Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	-
19	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-	-
20	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	457,460
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	2025
		(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	-	457,460
30	Common Equity Tier 1 after the regulatory adjustments	335,942	347,569
Additional Tier 1 capital: instruments			
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	75,808	152,595
32	of which: classified as equity under applicable accounting standards	75,808	152,595
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	152,595
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)	(1,555)
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)	(1,555)
45	Additional Tier 1 capital (AT1)	74,239	151,040
46	Tier 1 capital (T1 = CET1 + AT1)	410,181	498,609
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	37,791
52	Tier 2 capital before regulatory adjustments	31,090	37,791
Tier 2 capital: regulatory adjustments			
53	Investments in own Tier 2 instruments	-	-

No.	Item	2024 (KD'000)	2025 (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	37,791
60	Total capital (TC = T1 + T2)	441,271	536,400
61	Total risk weighted assets (after applying 50% additional weighting)	2,623,355	3,179,078
Capital ratios and buffers			
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.81%	10.93%
63	Tier 1 (as a percentage of risk weighted assets)	15.64%	15.68%
64	Total capital (as a percentage of risk weighted assets)	16.82%	16.87%
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%	3.12%
National minimal			
70	National Common Equity Tier 1 minimum ratio: 7.0%	249,219	302,012
71	National Tier 1 minimum ratio: 8.5%	288,569	349,699
72	National total capital minimum ratio excluding CCY and DSIB: 10.5%	341,036	413,280
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	95,046
78	Cap on inclusion of provisions in Tier 2 under standardized approach	31,090	37,791
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 2025		Reference
	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	
Assets			
Cash and balances with banks	241,619	241,619	
Placements with banks and CBK	358,484	358,484	
Financing receivables	4,007,489	4,007,489	
of which maximum general provisions (netted above) capped for Tier 2 inclusion	37,791	37,791	a
Financial assets at fair value through profit or loss	219,432	219,432	
Financial assets at fair value through other comprehensive income	411,122	411,122	
Investment in associate	513,296	513,296	
Investments in joint ventures	123,409	123,409	
Investment properties	40,565	40,565	
Other assets	49,528	49,528	
Property and equipment	63,502	63,502	
Total Assets	6,028,206	6,028,206	
Liabilities			
Due to banks	1,299,061	1,299,061	
Depositors accounts	3,510,073	3,510,073	
Issued Sukuk	156,574	156,574	
Other liabilities	82,383	82,383	
Total Liabilities	5,048,091	5,048,091	
Equity			
Share Capital	449,822	449,822	b
Share Premium	298,735	298,735	c
Statutory Reserve	16,420	16,420	d
Retained Earnings	8,241	8,241	
of which retained earnings eligible for (CET1)	30,732	30,732	e
of which proposal for bonus shares	22,491	22,491	
Fair value reserve	7,632	7,632	g
Forex reserve	1,688	1,688	h
Proposed dividends & bonus share	44,982	44,982	K
Equity attributable to Shareholders of the Bank	827,520	827,520	
Perpetual Tier 1 Sukuk	152,595	152,595	I
Of which reciprocal investment in local banks T1 sukuk	1,555	1,555	J
Total Equity	980,115	980,115	
Total Liabilities and Equity	6,028,206	6,028,206	

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	472,313	b
2	Share Premium	298,735	c
3	Statutory Reserve	16,420	d
4	Retained Earnings	30,732	e
5	Fair value reserve	7,632	f
6	Forex Reserve	1,688	g
7	Other reserves	(457,460)	
8	Proposed dividends & bonus share	(22,491)	
9	Common Equity Tier 1 capital (CET1)	347,569	
Additional Tier 1 capital: Instruments			
10	Perpetual Tier 1 Sukuk	152,595	h
11	Reciprocal cross-holdings in Additional Tier 1 instruments	(1,555)	i
12	Additional Tier 1 capital	151,040	
13	Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital)	498,609	
Tier 2 Capital: Instruments and provisions			
14	Tier 2 Instruments	-	
15	General provisions included in Tier 2 capital	37,791	a
16	Tier 2 Capital	37,791	
17	Total Capital (Total capital = Tier 1 + Tier 2)	536,400	

Step 1 & 2 of the reconciliation requirements:

31 December 2024

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	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	
Other assets	52,215	52,215	
Property and equipment	18,480	18,480	
Total Assets	5,293,772	5,293,772	
Liabilities			
Due to banks	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	28,097	28,097	
of which retained earnings eligible for (CET1)	17,675	17,675	e
of which Proposed dividends	-	-	
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 dividends and bonus shares	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 investments in local banks and other financial institutions	(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: 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	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)	335,942	
Additional Tier 1 capital: Instruments			
9	Perpetual Tier 1 Sukuk	75,808	I
10	Reciprocal sukuk	(1,569)	J
11	Additional Tier 1 capital	74,239	
12	Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital)	410,181	
Tier 2 Capital: Instruments and provisions			
13	Tier 2 Instruments	-	
14	General provisions included in Tier 2 capital	31,090	a
15	Tier 2 Capital	31,090	
16	Total Capital (Total capital = Tier 1 + Tier 2)	441,271	

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:

2025

No.	Ratio Description	Total Required Capital (%)	Available Capital (%)
1.	Total Capital Adequacy Ratio	13.00%	16.87%
2.	Tier 1 Capital Adequacy Ratio	11.00%	15.68%
3.	CET1 Capital Adequacy Ratio	9.50%	10.93%

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%

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	2025 KD'000
On-balance sheet exposures			
1	On-balance sheet items (excluding Sharia compliant hedging contracts, but including collaterals)	5,380,409	6,120,506
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1,569)	(459,015)
3	Total on-balance sheet exposures (excluding Sharia compliant hedging contracts) (sum of lines 1 and 2)	5,378,840	5,661,491
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	-
5	Add-on amounts for potential future exposures "PFE" associated with all Sharia compliant hedging contracts	-	-
6	Gross-up for the collateral of Sharia compliant hedging contracts provided were 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	-
Other off-balance sheet exposures			
10	Off-balance sheet exposure (before any adjustment for credit conversion factors)	2,647,611	3,214,953
11	(Adjustments for conversion to credit equivalent amounts)	(2,288,791)	(2,800,952)
12	Off-balance sheet items (sum of lines 10 and 11)	358,820	414,001
Capital and total exposures			
13	Tier 1 capital	410,181	498,609
14	Total exposures (sum of lines 3, 9 and 12)	5,737,661	6,075,492
Leverage ratio			
15	Leverage ratio (Tier 1 Capital (13)/total exposures (14))	7.15%	8.21%

As stated above, the Bank's leverage ratio for the present period is 8.21% compared to 7.15% in the previous year. The decrease in the leverage ratio is mainly due to the following:

- The Bank's capital increase and the issuance of Tier (1) Sukuk
- 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	2025 KD'000
On-balance sheet exposures			
1	Total assets as per published financial statements	5,293,772	6,028,206
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		(459,015)
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	-
5	Off-balance sheet exposures (i.e. equivalent credit amounts)	358,820	414,001
6	Other exposures	85,068	92,300
7	Total exposures in calculation of leverage ratio (sum of the above items)	5,737,661	6,075,492

FOURTH: RISK WEIGHTED ASSETS

1. CREDIT RISK

The minimum required capital for credit risk exposures as at 31 December 2025 was KD 385,904 thousand (31 December 2024: KD 315,821 thousand) as detailed below:

2025 (KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Cash items	11,083	11,083	-	-
2	Claims on sovereigns	621,504	621,504	102,340	13,304
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	104,665	104,664	7,848	1,020
5	Claims on multilateral development banks	119,824	119,824	9,874	1,284
6	Claims on banks	312,782	312,782	95,114	12,365
7	Claims on corporates	3,439,915	2,753,258	1,729,456	224,829
8	Regulatory retail exposure	678,018	658,798	423,674	55,078
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	60,810	56,066	22,790	2,963
11	Goods and commodities positions	2,688	2,688	1,733	225
12	Real estate investments	163,974	163,974	211,397	27,482
13	Investment and financing with customers	89,705	19,558	16,506	2,146
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties	-	-	-	-
16	Other exposures	470,524	470,524	345,302	44,888
Total		6,075,492	5,294,723	2,966,034	385,584

2024 (KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Cash item	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

The minimum required capital for financing receivable as at 31 December 2025 was KD 280,348 thousand (31 December 2024: KD 234,127 thousand) as detailed below:

2025 (KD'000)

SN	Description of Credit Risk Exposures	Total Exposures	Net Exposures	Risk-Weighted Assets	Required Capital
1	Claims on sovereigns	112,186	112,186	74,868	74,868
2	Claims on public sector institutions	61,933	61,933	7,520	978
3	Claims on development banks	30,637	30,637	10,223	1,329
4	Claims on banks	51,169	51,169	34,148	4,439
5	Claims on corporates	51,169	2,343,232	1,552,695	201,850
6	Regulatory retail exposure	3,022,814	658,627	438,966	57,066
7	Qualifying residential housing financing facilities	677,847	-	-	-
8	Past due exposures	53,394	48,650	18,525	2,408
9	Investment and financing with customers	89,705	19,558	19,579	2,545
10	Other exposures	-	-	-	-
Total		4,099,685	3,325,992	2,156,524	280,348

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

2. MARKET RISK

Market Risk-weighted exposure during the financial year 2025 amounted to KD 7,669 thousand (31 December 2024: KD 8,638 thousand), based on the standardized approach. The minimum required capital for market risk exposures amounts to KD 997 thousand (31 December 2024: KD 1,123 thousand).

3. OPERATIONAL RISK

Operational Risk-weighted exposures calculated during the year 2025 amounted to KD 205,375 thousand (31 December 2024: KD 185,325 thousand) as per the Basic Indicator Approach. The minimum required capital for operational risk exposures amounts to KD 26,699 thousand (31 December 2024: KD 24,092 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 the Bank's capital.

1. RISK MANAGEMENT STRUCTURE

The Board of Directors (the 'Board') has overall responsibility for the establishment and oversight of the 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 to review 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):

2025 (KD'000)

SN	Description of Credit Risk Exposures	Net Credit Exposure	Rated Exposures	Unrated Exposures
1	Cash item	11,083	-	11,083
2	Claims on sovereigns	621,504	555,720	65,784
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	104,665	7,208	97,457
5	Claims on multilateral development banks	119,824	119,817	7
6	Claims on banks	312,782	298,615	14,167
7	Claims on corporates	3,439,915	248,593	3,191,322
8	Regulatory retail exposure	678,018	-	678,018
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	60,810	-	60,810
11	Goods and commodities positions	2,688	-	2,688
12	Real estate investments	163,974	-	163,974
13	Investment and financing with customers	89,705	2,982	86,723
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties	-	-	-
16	Other exposures	470,524	-	470,524
Total		6,075,492	1,232,935	4,842,557

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	708,973	660,011	48,962
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	35,084	-	35,084
5	Claims on multilateral development banks	78,796	78,794	2
6	Claims on banks	450,570	419,132	31,438
7	Claims on corporates	3,027,408	147,510	2,879,898
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		5,737,661	1,305,447	4,432,214

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

2025 (KD'000)

SN	Description of Credit Risk Exposures	Credit Risk Exposures	Self Financed	Financed From Investment Accounts
1	Cash item	11,083	11,083	-
2	Claims on sovereigns	621,504	299,896	321,608
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	104,664	31,099	73,565
5	Claims on multilateral development banks	119,824	34,655	85,169
6	Claims on banks	312,782	135,091	177,691
7	Claims on corporates	3,439,914	1,008,283	2,431,631
8	Regulatory retail exposure	678,018	196,093	481,925
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	60,810	17,926	42,884
11	Goods and commodities positions	2,688	777	1,911
12	Real estate investments	163,974	47,423	116,551
13	Investment and financing with customers	89,705	25,944	63,761
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties	-	-	-
16	Other exposures	470,526	226,617	243,909
Total		6,075,492	2,034,887	4,040,605

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

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

2025 (KD'000)

SN	Description of Credit Risk Exposures	Average Credit Risk Exposures	Average Self Financed	Average Financed From Investment Accounts
1	Cash item	12,857	12,857	-
2	Claims on sovereigns	643,787	379,223	264,564
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	62,221	16,473	45,748
5	Claims on multilateral development banks	101,795	26,484	75,311
6	Claims on banks	424,938	151,135	273,803
7	Claims on corporates	3,347,720	931,267	2,416,453
8	Regulatory retail exposure	676,397	168,982	507,415
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	61,650	17,792	43,858
11	Goods and commodities positions	2,463	671	1,792
12	Real estate investments	163,914	41,050	122,864
13	Investment and financing with customers	109,469	25,597	83,872
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties	-	-	-
16	Other exposures	443,080	199,541	243,539
Total		6,050,291	1,971,072	4,079,219

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

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:

2025 (KD'000)

SN	Description of Credit Risk Exposures	MENA	North America	Europe	Asia	Others	Total
1	Cash item	11,083	-	-	-	-	11,083
2	Claims on sovereigns	588,073	-	20,172	13,259	-	621,504
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	89,794	-	7,663	-	7,208	104,665
5	Claims on multilateral development banks	119,824	-	-	-	-	119,824
6	Claims on banks	184,285	35,500	90,616	2,381	-	312,782
7	Claims on corporates	3,295,914	74,345	19,854	49,552	250	3,439,915
8	Regulatory retail exposure	678,018	-	-	-	-	678,018
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	60,810	-	-	-	-	60,810
11	Goods and commodities positions	2,688	-	-	-	-	2,688
12	Real estate investments	40,565	78,642	44,767	-	-	163,974
13	Investment and financing with customers	89,705	-	-	-	-	89,705
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties	-	-	-	-	-	-
16	Other exposures	274,451	151,294	29,634	15,145	-	470,524
Total		5,435,210	339,781	212,706	80,337	7,458	6,075,492

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

Maturities of total “Credit Risk” exposures:

2025 (KD'000)

SN	Description of Credit Risk Exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	11,083	-	-	11,083
2	Claims on sovereigns	387,143	154,260	80,101	621,504
3	Claims on international organizations	-	-	-	-
4	Claims on public sector entities	42,193	19,740	42,732	104,665
5	Claims on multilateral development banks	58,009	4,498	57,317	119,824
6	Claims on banks	226,058	10,285	76,439	312,782
7	Claims on corporates	2,279,223	796,774	363,918	3,439,915
8	Regulatory retail exposure	11,759	13,405	652,854	678,018
9	Qualifying residential housing financing facilities	-	-	-	-
10	Past due exposures	60,810	-	-	60,810
11	Goods and commodities positions	-	2,688	-	2,688
12	Real estate investments	-	-	163,974	163,974
13	Investment and financing with customers	86,412	2,787	506	89,705
14	Sukuk and taskeek exposures	-	-	-	-
15	Claims on central counterparties	-	-	-	-
16	Other exposures	18,226	3,980	448,318	470,524
Total		3,180,916	1,008,417	1,886,159	6,075,492

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

Main sectors of total Credit Risk exposures:

2025 (KD'000)

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
1	Cash item	-	-	-	-	11,083	11,083
2	Claims on sovereigns	-	26,826	-	509,318	85,360	621,504
3	Claims on international organizations	-	-	-	-	-	-
4	Claims on public sector entities	7,663	7,208	-	-	89,794	104,665
5	Claims on multilateral development banks	-	119,824	-	-	-	119,824
6	Claims on banks	-	312,782	-	-	-	312,782
7	Claims on corporates	701,001	330,673	1,506,404	-	901,837	3,439,915
8	Regulatory retail exposure	-	-	-	-	678,018	678,018
9	Qualifying residential housing financing facilities	-	-	-	-	-	-
10	Past due exposures	1,152	-	54,776	-	4,882	60,810
11	Goods and commodities position	2,688	-	-	-	-	2,688
12	Real estate investments	-	-	163,974	-	-	163,974
13	Investment and financing with customers	-	-	14,551	-	75,154	89,705
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties	-	-	-	-	-	-
16	Other exposures	-	-	-	-	470,524	470,524
Total		712,504	797,313	1,739,705	509,318	2,316,652	6,075,492

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

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, 2025, the value of the irregular financing facilities (impaired), including the Bank's accounts receivable, amounted to KD 72,944 thousand after excluding the deferred revenues and due profits (31 December 2024: KD 69,519 thousand) and KD 39,326 thousand (31 December 2024: KD 34,957 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 2025, the Bank's provisions are KD 108,480 thousand including a general provision of KD 95,046 thousand (31 December 2024: KD 100,919 thousand including a general provision of KD 88,734).

Irregular and past due exposures as per standard portfolios:

2025 (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	67,140	33,522	11,077	22,445	141,933
3	Regulatory retail exposures	5,804	5,804	2,357	3,447	26,747
4	Real estate investments	-	-	-	-	-
5	Investment and financing with customers	-	-	-	-	-
Total		69,519	34,957	12,129	22,828	228,087

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

Irregular and past due exposures as per geographical location:

2025 (KD'000)

SN	Description of geographical location	Impaired	Net Impaired after deducting acceptable guarantees	Specific Provision	Net Facilities	Past Due
1	MENA	63,931	39,326	13,434	25,892	168,680
2	Europe	-	-	-	-	-
3	Asia	-	-	-	-	-
4	Rest of the World	9,013	-	-	-	-
Total		72,944	39,326	13,434	25,892	168,680

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

Irregular and past due exposures by industrial sector:

2025 (KD'000)

SN	Description of Industrial Sector	Impaired	Specific Provision	Net Facilities	Past Due
1	Manufacturing & Trade	4,948	2,837	1,329	3,152
2	Banks and financial institutions	-	-	-	-
3	Constructions and real estates	62,189	8,239	21,114	39,725
4	Others	5,807	2,358	3,449	125,803
Total		72,944	13,434	25,892	168,680

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

Aging of irregular and past due exposures:

2025 (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	22,212	4,842	8,773	37,117	72,944
2	Past Due	168,680	-	-	-	168,680
Total		190,892	4,842	8,773	37,117	241,624

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

General Provisions Balance:

SN	Distribution of General Provisions to credit risk exposures	2024 (KD'000)	2025 (KD'000)
1	Claims on sovereigns	757	736
2	Claims on public sector institutions	351	553
3	Claims on banks	719	988
4	Claims on corporates*	78,837	85,361
5	Regulatory retail exposures	6,446	6,574
6	Real estate investments	-	-
7	Investment and financing with customers	1,624	834
Total		88,734	95,046

* As at 31 December 2025, claims on corporates include precautionary provisions of KD 52,519 thousand (31 December 2024: KD 50,519 thousand).

SN	Distribution of General Provisions to geographical location	2024 (KD'000)	2025 (KD'000)
1	MENA*	87,438	93,698
2	Europe	872	747
3	Asia	339	56
4	Rest of the World	85	545
Total		88,734	95,046

* As at 31 December 2025, MENA includes precautionary provisions of KD 52,519 thousand (31 December 2024: KD 50,519 thousand).

5.1.2 Applicable Risk Mitigation Methods

The Credit Policy of the Bank lays down guidelines for collateral valuation and management which includes haircuts, minimum coverage requirement for different categories of collateral, revaluation, frequency and basis of revaluation, documentation, takaful, custodial requirements etc. According to the credit policy, the frequency of revaluing the collateral depends on the type of collateral. Specifically, daily revaluation is required for share collateral and also where the collateral is in a different currency than the exposure. This process is handled by a department independent of the business groups to ensure objectivity.

Acceptable collateral includes cash, bank guarantees, shares, real estate etc. subject to specific conditions on eligibility, margin requirements etc., laid down in the credit policy. The credit risk mitigation used for capital adequacy computation includes collateral in the form of cash and shares as well as guarantees in accordance with the CBK's rules and regulations concerning capital adequacy standard.

Credit Risk Exposures, Eligible Collaterals and Banking Guarantees:

2025 (KD'000)

SN	Description of Credit Risk Exposure	Total Credit Exposure	Eligible Collaterals	Banking Guarantees
1	Cash item	11,083	-	-
2	Claims on sovereigns	621,504	-	-
3	Claims on international organizations	-	-	-
4	Claims on public sector entities	104,665	-	-
5	Claims on multilateral development banks	119,824	-	-
6	Claims on banks	312,782	-	-
7	Claims on corporates	3,439,915	686,656	-
8	Regulatory retail exposure	678,018	19,220	-
9	Qualifying residential housing financing facilities	-	-	-
10	Past due exposures	60,810	4,744	-
11	Goods and commodities positions	2,688	-	-
12	Real estate investments	163,974	-	-
13	Investment and financing with customers	89,705	70,147	-
14	Sukuk and taskeek exposures	-	-	-
15	Claims on central counterparties	-	-	-
16	Other exposures	470,524	-	-
Total		6,075,492	780,767	-

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	-

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 2025 is 86% (31 December 2024: 81%) calculated as follows:

SN		2024	2025
1	Current assets (KD'000)	3,612,840	3,937,065
2	Current liabilities (KD'000)	4,453,095	4,577,723
	Current ratio	81%	86%

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

2025 (KD'000)

SN	Categories of funding	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Current account	354,994	-	-	354,994
2	Unrestricted investment account	2,436,830	1,493,835	503,068	4,433,733
3	Restricted investment account	-	-	-	-
4	Other Deposits	20,407	-	-	20,407
Total		2,812,231	1,493,835	503,068	4,809,134

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

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 2025 was KD 578 Million of which Central Bank reserves constituted about KD 360 Million. Average cash outflows over a 30-day horizon amounted to KD 993 Million while average inflows from assets were KD 674 Million.

Bank's LCR of 170% (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 2025:

Item	Description	In KD'000s	
		Value before applying inflows rates (average)*	Value after applying inflows rates (average)*
High-Quality Liquid Assets (HQLA)			
1	Total HQLA (before adjustments)		578,324
Cash Outflows			
2	Retail deposits and small business	549,211	93,744
3	• Stable deposits	-	-
4	• Less stable deposits	549,211	93,744
5	Unsecured wholesale funding excluding the deposits of small business customers:	1,408,717	768,675
6	• Operational deposits	-	-
7	• Non-operational deposits (other unsecured commitments)	1,408,717	768,675
8	Secured Funding	-	-
9	Other cash outflows, including:	-	-
10	• Resulting from Sharia 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	2,609,312	130,466
14	Other contractual cash outflows obligations	-	-
15	Total Cash Outflows		992,884
Cash Inflows			
16	Secured lending transactions	-	-
17	Inflows from fully performing exposures (as per the counterparties)	1,209,354	673,566
18	Other cash Inflows	-	-
19	Total Cash Inflows	1,209,354	673,566
Liquidity Coverage Ratio (LCR)			Total Adjusted Value
20	Total HQLA (after adjustments)		557,133
21	Net Cash Outflows		326,823
22	LCR		170%

*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 2025, the Bank’s NSFR was at 109.33% compared to the minimum requirement of 100%. The total ASF after assigning weights (ASF Factors) was KD 3,981 million while the RSF after applying weights was KD 3,641 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	993,350	-	-	-	993,350
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits and investment accounts from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	941,529	219,919	29,856	1,075,170
7	Wholesale funding:					
8	Operational deposits and investment accounts	-	-	-	-	-
9	Other wholesale funding	-	2,823,672	404,008	546,713	1,911,706
10	Other liabilities:					
11	NSFR Sharia-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	82,383	42,023	-	-	-
13	Total ASF					3,980,736
Required Stable Funding (RSF):						
14	Total NSFR Sharia-compliant high-quality liquid assets (HQLA)	660,403	-	-	-	39,390
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	61,497	330,219	16,897	38,359	96,340
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:	-	2,493,621	515,575	736,248	2,130,409
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	-	-	-	88,472	75,202
24	Other assets:					
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Sharia-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Sharia-compliant hedging contract assets	-	v v-	-	-	-
28	NSFR Sharia-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	1,090,571	47,042	12,311	68,748	1,168,125
30	Off Balance Sheet Items	1,967,712	282,703	83,960	299,457	131,692
31	Total RSF					3,641,158
32	NSFR (%)					109.33%

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).

2025 (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	1,681	1,599	4,025	1,441	846	9,592
Liabilities	(1,301)	(2,397)	(2,261)	(2,112)	(1,550)	(9,622)
Net Impact	381	(798)	1,764	(671)	(704)	(30)

2025 (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	(1,681)	(1,599)	(4,025)	(1,441)	(846)	(9,592)
Liabilities	1,301	2,397	2,261	2,112	1,550	9,622
Net Impact	(381)	798	(1,764)	671	704	30

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

5.5 Equity Risk in the Banking Book

As of 31 December 2025, the Bank's investments in equity positions other than sukuk amounted to KD 229,505 thousand (31 December 2024: KD 208,411 thousand) as detailed below:

Investment types	2024 (KD'000)	2025 (KD'000)
Quoted equity security	3,657	4,261
Unquoted equity security	9,497	10,073
Unquoted Portfolios and Funds	175,596	195,937
Other unquoted investments	19,661	19,234
Total	208,411	229,505

All equity investments are recorded at fair value.

During the year 2025, the Bank recorded realized gains from sale of equity investments amounting to KD 28 thousand (2024: KD Nil thousand) in the income statement and recorded unrealized gains from change in fair value of the quoted securities amounting to KD 576 thousand (31 December 2024: KD 134 thousand) in the other comprehensive income.

The minimum required capital for equity investment as at 31 December 2025 was KD 19,911 thousand (31 December 2024: KD 16,482 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:

2025

SN	Account Category	Q1	Q2	Q3	Q4
1	Saving accounts	1.493%	1.550%	1.586%	1.524%

2024

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

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 2025 amounted to KD 60 thousand (31 December 2024: 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 162.5 thousand for the year ending on 31 December 2025 (31 December 2024: 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 includes 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 2025. (2024: No employees were awarded remunerations on signing employment contracts (sign-on awards)).

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

2025

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
	Fixed remuneration	-	-
1	Cash-based	2,333,036	-
2	Shares and share-linked instruments	-	-
3	Other	53,043	-
	Variable remuneration	-	-
4	Cash-based	2,067,763	186,608
5	Shares and share-linked instruments	-	-
6	Other	94,472	-
Total		4,548,314	186,608

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

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

2025

SN	Total value of remuneration awards for the current fiscal year	Unrestricted (in KD)	Deferred (in KD)
	Fixed remuneration		
1	Cash-based	1,966,116	-
2	Shares and share-linked instruments		-
3	Other	64,860	-
	Variable remuneration		
4	Cash-based	1,910,950	194,072
5	Shares and share-linked instruments		-
6	Other	187,472	-
Total		4,129,398	194,072

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

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

2025

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	19	93,208	4,548,314
2	Material Risk Takers	16	63,575	4,129,398
3	Financial & Control Functions	14	-	1,442,194

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

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FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT



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**Shape the future
with confidence**

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Warba Bank K.S.C.P. (the “Bank”) and its subsidiaries (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, 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”), as applicable to audits of financial statements of public interest entities, 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)

The recognition of ECL under IFRS 9, determined in accordance with CBK regulations, is a complex accounting policy which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing the significant increase in credit risk and classification of the financing facilities into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cashflows from recoveries or realization of collateral.

The 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 assessing significant increase in credit risk and classification of financing facilities into various stages, and adjustment to ECL models, where applicable.

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

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected samples of financing facilities outstanding, including rescheduled financing facilities, and evaluated 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 Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") and the overlays, if any, considered by management, in order to determine ECL taking into consideration CBK guidelines. For a sample of credit facilities, we have computed ECL including the eligibility and value of collateral considered in the ECL models used by the Group.

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 2025 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2025 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 2025 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.

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.

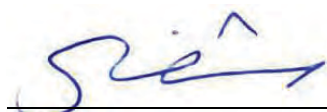
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or 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.

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 2025 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 2025 that might have had a material effect on the business of the Bank or on its financial position.



SHEIKHA AL FULAIJ
LICENCE NO. 289 A
EY
AL AIBAN, AL OSAIMI & PARTNERS




SAFI A. AL-MUTAWA
LICENSE NO. 138
OF KPMG AL-QENAE & PARTNERS
MEMBER FIRM OF KPMG INTERNATIONAL

4 February 2026
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 KD'000	2024 KD'000
ASSETS			
Cash and bank balances	3	241,619	456,581
Placements with banks and the CBK		358,484	385,084
Financing receivables	4	4,007,489	3,642,603
Financial assets at fair value through profit or loss	5	219,432	198,914
Financial assets at fair value through other comprehensive income	6	411,122	381,560
Investment in associate	7	513,296	-
Investment in joint ventures	8	123,409	118,791
Investment properties	9	40,565	39,544
Other assets		49,528	52,215
Property and equipment	10	63,262	18,480
TOTAL ASSETS		6,028,206	5,293,772
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	11	1,299,061	1,332,641
Depositors' accounts	12	3,510,073	3,149,067
Sukuk issued	13	156,574	308,304
Other liabilities		82,383	92,010
TOTAL LIABILITIES		5,048,091	4,882,022
EQUITY			
Share capital	14	449,822	218,360
Share premium		298,735	80,375
Statutory reserve	14	16,420	11,225
Fair value reserve		7,632	(2,694)
Foreign currency translation reserve		1,688	579
Retained earnings		8,241	14,995
		782,538	322,840
Proposed dividend	14	44,982	13,102
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		827,520	335,942
Perpetual Tier 1 Sukuk	15	152,595	75,808
TOTAL EQUITY		980,115	411,750
TOTAL LIABILITIES AND EQUITY		6,028,206	5,293,772



Hamad M. Al Sayer
Chairman



Shaheen H. Al Ghanem
Chief Executive Officer

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

		2025	2024
	Notes	KD'000	KD'000
Placements and finance income		257,916	244,859
Finance costs and distribution to depositors		(198,117)	(190,070)
Net finance income		59,799	54,789
Net investment income	16	32,675	10,607
Net fees and commission income	17	11,849	7,734
Other income		2,824	2,728
Foreign exchange gain		2,147	4,448
Net operating income		109,294	80,306
Staff costs		(30,054)	(29,124)
General and administrative expenses		(10,648)	(9,707)
Depreciation expense		(6,399)	(7,526)
Net operating expenses		(47,101)	(46,357)
Net operating profit before provision for impairment and credit losses		62,193	33,949
Provision for impairment and credit losses	18	(10,248)	(10,408)
Profit before tax and board of directors' remuneration		51,945	23,541
Taxation	19	(2,258)	(1,073)
Board of directors' remuneration		(66)	(66)
NET PROFIT FOR THE YEAR		49,621	22,402
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	20	11.46 fils	7.93 fils

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

		2025	2024
	Notes	KD'000	KD'000
Net profit for the year		49,621	22,402
Other comprehensive income (loss)			
<i>Other comprehensive income (loss) that will be reclassified subsequently to profit or loss:</i>			
Debt instruments at fair value through other comprehensive income:			
Net change in fair value		9,612	4,087
Changes in allowance for expected credit losses	18	(382)	(93)
Reclassification to profit or loss	16	(524)	(1,599)
Net gains on debt instruments at fair value through other comprehensive income		8,706	2,395
Exchange differences on translation of foreign operations		1,032	(554)
Share of other comprehensive loss of investment in joint venture	8	-	(438)
Net exchange differences recycled to profit or loss on derecognition of investment in a joint venture		77	(42)
Total items that are or may be reclassified to profit or loss		9,815	1,361
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss subsequently</i>			
Net change in fair value of equity investments at fair value through other comprehensive income		576	(134)
Share of other comprehensive income of investment in associate		1,044	-
Total items that will not be reclassified to profit or loss		1,620	(134)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		11,435	1,227
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		61,056	23,629

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Retained earnings KD'000	Sub-total KD'000	Proposed dividend KD'000	Equity attributable to shareholders of the Bank KD'000	Perpetual Tier 1 Sukuk KD'000	Total equity KD'000
As at 1 January 2025	218,360	80,375	11,225	(2,694)	579	14,995	322,840	13,102	335,942	75,808	411,750
Net profit for the year	-	-	-	-	-	49,621	49,621	-	49,621	-	49,621
Other comprehensive income	-	-	-	10,326	1,109	-	11,435	-	11,435	-	11,435
Total comprehensive income for the year	-	-	-	10,326	1,109	49,621	61,056	-	61,056	-	61,056
Increase in share capital (Note 14)	218,360	218,360	-	-	-	-	436,720	-	436,720	-	436,720
Issue of bonus shares (Note 14)	13,102	-	-	-	-	-	13,102	(13,102)	-	-	-
Cost directly related to increase in share capital	-	-	-	-	-	(350)	(350)	-	(350)	-	(350)
Transferred to the statutory reserve (Note 14)	-	-	5,195	-	-	(5,195)	-	-	-	-	-
Issuance of perpetual Tier 1 Sukuk (Note 15)	-	-	-	-	-	-	-	-	-	76,787	76,787
Profit paid on Perpetual Tier 1 Sukuk (Note 15)	-	-	-	-	-	(5,464)	(5,464)	-	(5,464)	-	(5,464)
Costs directly related to issue of Perpetual Tier 1 Sukuk	-	-	-	-	-	(384)	(384)	-	(384)	-	(384)
Proposed dividend (Note 14)	-	-	-	-	-	(44,982)	(44,982)	44,982	-	-	-
At 31 December 2025	449,822	298,735	16,420	7,632	1,688	8,241	782,538	44,982	827,520	152,595	980,115
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 (loss) for the year	-	-	-	1,823	(596)	22,402	23,629	-	23,629	-	23,629
Issue of bonus shares (Note 14)	12,360	-	-	-	-	-	12,360	(12,360)	-	-	-
Transferred to the statutory reserve (Note 14)	-	-	2,354	-	-	(2,354)	-	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 15)	-	-	-	-	-	(3,075)	(3,075)	-	(3,075)	-	(3,075)
Proposed dividend (Note 14)	-	-	-	-	-	(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

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 KD'000	2024 KD'000
OPERATING ACTIVITIES			
Profit before tax and board of directors' remuneration		51,945	23,541
<i>Adjustments for:</i>			
Net investment income	16	(32,675)	(10,607)
Gain on de-recognition of leases		-	(230)
Provision for employees' end of service benefits		1,426	1,438
Depreciation expense		6,399	7,526
Provision for impairment and credit losses	18	10,248	10,408
		37,343	32,076
<i>Changes in operating assets and liabilities:</i>			
Placements with banks and the CBK		(100,667)	25,920
Financing receivables		(375,030)	(197,640)
Other assets		677	23,828
Due to banks and other financial institutions		(299,580)	169,792
Depositors' accounts		361,006	241,922
Other liabilities		(14,119)	23,048
Cash flows (used in) from operations		(390,370)	318,946
End of service benefits paid		(333)	(261)
Taxes paid		(1,061)	(1,124)
Net cash flows (used in) from operating activities		(391,764)	317,561
INVESTING ACTIVITIES			
Purchase/ capital contributions of financial assets at FVTPL		(48,169)	(47,723)
Proceeds from sale/ redemption of financial assets at FVTPL		30,822	19,907
Purchase of financial assets at FVOCI		(344,909)	(289,377)
Proceeds from sale of financial assets at FVOCI		321,421	280,530
Additions to investment in joint ventures		(10,823)	(13,949)
Proceeds from sale/ redemption of investment in joint ventures		3,068	3,854
Purchase of an investment property		-	(35,931)
Proceeds from sale of property and equipment		16	-
Purchase of property and equipment		(45,121)	(5,507)
Consideration paid for asset acquisition of subsidiary	7	(230,825)	-
Dividends received from financial assets		12,077	5,871
Other investment income received		146	331
Distributions received from joint ventures		4,583	1,159
Rental income received		4,229	447
Net cash flows used in investing activities		(303,485)	(80,388)
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuk		-	152,950
Net movement on Sukuk issued		(380)	2,741
Repayment of Sukuk		(150,000)	(152,450)
Payment of lease liabilities		(3,982)	(3,400)
Profit paid to holders of Perpetual Tier 1 Sukuk		(5,464)	(3,075)
Cost related to issuance of Perpetual Tier 1 Sukuk		(384)	-
Proceeds from issuance of Perpetual Tier 1 Sukuk		76,787	-
Proceeds from increase in share capital		436,720	-
Costs directly related to increase in share capital		(350)	-
Net cash flows from (used in) financing activities		352,947	(3,234)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(342,302)	233,939
Cash and cash equivalents at 1 January		702,801	468,862
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	3	360,499	702,801
Additional information on operational cash flows			
Finance costs paid		(187,297)	(189,874)
Finance income received		260,426	258,703

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2025

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 2025 approved the consolidated financial statements for the year ended 31 December 2024. Distributions proposed by the Board of Directors and approved by the shareholders of the Bank for the year then ended are provided in Note 14.

The consolidated financial statements of the Bank and its wholly owned subsidiary and special purpose vehicles (collectively, the “Group”) for the year ended 31 December 2025 were authorized for issue in accordance with a resolution of the Board of Directors on 12 January 2026. 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 amendments for measuring expected credit loss (“ECL”) 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 23.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is also the Bank’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 2025. 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 2025 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

This amendment did not have a 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 the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

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:

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

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.

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.

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. There are specific presentation requirements and options for entities, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, 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 all consequential amendments are effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. The Group is currently not intending to early adopt the standard.

The Group is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements. The Group considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

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) and its subsidiary as at 31 December 2025. 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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4.1 Basis of consolidation (continued)

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 and a subsidiary begins when the Group obtains control over the wholly owned special purpose vehicle and subsidiary and ceases when the Group loses control of the wholly owned special purpose vehicle and subsidiary. Assets, liabilities, income and expenses of a wholly owned special purpose vehicle and subsidiary 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 or subsidiary.

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 or subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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

Name of subsidiary	Principal activities	Country of incorporation	Equity interest %	
			2025	2024
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 Tier 1 (3) Sukuk Limited	Financial securities	Cayman Islands	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	100
Warba Strategy Company S.P.C	General Trading	Kuwait	100	-
Warba Holding Company S.P.C	Holding company	Kuwait	100	-
GRIT Real Estate Company W.L.L. (Under liquidation)	Real Estate	Kuwait	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 and financial liabilities 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. Cash and cash equivalents are carried at amortised cost using effective profit rate.

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

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

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

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

The details of these conditions are outlined below.

Murabaha

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

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. Placements with Central Bank of Kuwait represent the Tawarruq with Central Bank of Kuwait and Tawarruq for public debt.

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)

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.

Other financing receivables and advances

Other financing receivables and advances are financial assets that have fixed or determinable payments and set maturity dates. After initial recognition, they are measured at amortized cost using the effective profit rate method. This measurement is adjusted for the impact of fair value hedges, write-offs, and credit loss allowances. The amortized cost includes any acquisition discounts or premiums, as well as fees that are part of the effective profit rate calculation. The resulting amortization is recognized as finance income in the consolidated statement of profit or loss.

Business model assessment

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPP test

As a second step of its classification process, the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

● **Debt instruments at FVOCI**

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit returns and foreign exchange gains, losses and ECL are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI is explained below. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

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

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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

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

Financial assets and financial liabilities in this category are those that 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 are part of a group of financial liabilities, 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 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".

Accrued expenses are recognised for amounts to be paid in the future for services received whether or not billed to the Group.

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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4.4 Impairment of financial assets (continued)

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

Lifetime ECL is ECL that results 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 results from default events that are possible within the 12 months after the reporting date. Both lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event;
- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty;
- The disappearance of an active market for a security because of financial difficulties; or
- Purchase of a financial asset at a deep discount that reflects the incurred credit loss.

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

Measurement of ECL

ECL is the probability weighted estimate of credit losses and is measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macroeconomic scenarios as well as other factors. These measures are adjusted to be in line with IFRS 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 judgement required as to how changes in these macro-economic factors will affect ECL. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Multiple forward-looking scenarios

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

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

Renegotiated financing receivables

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

2.4.4.2 Provisions for credit losses in accordance with the CBK instructions

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

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

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

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

2.4.5 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 associates and joint ventures

An associate is an entity over which the Group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decision of the investee but is not control or joint control over those policies.

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 significant influence are similar to those necessary to determine control over subsidiaries.

Investment in an associate and joint ventures are initially recognised at cost and subsequently accounted for by the equity method of accounting. The Group's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The financial statements of associates and joint ventures are prepared using consistent accounting policies and are adjusted, where necessary, to bring the accounting policies in line with those of the Group.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in associate and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Gain or loss on such transaction is computed by comparing the carrying amount of the associate or joint venture at the time of loss of significant influence or joint control with the aggregate of fair value of the retained investment and proceeds from disposal. Such gain or loss is recognised in the consolidated statement of profit or loss.

2.4.9 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

2.4.10 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.

2.4.11 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 or 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.

2.4.12 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's (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.

2.4.13 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.

2.4.14 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.

Finance income

Finance income includes income from Wakala, Murabaha, Tawarruq, and Ijara investments and is calculated using effective profit rate method. The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating the financing income over the relevant period.

Recognition of financing income is suspended on financing receivables where profit and / or principal is overdue by 90 days or more.

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 overtime.

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.

Net investment income

Net investment income includes all gains and losses from changes in fair value, share of results from joint ventures and associates, dividend income, rental income, and realized gain or losses and sale of financial assets.

• **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.

• **Dividend income**

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

Other income

Other income includes collection from written off deals.

2.4.15 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.

2.4.16 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.

2.4.17 Taxation

Domestic Minimum Top-up Tax (DMTT)

Income taxes arising from tax law enacted by the State of Kuwait (Law No. 157 of 2024) for implementation of DMTT on entities which are part of multinational group with annual revenues of EUR 750 million or more are provided for in accordance with the Executive regulations issued through Ministerial Resolution No. 55 of 2025. The Group applies the mandatory and temporary exception not to recognise deferred taxes associated with this additional taxation. Refer note 19 for further information.

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 341 thousand (2024: KD 212 thousand) included under other liabilities in the consolidated statement of financial position which will be paid subsequent to the year end.

2.4.18 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.

2.4.19 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.

2.4.20 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.

2.4.21 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 28).

2.4.22 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.

2.4.23 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.

2.4.24 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.

2.4.24.1 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 2.4.12 - 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.

2.4.24.2 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

2.4.25 Finance cost

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES & ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

2.5.1 Significant judgments

Consolidation of wholly owned special purpose vehicles

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

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 26.

Hedge accounting

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

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit.

Classification of property

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

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

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

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

2.5.2 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 associates and joint ventures

The Group calculates the amount of impairment as the difference between the recoverable amount and its carrying value if there is any objective evidence that the investment in associates or joint ventures is impaired. The estimation of recoverable amount requires the Group to make an estimate of the expected future cash flows and selection of appropriate inputs for valuation.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

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

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

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

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

Impairment losses on financing receivables – as per CBK guidelines

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

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

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 based on estimates using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 9 and Note 26.

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:

	2025	2024
	KD'000	KD'000
Cash	7,918	5,953
Current account with the CBK	169,041	407,192
Current accounts with commercial banks	64,660	43,436
Total cash and bank balances	241,619	456,581
Placements with the CBK whose original maturity is within three months or less	70,012	107,192
Placements with banks whose original maturity is within three months or less	48,868	139,028
Total cash and cash equivalents	360,499	702,801

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.

	2025 KD'000	2024 KD'000
Murabaha receivables	3,662,684	3,316,359
Ijara receivables	650,876	609,399
Wakala receivables	9,292	9,395
Others	11,606	21,497
Less: deferred profit	(226,518)	(219,899)
Financing receivables before provision for impairment	4,107,940	3,736,751
Less: Provision for impairment as per CBK guidelines	(100,451)	(94,148)
	4,007,489	3,642,603

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

	2025 KD'000	2024 KD'000
Corporate	2,570,975	2,333,110
Individuals	1,536,965	1,403,641
Financing receivables before provision for impairment	4,107,940	3,736,751
Less: Provision for impairment as per CBK guidelines	(100,451)	(94,148)
	4,007,489	3,642,603

During the year, the Group has recovered KD 2,172 thousand from written off deals in the prior years (2024: KD 2,281 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 8,029 thousand (2024: KD 6,771 thousand) is included under other liabilities in the consolidated statement of financial position.

The expected credit losses calculated as per IFRS 9 according to the CBK guidelines amounted to KD 80,215 thousand as of 31 December 2025 (2024: KD 77,550 thousand), which is less than provisions computed as required by the CBK guidelines amounting to KD 108,480 thousand as of 31 December 2025 (2024: KD 100,919 thousand).

4. FINANCING RECEIVABLES (continued)

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

	31 December 2025		
	Specific provision	General provision	Total
	KD'000	KD'000	KD'000
Cash facilities			
As at 1 January 2025	7,607	86,541	94,148
Provision charged during the year	4,479	5,665	10,144
Written off balances during the year	(3,792)	-	(3,792)
Foreign currency movement	-	(49)	(49)
At 31 December 2025	<u>8,294</u>	<u>92,157</u>	<u>100,451</u>
Non-cash facilities			
As at 1 January 2025	4,578	2,193	6,771
Provision charged during the year	562	692	1,254
Foreign currency movement	-	4	4
At 31 December 2025	<u>5,140</u>	<u>2,889</u>	<u>8,029</u>
Total facilities			
As at 1 January 2025	12,185	88,734	100,919
Provision charged during the year (Note 18)	5,041	6,357	11,398
Written off balances during the year	(3,792)	-	(3,792)
Foreign currency movement	-	(45)	(45)
At 31 December 2025	<u>13,434</u>	<u>95,046</u>	<u>108,480</u>

	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 18)	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>

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 2025			
	Stage 1	Stage 2	Stage 3	Total
	KD'000	KD'000	KD'000	KD'000
Financing receivables				
High	2,312,141	71,389	-	2,383,530
Standard	1,399,264	103,493	-	1,502,757
Past due or impaired	45,524	119,199	56,930	221,653
	<u>3,756,929</u>	<u>294,081</u>	<u>56,930</u>	<u>4,107,940</u>

	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>

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 2025			
	Stage 1	Stage 2	Stage 3	Total
	KD'000	KD'000	KD'000	KD'000
ECL allowance as at 1 January 2025	12,949	9,481	31,881	54,311
Transfer from Stage 1	(251)	197	54	-
Transfer from Stage 2	1,070	(1,655)	585	-
Transfer from Stage 3	219	81	(300)	-
(Reversal) additional ECL for the year	(5,156)	1,722	4,327	893
Amounts written off	-	-	(3,792)	(3,792)
At 31 December 2025	<u>8,831</u>	<u>9,826</u>	<u>32,755</u>	<u>51,412</u>

	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>

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 2025			
	Stage 1	Stage 2	Stage 3	Total
	KD'000	KD'000	KD'000	KD'000
Non-cash facilities				
High	427,731	1,561	-	429,292
Standard	112,083	49,202	-	161,285
Past due or impaired	-	-	19,971	19,971
Total contingent liabilities	539,814	50,763	19,971	610,548
Commitments (revocable and irrevocable)	1,540,001	44,144	807	1,584,952

	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
Total contingent liabilities	382,861	65,885	15,926	464,672
Commitments (revocable and irrevocable)	755,790	38,146	9,349	803,285

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:

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
	KD'000	KD'000	KD'000	KD'000
ECL allowance as at 1 January 2025	2,224	4,110	16,905	23,239
Transfer from Stage 1	(4)	4	-	-
Transfer from Stage 2	231	(242)	11	-
(Reversal) additional ECL for the year	(610)	3,038	3,136	5,564
At 31 December 2025	1,841	6,910	20,052	28,803

	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	2,224	4,110	16,905	23,239

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025	2024
	KD'000	KD'000
Equity instruments - quoted	4,261	3,657
Funds - unquoted	215,144	193,470
Other securities - unquoted	27	1,787
	219,432	198,914

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques are presented in Note 26.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025	2024
	KD'000	KD'000
Quoted Sukuk	401,049	372,063
Unquoted equity instruments	10,073	9,497
	411,122	381,560

During the year ended 31 December 2025, 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 382 thousand (2024: reversal of KD 93 thousand) in the consolidated statement of profit or loss for the year (Note 18).

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 26.

Investments in debt instruments are subject to ECL. An analysis of changes in the gross carrying amount and the corresponding ECL in relation to investment in debt instruments is as follows:

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
	KD'000	KD'000	KD'000	KD'000
Gross carrying amount as at 1 January 2025	341,630	30,433	-	372,063
New assets purchased (payments and assets derecognised during the year), net	35,241	(12,117)	-	23,124
Fair value and exchange movements	17,561	(11,699)	-	5,862
At 31 December 2025	394,432	6,617	-	401,049

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
	KD'000	KD'000	KD'000	KD'000
ECL allowance as at 1 January 2025	799	293	-	1,092
Impact due to purchase/de-recognition	45	(60)	-	(15)
Re-measurement of ECL	(165)	(202)	-	(367)
At 31 December 2025	679	31	-	710

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

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	KD'000	KD'000	KD'000	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

	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	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

7. INVESTMENT IN ASSOCIATE

On 8 April 2025, the Bank acquired a Kuwaiti Limited Liability Company “Warba Strategy Company S.P.C.” (previously known as Al Ghanem Trading Company W.L.L.) (the “Acquiree”) for consideration of KD 498,161 thousand (a cash consideration of KD 230,825 thousand while assuming the bank borrowings and other liabilities of the Acquiree amounting to KD 267,336 thousand). The Acquiree owns 32.75% of equity interest in Gulf Bank K.S.C.P., a bank listed on Bursa Kuwait. Accordingly, the Bank indirectly owns 32.75% of the share capital of Gulf Bank. The management determined that the Bank has significant influence over Gulf Bank (“associate”) by virtue of its shareholding. The associate is accounted for using the equity method.

The management concluded the Acquiree is not a business, and hence the Bank has accounted for the acquisition of the Acquiree as an asset acquisition.

The acquisition of the associate is accounted for in accordance with IAS 28 *Investment in associates and joint ventures* applying the underlying concept of acquisition method as outlined in IFRS 3: Business combination. In accordance with requirements of IFRS 3, the Group will carry out a purchase price allocation (“PPA”) exercise which will be completed within one year from the acquisition date. Accordingly, as of 31 December 2025, the investment in associate is recorded at the provisional amounts of assets acquired and liabilities assumed.

On 15th of June 2025, the Bank has obtained an acknowledgment from CBK for the potential merger. The Bank is now in the due-diligence phase and is coordinating closely with Gulf Bank to carry out the required procedures associated with this stage.

Movement of investment in associate:

	2025 KD'000
At 1 January 2025	-
Investment during the year	
Share of net assets acquired	264,670
Goodwill included in investment	233,491
Share of profit during the year (Note 16) *	14,091
Share of other comprehensive income of investment in associate	1,044
As at 31 December 2025	<u>513,296</u>

*Based on the decision of the Sharia Supervisory Board, the Bank is permitted to recognize, for accounting purposes, the share of profit arising from its subsidiary, Warba Strategy Company S.P.C. (previously known as Al Ghanem Trading Company W.L.L.) which owns 32.75% of the shares of Gulf Bank (an associate company) in the consolidated statement of profit or loss as part of investment income which will be dealt with subsequently according to a Sharia plan under the supervision of the Sharia Supervisory Board.

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

	2025 KD'000
Summarised consolidated statement of financial position of the associate:	
Current assets	3,179,437
Non-current assets	4,520,272
Current liabilities	(6,083,181)
Non-current liabilities	(762,163)
Net assets	<u>854,365</u>
Contingent liabilities and commitments	<u>3,134,423</u>

**From date of acquisition to 31
December 2025
KD'000**

Summarised consolidated statement of financial position of the associate:	
Operating income	144,909
Profit for the period	43,027
Other comprehensive income	3,187
Total comprehensive income	<u>46,214</u>

7. INVESTMENT IN ASSOCIATE (continued)

Reconciliation of the above summarised financial information to the carrying amount of the investment in Associate recognised in the consolidated financial statements is as follows:

	2025 KD'000
Net assets	854,365
Group equity interest	32.75%
Group share of net assets	279,805
Goodwill	233,491
Carrying amount	513,296

8. 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:

	2025 KD'000	2024 KD'000
As at 1 January	118,791	119,271
Net additions	10,823	10,334
Redemption	(2,991)	(692)
Share of results (Note 16)	(293)	(7,972)
Distributions received	(4,583)	(1,159)
Foreign currency translation adjustment	1,662	(553)
Share of other comprehensive loss of investment in joint venture	-	(438)
As at 31 December	123,409	118,791

The major joint ventures of the Group are as follows:

Name of joint venture	Principal activities	Country of incorporation	Equity interest %	
			2025	2024
Cortland Greengate Property	Real Estate Investment	UK	55	55
GCM Infinium	Real Estate Investment	UK	99	99
Ridge at Robinson	Real Estate Investment	USA	99	99
Bella Vida	Real Estate Investment	USA	98	98
Project Canyon	Real Estate Investment	USA	86	86
Jefferson Palm Beach Fund	Real Estate Investment	USA	98	98
Project Emerald	Real Estate Investment	UK	51	51
Broadstone Durham	Real Estate Investment	USA	98	98
Attiva Malone	Real Estate Investment	USA	98	98
Tapestry Westland Property	Real Estate Investment	USA	57	57

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

	2025	2024
	KD'000	KD'000
Summarised statement of financial position of the joint ventures:		
Current assets	20,217	15,280
Non-current assets	119,568	131,234
Current liabilities	(1,263)	(1,378)
Equity	138,522	145,136
Group's share in equity	123,409	118,791
Group's carrying amount of the investment	123,409	118,791
Summarised consolidated statement of profit or loss of the joint ventures:		
Revenue	240	(9,543)
Administrative and other expenses	(266)	(222)
Loss for the year	(26)	(9,765)
Group's share of loss for the year	(293)	(7,972)
Share of other comprehensive loss	-	(438)

The joint ventures had no capital commitments as at 31 December 2025 (2024: KD Nil) and no contingent liabilities as at 31 December 2025 and 2024.

9. INVESTMENT PROPERTIES

	2025	2024
	KD'000	KD'000
Opening balance at 1 January	39,544	1,675
Additions during the year	-	35,931
Fair value adjustment to investment properties (Note 16)	1,404	1,938
Foreign currency translation adjustment	(383)	-
Closing balance at 31 December	40,565	39,544

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 and income capitalization 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'). Under the income capitalization approach, the fair value estimated considering rental value, occupancy rate, and rent growth per annum. Based on these valuations, the fair value of investment properties witnessed an increase of KD 1,404 thousand compared to its carrying values as at 31 December 2025 (2024: increase of KD 1,938 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.

9. INVESTMENT PROPERTIES (continued)

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.

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.

	2025	2024
	KD'000	KD'000
Rental income derived from investment properties	4,229	447
Direct operating expenses	(2,686)	(47)
Net rental income arising from investment properties (Note 16)	1,543	400

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 is disclosed in Note 26.

10. PROPERTY AND EQUIPMENT

During the year, the Bank acquired a property to be used as the Bank's future head office for a consideration of KD 40,394 thousand. The property is currently under development. Accordingly, the property has been recognized under property and equipment as capital work in progress in accordance with IAS 16: Property, Plant and Equipment. The property will be reclassified to the appropriate category within property and equipment upon completion and readiness for its intended use.

11. 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.

12. 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.

13. SUKUK ISSUED

On 10 July 2024, the Bank completed the issuance of an unsecured Sukuk (senior debt) amounting to US\$ 500 million (KD 156.5 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 KD 150 million that was issued on 17 June 2020 has matured on 17 June 2025.

14. EQUITY

Share capital

The adjourned extraordinary general assembly meeting (EGM) of the shareholders of the Bank held on 2 March 2025 approved an increase in the authorised share capital by 100% by offering 2,183,600 thousand right shares for subscription to the Bank's shareholders and authorized the board of directors to determine the share price. The board of directors have determined the price to be 200 fils per share (each share has a par value of 100 fils and a premium of 100 fils). The increase in share capital has been registered in the commercial register on 6 May 2025 with registration number 334402.

Accordingly, the authorised, issued, and fully paid-up share capital as at 31 December 2025 comprise of 4,498,216 thousand shares (2024: 2,183,600 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 tax 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 5,195 thousand was transferred to the statutory reserve during the year ended 31 December 2025 (2024: KD 2,354 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 27 March 2025 approved dividends of 6% bonus shares amounting to KD 13,102 thousand to the Bank's shareholders for the year ended 31 December 2024 (2024: 6% bonus shares of KD 12,360 thousand for the year ended 31 December 2023).
- The shareholders of the Bank at the adjourned extra-ordinary general assembly ("EGM") held on 6 April 2025 approved the increase of Bank's authorised, issued, and fully paid share capital by issuing 131,016 thousand bonus shares at 6% of the authorised and paid-up share capital as of 31 December 2024 (i.e. 6 shares for each 100 shares) amounting to KD 13,102 thousand to the shareholders registered in the Bank's records as at the end of the record date on 20 April 2025. 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 13 April 2025.
- The Board of Directors recommended distribution of a cash dividend of 5 fils per share (2024: Nil) and bonus shares of 5% (2024: 6%) for the year ended 31 December 2025. The cash dividend and bonus shares, if approved by the Shareholders' Annual General Meeting, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

15. 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.

15. PERPETUAL TIER 1 SUKUK (continued)

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 30 May 2025 and 2 December 2025.

On 20 May 2025, the Bank, through a Sharia compliant Sukuk arrangement, issued Tier 1 Sukuk amounting to USD 250 million (KD 76.8 million). The Tier 1 Sukuk is listed on the London Stock Exchange and NASDAQ Dubai and callable by the Bank after five-year period ending 20 May 2030 (the “First Call Date”) or at any profit payment date thereafter subject to certain redemption conditions. Such Sukuk bears a profit rate of 6.25% per annum to be paid semi-annually in arrears until the First Call Date. If the Call Option did not occur after the First Call Date, the expected profit rate to be set on the First Reset Date will be based on the prevailing Interpolated 5.5 years U.S Treasury plus reset margin of 2.102% per annum. The Bank made profit payments during the year on 27 November 2025.

16. NET INVESTMENT INCOME

	2025	2024
	KD'000	KD'000
Realised gain on sale of debt instruments at fair value through other comprehensive income	524	1,599
Realised gain on sale of financial assets at fair value through profit and loss	28	-
Share of results of investment in joint ventures (Note 8)	(293)	(7,972)
Share of results of investment in associate (Note 7)	14,091	-
Dividend income	12,077	5,871
Net rental income from investment properties (Note 9)	1,543	400
Unrealised gain on financial assets at fair value through profit or loss	3,155	8,845
Fair value adjustment to investment properties (Note 9)	1,404	1,938
Loss on sale of joint ventures	-	(410)
Other investment income	146	336
	32,675	10,607

17. NET FEES AND COMMISSION INCOME

	2025	2024
	KD'000	KD'000
Fees and commissions income	24,267	16,798
Fees and commissions related expenses	(12,418)	(9,064)
Net fees and commissions	11,849	7,734

Net fees and commission income includes financing syndication fees earned on the successful completion of syndicated deals by the Group amounting to KD 2,366 thousand (2024: KD 1,897 thousand).

18. PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

	2025	2024
	KD'000	KD'000
Reversal of expected credit losses for investments in Sukuk (Note 6)	(382)	(93)
Reversal of expected credit losses for placements with banks	(73)	(49)
Provision for impairment as per CBK guidelines on credit facilities (Note 4)	11,398	9,356
(Reversal) charge of impairment on other assets	(695)	1,194
	10,248	10,408

19. TAXATION

	2025 KD'000	2024 KD'000
Domestic Minimum Top-up Tax (DMTT)	1,763	-
Overseas taxation	154	-
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	341	212
National Labour Support Tax (NLST)	-	618
Zakat	-	243
	2,258	1,073

The Group is subject to the Pillar Two Model rules as per the OECD Global Anti-Base Erosion ('GloBE') Rules in several jurisdictions in which the Group operates. The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 (the Law) introducing domestic minimum top-up tax (DMTT) effective from 1 January 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the excess profit at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The excess profit and top-up tax rate shall be computed in accordance with the Executive regulations. As of the reporting date, Kuwait issued its Executive Regulations in relation to Pillar Two and the Group has estimated the DMTT charge based on existing guidance and the intention that the DMTT be a qualified DMTT and interpreted in accordance with the GloBE Model Rules and its accompanying commentary. The Law effectively replaces the existing Corporate Tax Law, National Labour Support Tax (NLST) and Zakat tax regimes in Kuwait for MNEs within the scope of this Law. In addition, for jurisdictions where either a global minimum top-up tax or domestic minimum top-up tax, or both, have been implemented, the impact has been recognised as a part of Bank's Income tax expenses.

The Group applies the mandatory and temporary exception from recognising and disclosing information on the associated deferred tax assets and liabilities as required by the amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'.

20. 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.

	2025	2024 (Restated)*
Net profit for the year (KD'000)	49,621	22,402
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	(5,464)	(3,075)
	44,157	19,327
Weighted average number of shares outstanding ('000)	3,854,317	2,436,611
Basic and diluted EPS (fils)	11.46	7.93

* The comparative basic and diluted EPS has been restated to reflect the impact of bonus shares issued in 2025.

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.

21. 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.

21.1 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.

	2025 KD'000	2024 KD'000
Salaries and benefits	4,548	3,452
End of service benefits	187	185
Directors' remuneration	797	544
	5,532	4,181

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 2025 is subject to the approval of the annual general assembly meeting (AGM).

The AGM of the shareholders of the Bank held on 27 March 2025 approved directors' remuneration for the year ended 31 December 2024 amounting to KD 66 thousand (2023: KD 66 thousand).

21.2 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	
	2025	2024	2025	2024	2025 KD'000	2024 KD'000
Board Members						
Credit cards	1	1	-	1	1	4
Depositors' accounts	7	8	30	32	6,258	9,457
Contingent liabilities (letter of guarantees)	-	-	-	4	-	1,283
Executive Officers						
Financing facilities (secured)	8	9	-	-	900	1,159
Credit cards	4	3	-	-	11	5
Depositors' accounts	17	16	28	16	1,497	2,047
Major Shareholders						
Financing facilities (secured)	-	-	3	3	10,585	5,497
Depositors' accounts	3	3	4	4	499,919	630,045
Contingent liabilities (letter of guarantees)	-	-	3	1	2,586	169
Joint Ventures						
Depositors' accounts	34	39	-	-	224	227
Associate						
Bank balances	1	-	-	-	93	-
Depositors' accounts	1	-	-	-	31,731	-

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:

	2025	2024
	KD'000	KD'000
Board Members		
Net fees and commission income	11	14
Finance costs and distribution to depositors	160	222
Executive Officers		
Placement and finance income	210	190
Finance costs and distribution to depositors	70	122
Major Shareholders		
Placement and finance income	518	205
Net fees and commission income	14	9
Finance costs and distribution to depositors	27,143	28,423
Associate		
Placement and finance income	10	-
Finance costs and distribution to depositors	2,541	-

22. COMMITMENTS AND CONTINGENT LIABILITIES

	2025	2024
	KD'000	KD'000
Acceptances and letters of credit	157,349	102,519
Letter of guarantees	453,199	362,153
Contingent liabilities	610,548	464,672
Capital and other commitments	244,237	246,731

As at 31 December 2025, capital and other commitments include irrevocable commitments to extend credit amounted to KD 168,218 thousand (2024: KD 147,868 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.

23. 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.

23.1 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.

23.2 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
- the 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 assesses whether there has been a significant increase in credit risk since initial recognition. The Group applies a consistent quantitative criterion for internally and externally rated portfolio to assess significant increase in credit risk.

Internal rating and Probability of Default (PD) estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses Moody's CreditLens (MC) as its internal credit-rating engine. The MC tool provides the ability to analyse a business and produce risk ratings. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The standard requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The through the cycle (TTC) PDs are generated from MC based on the internal/external credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioural scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the Behavioural scorecard.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward-looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Sensitivity

The weighting of the multiple scenarios changed the Bank's reported allowance for credit losses for financing receivables in Stage 1 and Stage 2, relative to our base case scenario, to KD 17,807 thousand (2024: KD 22,589 thousand) from KD 19,158 thousand (2024: KD 20,336 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 28,128 thousand (2024: KD 36,094 thousand) higher than the reported allowance for credit losses as at 31 December 2025. 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 11,553 thousand (2024: KD 15,977 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	
	2025	2024
	KD'000	KD'000
Balances with banks	233,701	450,628
Placements with banks and the CBK	358,484	385,084
Financing receivables	4,007,489	3,642,603
Financial assets at fair value through other comprehensive income (investment in Sukuk)	401,049	372,063
Other assets	26,017	19,662
	5,026,740	4,870,040
Acceptances and letters of credit	156,586	102,026
Letter of guarantees	445,933	355,875
Irrevocable commitments	168,218	147,218
Total	770,737	605,119
Total credit risk exposure	5,797,477	5,475,159

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 2025 amounted to KD 82,210 thousand (2024: KD 64,544 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-balance sheet items are as follows:

	2025		2024	
	Financial assets	Off-balance sheet items	Financial assets	Off-balance sheet items
	KD'000	KD'000	KD'000	KD'000
Geographic region:				
Kuwait	4,092,190	673,426	3,886,657	525,358
Other Middle East	627,172	67,333	727,862	29,357
Rest of the World	307,378	29,978	255,521	50,404
	5,026,740	770,737	4,870,040	605,119

23. RISK MANAGEMENT (continued)

23.2 Credit risk (continued)

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

	2025		2024	
	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	1,282,244	54,891	1,425,771	57,900
Construction and Real Estate	1,385,737	264,160	1,388,824	207,111
Trading and Manufacturing	532,678	204,398	497,819	177,581
Personal	666,304	857	663,396	812
Services	524,276	189,885	320,187	124,626
Other	635,501	56,546	574,043	37,089
	5,026,740	770,737	4,870,040	605,119

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 2025 and 2024, the Group classified the various credit risk exposure which are neither past due nor impaired into two categories of credit quality as under:

High quality: Credit exposures where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low-to-moderate. These include exposures to entities with financial strength and risk factors indicative of capacity to repay all contractual obligations, and those exposures that are significantly collateralized with tangible securities.

Standard quality: All other exposures whose payment performance is fully compliant with contractual conditions and which are not impaired.

The tables below show the credit quality of assets by class and grade before deducting the provision for impairment as per the Group's credit rating system.

	Neither past due nor impaired		Past due or impaired	Total
	High quality	Standard quality		
	KD'000	KD'000	KD'000	
2025				
Balances with banks	233,701	-	-	233,701
Placements with banks and the CBK	358,484	-	-	358,484
Financing receivables	2,383,530	1,502,757	221,653	4,107,940
Financial assets at fair value through other comprehensive income (investment in Sukuk)	236,000	165,049	-	401,049
Other assets	5,168	23,310	-	28,478
	3,216,883	1,691,116	221,653	5,129,652

	Neither past due nor impaired		Past due or impaired	Total KD'000
	High quality	Standard quality	KD'000	
	KD'000	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>

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	31 to 60 days	61 to 90 days	Total
	KD'000	KD'000	KD'000	KD'000
	2025			
Financing receivables	<u>138,404</u>	<u>22,361</u>	<u>7,915</u>	<u>168,680</u>
2024				
Financing receivables	<u>208,799</u>	<u>12,151</u>	<u>7,137</u>	<u>228,087</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 2025 was KD 223,904 thousand (2024: KD 348,382 thousand). The collaterals consist of cash, securities, sukuk, letters of guarantee, real estate assets and other forms of collateral.

23.3 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 the development of the 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.

23. RISK MANAGEMENT (continued)

23.3 Market risk (continued)

Market risk management (continued)

The market risk framework comprises of the following elements:

- Limits for all market risk parameters and regular limits monitoring to ensure that Group does not exceed aggregate risk and concentration parameters set by the CBK limits and internal limits;
- Mark-to-market valuation based on independently published market data, and continuous review of all open positions; and
- Measuring Value-at-Risk for market sensitive positions and monitoring the same against established limits.

The Group is required to comply with the guidelines and regulations of the CBK. The Market Risk policies and procedures and the market risk limits are periodically set and reviewed to ensure the implementation of the Group's market risk appetite.

23.3.1. 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.

23.3.2. 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.

23.3.3. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is susceptible to currency risk as the Group's base currency is KD and all foreign currencies are revalued against KD. Any long or short open position in any currency exposes the Group to currency risk.

Currency risk is managed on the basis of limits determined by the CBK and a continuous assessment of the Group's open positions and current and expected exchange rate movements.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the KD, with all other variables held constant, on profit or loss and equity (due to changes in fair value and foreign currency translation recognised in OCI). 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	2025			2024		
	Change in currency rate	Effect on profit or loss	Effect on equity	Change in currency rate	Effect on profit or loss	Effect on equity
	%	KD'000	KD'000	%	KD'000	KD'000
USD	+1	(490)	795	+1	(1,621)	837
EUR	+1	(77)	73	+1	(72)	60
GBP	+1	(369)	375	+1	(338)	292

23.3.4. 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 2025 would have increased equity by KD 209 thousand (2024: KD 174 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.

23.4 Liquidity risk

Liquidity risk arises when the Group may be unable to meet its obligations associated with its financial liabilities. Liquidity risk can be caused by market disruptions, credit downgrades or market perception, which may cause certain sources of funding to dry up immediately. To limit this risk, the Group has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of High Quality Liquid Assets (HQLA) which could be used to secure additional funding and liquidity if and when required. The Group has in place a Contingency Funding Plan (CFP) to ensure required action is implemented in the event of any liquidity contingencies. ALCO is responsible for invoking the CFP.

Liquidity risk management

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Risk Management Group and Treasury monitor the Group's liquidity profile daily and take appropriate steps, if required. The Group's liquidity profile is monitored on daily basis; overall assets and liabilities as well as for KD and foreign currencies (FCY), on the Group's position in terms of Statutory Liquidity Ratio (SLR) as well as Lending to Deposit Ratio (LDR) and Liquidity Coverage Rate (LCR). Treasury co-ordinates with all business groups, details of projected cash flows required or arising from potential ensuing business opportunities.

Treasury is required to maintain a portfolio of short-term liquid assets, largely made up of short-term high-quality liquid investment securities and availability of inter-bank lines at short notice, to ensure that sufficient liquidity is maintained with the Group. Treasury's liquidity management is performed with most optimisation, taking into account the maturity gaps. The daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering the mild and more severe market conditions. All liquidity policies are subject to review by the ALCO and approved by the BRC. Periodic liquidity profile report, including any exceptions and remedial action required/taken, is reviewed by the ALCO. The Group is governed by the liquidity limits and maturity ladder profile as mandated by the CBK regulations and the CBK approved limits.

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturity profile of the assets and liabilities at the year-end are based on contractual repayment arrangement with the exception of some investments which are bucketed as per the CBK criteria.

23. RISK MANAGEMENT (continued)
 23.4 Liquidity risk (continued)
 Liquidity risk management (continued)

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

2025	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	241,619	-	-	-	241,619
Placements with banks and the CBK	251,059	92,613	14,812	-	358,484
Financing receivables	2,290,391	534,391	361,833	820,874	4,007,489
Financial assets at fair value through profit or loss	74	-	-	219,358	219,432
Financial assets at fair value through other comprehensive income	64,224	8,962	30,133	307,803	411,122
Investments in joint ventures	-	-	-	123,409	123,409
Investment in associate	-	-	-	513,296	513,296
Investment properties	-	-	-	40,565	40,565
Other assets	46,954	-	-	2,574	49,528
Property and equipment	-	-	-	63,262	63,262
	<u>2,894,321</u>	<u>635,966</u>	<u>406,778</u>	<u>2,091,141</u>	<u>6,028,206</u>
Liabilities					
Due to banks and other financial institutions	848,863	106,385	77,762	266,051	1,299,061
Depositors' accounts	2,216,163	766,933	488,084	38,893	3,510,073
Sukuk issued	3,874	-	-	152,700	156,574
Other liabilities	69,659	-	-	12,724	82,383
	<u>3,138,559</u>	<u>873,318</u>	<u>565,846</u>	<u>470,368</u>	<u>5,048,091</u>

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	51,007	-	-	1,208	52,215
Property and equipment	-	-	-	18,480	18,480
	<u>2,592,429</u>	<u>620,358</u>	<u>429,459</u>	<u>1,651,526</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>

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	3 to 6 months	6 to 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
2025					
Due to banks and other financial institutions	867,576	115,095	88,565	294,581	1,365,817
Depositors' accounts	2,273,268	798,650	515,372	45,878	3,633,168
Sukuk issued	4,085	-	4,085	173,340	181,510
	<u>3,144,929</u>	<u>913,745</u>	<u>608,022</u>	<u>513,799</u>	<u>5,180,495</u>

	Within 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	KD'000	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>

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	3 to 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	KD'000
2025				
Acceptances and letters of credit	100,824	45,179	11,346	157,349
Letter of guarantees	453,199	-	-	453,199
Capital and other commitments	168,218	76,019	-	244,237
	<u>722,241</u>	<u>121,198</u>	<u>11,346</u>	<u>854,785</u>

	Within 3 months	3 to 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	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>

23.5 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.

24. 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.

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
2025						
Net operating income	74,798	16,658	2,027	15,811	-	109,294
Net profit (loss)	64,094	264	1,302	14,683	(30,722)	49,621
Total assets	2,727,824	745,332	642,263	1,809,974	102,813	6,028,206
Total liabilities	1,457,375	1,385,963	1,864,348	266,000	74,405	5,048,091

	Corporate	Retail	Treasury	Investment	Other	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	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

25. 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 2025 are calculated in accordance with the CBK Circular number 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2025	2024
	KD'000	KD'000
Risk weighted assets	3,179,078	2,623,355
Capital required	413,280	341,036
Capital available		
Common equity Tier 1 "CET1" capital	347,569	335,942
Additional Tier 1 perpetual Sukuk	151,040	74,239
Total Tier 1 capital	498,609	410,181
Total Tier 2 capital	37,791	31,090
Total capital available	536,400	441,271
CET1 capital adequacy ratio: common equity	10.93%	12.81%
Total Tier 1 capital adequacy ratio	15.68%	15.64%
Total capital adequacy ratio	16.87%	16.82%

The Group's financial leverage ratio for the year ended 31 December 2025 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:

	2025	2024
	KD'000	KD'000
Tier 1 capital	498,609	410,181
Total exposure	6,075,492	5,737,661
Financial leverage ratio	8.21%	7.15%

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.

26. 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.

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)
2025	KD'000	KD'000	KD'000	KD'000
Assets measured at fair value on a recurring basis				
Financial assets at FVTPL				
Quoted equity instruments	4,261	4,261	-	-
Funds (unquoted)	215,144	-	-	215,144
Other securities (unquoted)	27	-	-	27
	<u>219,432</u>	<u>4,261</u>	<u>-</u>	<u>215,171</u>
Financial assets at FVOCI				
Quoted Sukuk				
- Sovereign Sukuk	191,053	191,053	-	-
- Corporate Sukuk	209,996	199,996	10,000	-
	<u>401,049</u>	<u>391,049</u>	<u>10,000</u>	<u>-</u>
Unquoted equity instruments	10,073	-	-	10,073
	<u>411,122</u>	<u>391,049</u>	<u>10,000</u>	<u>10,073</u>
Non-financial assets:				
Investment properties	40,565	-	1,469	39,096

2024	Fair value measurement			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	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	188,209	10,000	-
	<u>372,063</u>	<u>362,063</u>	<u>10,000</u>	<u>-</u>
Unquoted equity instruments	9,497	-	-	9,497
	<u>381,560</u>	<u>362,063</u>	<u>10,000</u>	<u>9,497</u>
Non-financial assets:				
Investment properties	<u>39,544</u>	<u>-</u>	<u>1,563</u>	<u>37,981</u>

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 2025	Additions	Sales/redemptions	Change in fair value	Exchange rate movements	At 31 December 2025
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Financial assets at FVTPL						
Funds (unquoted)	193,470	48,152	(29,129)	1,993	658	215,144
Other securities (unquoted)	1,787	-	(1,665)	(95)	-	27
	<u>195,257</u>	<u>48,152</u>	<u>(30,794)</u>	<u>1,898</u>	<u>658</u>	<u>215,171</u>
Financial assets at FVOCI						
Unquoted equity instruments	9,497	-	-	576	-	10,073
	<u>9,497</u>	<u>-</u>	<u>-</u>	<u>576</u>	<u>-</u>	<u>10,073</u>
Non-financial assets						
Investment properties	37,981	-	-	1,423	(308)	39,096
	<u>37,981</u>	<u>-</u>	<u>-</u>	<u>1,423</u>	<u>(308)</u>	<u>39,096</u>

	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>

There were no transfers between any levels of the fair value hierarchy during 2025 or 2024.

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 9.

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.

27. 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 2025			
Forward contracts	-	-	-

	KD’000		
	Positive fair value	Negative fair value	Notional amount
31 December 2024			
Forward contracts	1	-	5,297

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

28. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group as at 31 December 2025 amounted to KD 714,979 thousand (2024: KD 537,657 thousand).

Management fee earned from the above fiduciary assets amounted to KD 2,814 thousand (2024: KD 953 thousand).



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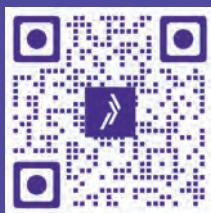
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