

## Public Disclosure Requirements (Basel III)

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

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

### **FIRST: BANK STRUCTURE**

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

### **SECOND: CAPITAL STRUCTURE**

The Bank's regulatory capital comprises:

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

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

As at 31 December 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)
<b>Tier (1) Capital</b>			
<b>A</b>	<b>Common Equity Tier 1 (CET1)</b>		
	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)
	<b>Total (A) CET1 before deductions</b>	<b>335,942</b>	<b>805,029</b>
	Deductions from CET1		
	1- Treasury shares	-	-
	2- Dividends (Declared but not incurred)	-	-
	3- Goodwill	-	-
	4- Other deductions	-	(457,183)
	<b>Total (A) CET1 after deductions</b>	<b>335,942</b>	<b>347,569</b>
<b>B</b>	<b>Additional Tier 1 (AT1)</b>	75,808	152,595
	Deduction from AT1	(1,569)	(1,555)
	<b>Total (B) AT1 after deductions</b>	<b>74,239</b>	<b>151,040</b>
<b>Total (A+B) Tier 1 after Deductions</b>		<b>410,181</b>	<b>498,609</b>
<b>Tier (2) Supplementary Capital</b>			
	1- Capital Eligible as T2	-	-
	2- General provisions	31,090	37,791
	<b>Total Tier (2) Supplementary Capital before deductions</b>	<b>31,090</b>	<b>37,791</b>
	Deduction from Tier (2) Supplementary Capital	-	-
<b>Total Tier (2) Supplementary Capital after deductions</b>		<b>31,090</b>	<b>37,791</b>
		-	-

	Capital Structure	2024 (KD'000)	2025 (KD'000)
	<b>Total Available Capital (Tier 1 &amp; Tier 2) before adjustments</b>	<b>441,271</b>	<b>536,400</b>
	-	-	-
	<b>Total Available Capital (Tier 1 &amp; Tier 2) After adjustments</b>	<b>441,271</b>	<b>536,400</b>

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.

Item		2024 (KD'000)	2025 (KD'000)
	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
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)
<b>7</b>	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>335,942</b>	<b>805,029</b>
	<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
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)	-	<b>457,460</b>

Item		2024 (KD'000)	2025 (KD'000)
21	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	-
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
23	Amount exceeding the 15% threshold	-	-
24	of which: significant investments in the common stock of financials	-	-
25	of which: mortgage servicing rights	-	-
26	of which: deferred tax assets arising from temporary differences	-	-
27	National specific regulatory adjustments	-	-
28	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
<b>29</b>	<b>Total regulatory adjustments to Common Equity Tier 1</b>	-	<b>457,460</b>
<b>30</b>	<b>Common Equity Tier 1 after the regulatory adjustments</b>	<b>335,942</b>	<b>347,569</b>
	<b>Additional Tier 1 capital: instruments</b>	-	-
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	<b>75,808</b>	<b>152,595</b>
32	of which: classified as equity under applicable accounting standards	<b>75,808</b>	<b>152,595</b>
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	-	-
<b>37</b>	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>75,808</b>	<b>152,595</b>
	<b>Additional Tier 1 capital: regulatory adjustments</b>		
38	Investments in own Additional Tier 1 instruments	-	-
39	Reciprocal cross-holdings in Additional Tier 1 instruments	<b>(1,569)</b>	<b>(1,555)</b>
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	-	-
<b>44</b>	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>(1,569)</b>	<b>(1,555)</b>
<b>45</b>	<b>Additional Tier 1 capital (AT1)</b>	<b>74,239</b>	<b>151,040</b>
<b>46</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>410,181</b>	<b>498,609</b>
	<b>Tier 2 capital: instruments and provisions</b>		
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
<b>52</b>	<b>Tier 2 capital before regulatory adjustments</b>	<b>31,090</b>	<b>37,791</b>

Item		2024 (KD'000)	2025 (KD'000)
	<b>Tier 2 capital: regulatory adjustments</b>		
53	Investments in own Tier 2 instruments	-	-
54	Reciprocal cross-holdings in Tier 2 instruments	-	-
55	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
56	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
<b>57</b>	<b>National specific regulatory adjustments</b>	-	-
<b>58</b>	<b>Total regulatory adjustments to Tier 2 capital</b>	-	-
<b>59</b>	<b>Tier 2 capital (T2)</b>	<b>31,090</b>	<b>37,791</b>
<b>60</b>	<b>Total capital (TC = T1 + T2)</b>	<b>441,271</b>	<b>536,400</b>
<b>61</b>	<b>Total risk weighted assets (after applying 50% additional weighting)</b>	<b>2,623,355</b>	<b>3,179,078</b>
	<b>Capital ratios and buffers</b>		
<b>62</b>	<b>Common Equity Tier 1 (as a percentage of risk weighted assets)</b>	<b>12.81%</b>	<b>10.93%</b>
<b>63</b>	<b>Tier 1 (as a percentage of risk weighted assets)</b>	<b>15.64%</b>	<b>15.68%</b>
<b>64</b>	<b>Total capital (as a percentage of risk weighted assets)</b>	<b>16.82%</b>	<b>16.87%</b>
<b>65</b>	<b>Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)</b>	<b>9.50%</b>	<b>9.50%</b>
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%
<b>69</b>	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)</b>	<b>4.99%</b>	<b>3.12%</b>
	<b>National minimal</b>		
<b>70</b>	<b>National Common Equity Tier 1 minimum ratio: 7.0%</b>	<b>249,219</b>	<b>302,012</b>
<b>71</b>	<b>National Tier 1 minimum ratio: 8.5%</b>	<b>288,569</b>	<b>349,699</b>
<b>72</b>	<b>National total capital minimum ratio excluding CCY and DSIB: 10.5%</b>	<b>341,036</b>	<b>413,280</b>
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
73	Non-significant investments in the capital of other financials	-	-
74	Significant investments in the common stock of financials	-	-
75	Mortgage servicing rights (net of related tax liability)	-	-
76	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
77	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	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:

31 December 2025

Step 1 & 2 of the reconciliation requirements	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	Reference
<b>Assets</b>			
Cash and balances with banks	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	
Others assets	49,528	49,528	
Property and equipment	63,502	63,502	
<b>Total Assets</b>	<b>6,028,206</b>	<b>6,028,206</b>	
<b>Liabilities</b>			
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	
<b>Total Liabilities</b>	<b>5,048,091</b>	<b>5,048,091</b>	
<b>Equity</b>			
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
<b>Equity attributable to Shareholders of the Bank</b>	<b>827,520</b>	<b>827,520</b>	
Perpetual Tier 1 Sukuk	152,595	152,595	I
Of which reciprocal investment in local banks T1 sukuk	1,555	1,555	J
<b>Total Equity</b>	<b>980,115</b>	<b>980,115</b>	
<b>Total Liabilities and Equity</b>	<b>6,028,206</b>	<b>6,028,206</b>	

**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
	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
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)	
<b>9</b>	<b>Common Equity Tier 1 capital (CET1)</b>	<b>347,569</b>	
	<b>Additional Tier 1 capital: Instruments</b>		
10	Perpetual Tier 1 Sukuk	152,595	h
11	Reciprocal cross-holdings in Additional Tier 1 instruments	(1,555)	I
<b>12</b>	<b>Additional Tier 1 capital</b>	<b>151,040</b>	
<b>13</b>	<b>Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital)</b>	<b>498,609</b>	
	<b>Tier 2 Capital: Instruments and provisions</b>		
14	Tier 2 Instruments	-	
15	General provisions included in Tier 2 capital	37,791	a
<b>16</b>	<b>Tier 2 Capital</b>	<b>37,791</b>	
<b>17</b>	<b>Total Capital (Total capital = Tier 1 + Tier 2)</b>	<b>536,400</b>	

**Step 1 & 2 of the reconciliation requirements:**

Step 1 & 2 of the reconciliation requirements	Balance sheet as in published financial statements (KD'000)	Under regulatory scope of consolidation (KD'000)	Reference
<b>Assets</b>			
Cash and balances with banks	456,581	456,581	
Placements with banks and CBK	385,084	385,084	
Financing receivables	3,642,603	3,642,603	
of which maximum general provisions (netted above) capped for Tier 2 inclusion	31,090	31,090	a
Financial assets at fair value through profit or loss	198,914	198,914	
Financial assets at fair value through other comprehensive income	381,560	381,560	
Investments in joint ventures	118,791	118,791	
Investment properties	39,544	39,544	
Others assets	52,215	52,215	
Property and equipment	18,480	18,480	
<b>Total Assets</b>	<b>5,293,772</b>	<b>5,293,772</b>	
<b>Liabilities</b>			
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	
<b>Total Liabilities</b>	<b>4,882,022</b>	<b>4,882,022</b>	
<b>Equity</b>			
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
<b>Equity attributable to Shareholders of the Bank</b>	<b>335,942</b>	<b>335,942</b>	
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
<b>Total Equity</b>	<b>411,750</b>	<b>411,750</b>	
<b>Total Liabilities and Equity</b>	<b>5,293,772</b>	<b>5,293,772</b>	

### 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
	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
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	<b>Common Equity Tier 1 capital (CET1)</b>	<b>335,942</b>	
	<b>Additional Tier 1 capital: Instruments</b>		
9	Perpetual Tier 1 Sukuk	75,808	I
10	Reciprocal sukuk	(1,569)	J
11	<b>Additional Tier 1 capital</b>	<b>74,239</b>	
12	<b>Tier 1 Capital (Tier 1 = Common Tier 1 capital + Additional Tier 1 capital)</b>	<b>410,181</b>	
	<b>Tier 2 Capital : Instruments and provisions</b>		
13	Tier 2 Instruments	-	
14	General provisions included in Tier 2 capital	31,090	a
15	<b>Tier 2 Capital</b>	<b>31,090</b>	
16	<b>Total Capital (Total capital = Tier 1 + Tier 2)</b>	<b>441,271</b>	

### THIRD: CAPITAL ADEQUACY RATIOS

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

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

#### 1. Capital Adequacy Ratios are as follows:

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%

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:

Item		2024 KD'000	2025 KD'000
No.	<b>On-balance sheet exposures</b>		
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)	<b>Total on-balance sheet exposures</b> (excluding Sharia compliant hedging contracts) <b>(sum of lines 1 and 2)</b>	5,378,840	5,661,491
<b>Exposures to Sharia compliant hedging contracts</b>			
4)	Replacement cost associated with all Sharia compliant hedging contracts (i.e. net of eligible cash variation margin)	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 where deducted from the balance sheet assets pursuant to the bank's accounting policy.		
7)	(Deductions of receivables assets for cash variation margin provided in with all Sharia compliant hedging contracts )		
8)	(Bank's exposures to exempted Central Counter Parties "CCP" )		
9)	<b>Total exposures of Sharia compliant hedging contracts (sum of lines 4 to 8)</b>	1	-
<b>Other off-balance sheet exposures</b>			
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)	<b>Off-balance sheet items (sum of lines 10 and 11)</b>	358,820	414,001
<b>Capital and total exposures</b>			
13)	<b>Tier 1 capital</b>	410,181	498,609
14)	<b>Total exposures (sum of lines 3, 9 and 12)</b>	5,737,661	6,075,492
<b>Leverage ratio</b>			
15)	<b>Leverage ratio (Tier 1 Capital (13)/total exposures (14))</b>	<b>%7.15</b>	<b>%8.21</b>

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:

- An increase 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:**

Item		2024 KD'000	2025 KD'000
No.	<b>On-balance sheet exposures</b>		
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	<b>Total exposures in calculation of leverage ratio (sum of the above items)</b>	<b>5,737,661</b>	<b>6,075,492</b>

**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
<b>Total</b>		<b>6,075,492</b>	<b>5,294,723</b>	<b>2,966,034</b>	<b>385,584</b>

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
<b>Total</b>		<b>5,737,661</b>	<b>4,994,348</b>	<b>2,429,392</b>	<b>315,821</b>

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	-	-	-	-
<b>Total</b>		<b>4,099,685</b>	<b>3,325,992</b>	<b>2,156,524</b>	<b>280,348</b>

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	-	-	-	-
<b>Total</b>		<b>3,729,048</b>	<b>2,990,500</b>	<b>1,800,976</b>	<b>234,127</b>

## 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 Bank's capital.

## **1. Risk Management Structure**

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

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

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

## **2. Risk Management Framework**

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

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

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

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

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

## **3. Risk Appetite**

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

#### **4. Risk Management Systems**

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

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

#### **5. Categories of Risks**

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

##### **5.1 Credit Risks**

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

##### **Credit Risk Framework**

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

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

## Net Credit Exposures (Rated or Unrated)

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
<b>Total</b>		<b>6,075,492</b>	<b>1,232,935</b>	<b>4,842,557</b>

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
<b>Total</b>		<b>5,737,661</b>	<b>1,305,447</b>	<b>4,432,214</b>

**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
<b>Total</b>		<b>6,075,492</b>	<b>2,034,887</b>	<b>4,040,605</b>

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
<b>Total</b>		<b>5,737,661</b>	<b>1,399,216</b>	<b>4,338,445</b>

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

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
<b>Total</b>		<b>6,050,291</b>	<b>1,971,072</b>	<b>4,079,219</b>

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
<b>Total</b>		<b>5,465,858</b>	<b>1,345,912</b>	<b>4,119,946</b>

### Excess Risk Concentrations

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

### Geographical Distributions for Credit Risk Exposure

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

SN	Description of Credit Risk Exposures	MENA	North America	Europe	Asia	Others	Total
14	Sukuk and taskeek exposures	-	-	-	-	-	-
15	Claims on central counterparties.	-	-	-	-	-	-
16	Other exposures	274,451	151,294	29,634	15,145	-	470,524
<b>Total</b>		<b>5,435,210</b>	<b>339,781</b>	<b>212,706</b>	<b>80,337</b>	<b>7,458</b>	<b>6,075,492</b>

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
<b>Total</b>		<b>5,182,977</b>	<b>241,569</b>	<b>214,276</b>	<b>98,839</b>	<b>-</b>	<b>5,737,661</b>

### 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	-	-	-	-

SN	Description of Credit Risk Exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
15	Claims on central counterparties.	-	-	-	-
16	Other exposures	18,226	3,980	448,318	470,524
<b>Total</b>		<b>3,180,916</b>	<b>1,008,417</b>	<b>1,886,159</b>	<b>6,075,492</b>

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
<b>Total</b>		<b>2,970,154</b>	<b>1,036,671</b>	<b>1,730,836</b>	<b>5,737,661</b>

### 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.	-	-	-	-	-	-

SN	Description of Credit Risk Exposures	Manufacturing & Trade	Banks & Financial Institutions	Construction & Real Estate	Government	Others	Total
16	Other exposures	-	-	-	-	470,524	470,524
<b>Total</b>		<b>712,504</b>	<b>797,313</b>	<b>1,739,705</b>	<b>509,318</b>	<b>2,316,652</b>	<b>6,075,492</b>

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
<b>Total</b>		<b>638,557</b>	<b>839,113</b>	<b>1,664,957</b>	<b>612,319</b>	<b>1,982,715</b>	<b>5,737,661</b>

### 5.1.1 Irregular and past due credit facilities

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

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

On December 31, 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	-	-	-	-	-
<b>Total</b>		<b>69,519</b>	<b>34,957</b>	<b>12,129</b>	<b>22,828</b>	<b>228,087</b>

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	-	-	-	-	-
<b>Total</b>		<b>69,519</b>	<b>34,957</b>	<b>12,129</b>	<b>22,828</b>	<b>228,087</b>

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

2025  
(KD'000)

SN	Description of geographical location	Impaired	Net Impaired after deducting acceptable	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	-	-	-	-
<b>Total</b>		<b>72,944</b>	<b>39,326</b>	<b>13,434</b>	<b>25,892</b>	<b>168,680</b>

2024  
(KD'000)

SN	Description of geographical location	Impaired	Net Impaired after deducting acceptable	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	-	-
<b>Total</b>		<b>69,519</b>	<b>34,957</b>	<b>12,129</b>	<b>22,828</b>	<b>228,087</b>

**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
<b>Total</b>		<b>72,944</b>	<b>13,434</b>	<b>25,892</b>	<b>168,680</b>

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
<b>Total</b>		<b>69,519</b>	<b>12,129</b>	<b>22,828</b>	<b>228,087</b>

**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
<b>Total</b>		<b>190,892</b>	<b>4,842</b>	<b>8,773</b>	<b>37,117</b>	<b>241,624</b>

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
<b>Total</b>		<b>250,866</b>	<b>3,258</b>	<b>2,567</b>	<b>40,915</b>	<b>297,606</b>

#### 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
	<b>Total</b>	<b>88,734</b>	<b>95,046</b>

\* 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
	<b>Total</b>	<b>88,734</b>	<b>95,046</b>

\* 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	-	-
<b>Total</b>		<b>6,075,492</b>	<b>780,767</b>	<b>-</b>

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	-	-
<b>Total</b>		<b>5,737,661</b>	<b>743,313</b>	<b>-</b>

## 5.2 Market Risks

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

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

### 5.2.1 Market Risk Framework

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

The market risk framework comprises of the following elements:

- Limits for all market risk parameters and regular limits monitoring to ensure that Bank does not exceed aggregate risk and concentration parameters set by the CBK limits and internal limits.
- Mark-to-market valuation based on independently published market data, and continuous review of all open positions.

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

## 5.3 Liquidity Risks

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

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

A- Short-term assets to short-term liabilities ratio as of 31 December 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
	<b>Current ratio</b>	<b>81%</b>	<b>86%</b>

B- Maturity analysis of various categories of funding (current account, unrestricted investment account and restricted investment account) are 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
<b>Total</b>		<b>2,812,231</b>	<b>1,493,835</b>	<b>503,068</b>	<b>4,809,134</b>

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
<b>Total</b>		<b>2,750,903</b>	<b>1,469,448</b>	<b>261,358</b>	<b>4,481,709</b>

### 5.3.1 Liquidity Coverage Ratio Disclosure

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

#### Qualitative disclosure on LCR

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

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

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**

In KD '000s

S.No	Description	Value before applying inflows rates (average)**	Value after applying inflows rates (average)**
<b>High-Quality Liquid Assets (HQLA)</b>			
1	Total HQLA (before adjustments)		578,324
<b>Cash Outflows</b>			
2	Retail deposits and small business	549,211	93,744
3	• Stable deposits	0	0
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	0	0
7	• Non-operational deposits (other unsecured commitments)	1,408,717	768,675
8	Secured Funding		0
9	Other cash outflows, including:	0	0
10	• Resulting from Shari'ah compliant hedging contracts	0	0
11	• Resulting from assets-backed sukuk and other structured funding instruments	0	0
12	• Binding credit and liquidity facilities	0	0
13	Other contingent funding obligations	2,609,312	130,466
14	Other contractual cash outflows obligations	0	0
15	<b>Total Cash Outflows</b>		992,884
<b>Cash Inflows</b>			
16	Secured lending transactions	0	0
17	Inflows from fully performing exposures (as per the counterparties)	1,209,354	673,566
18	Other cash Inflows	0	0
19	<b>Total Cash Inflows</b>	1,209,354	673,566
<b>Liquidity Coverage Ratio (LCR)</b>			<b>Total Adjusted Value</b>
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 2025

Sr.	Item	Unweighted Values (i.e. before applying relevant factors)				Value in KWD '000s
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
<b>Available Stable Funding (ASF):</b>						
1	Capital					
2	• Regulatory Capital	993,860	-	-	-	993,860
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	29,866	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 Shariah-compliant hedging contract liabilities	-	-	-	-	-
12	• All other liabilities not included in the above categories	82,383	42,023	-	-	-
13	Total ASF					3,980,736
<b>Stable Funding (RSF):</b>						
14	Total NSFR Shariah-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 Sharf'ah-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	• NSFR Sharf'ah-compliant hedging contract assets	-	-	-	-	-
28	• NSFR Sharf'ah-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	299,467	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	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	1,681	1,599	4,025	1,441	846	9,592
Liabilities	(1,301)	(2,397)	(2,261)	(2,112)	(1,550)	(9,622)
<b>Net Impact</b>	<b>381</b>	<b>(798)</b>	<b>1,764</b>	<b>(671)</b>	<b>(704)</b>	<b>(30)</b>

						2025 (KD'000)
Impact of 25 bps move downwards	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	(1,681)	(1,599)	(4,025)	(1,441)	(846)	(9,592)
Liabilities	1,301	2,397	2,261	2,112	1,550	9,622
<b>Net Impact</b>	<b>(381)</b>	<b>798</b>	<b>(1,764)</b>	<b>671</b>	<b>704</b>	<b>30</b>

						2024 (KD'000)
Impact of 25 bps move upwards	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	1,417	1,514	3,380	1,671	700	8,684
Liabilities	(1,642)	(1,643)	(2,838)	(2,697)	(1,335)	(10,155)
<b>Net Impact</b>	<b>(224)</b>	<b>(129)</b>	<b>542</b>	<b>(1,026)</b>	<b>(634)</b>	<b>(1,471)</b>

						2024 (KD'000)
Impact of 25 bps move downwards	Upto 7 Days	7 Days to 1 Month	1 to 3 months	3 to 6 months	6 months to 1 Year	Total Impact
Assets	(1,417)	(1,514)	(3,380)	(1,671)	(700)	(8,684)
Liabilities	1,642	1,643	2,838	2,697	1,335	10,155
<b>Net Impact</b>	<b>224</b>	<b>129</b>	<b>(542)</b>	<b>1,026</b>	<b>634</b>	<b>1,471</b>

## **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:

<b>Investment types</b>	<b>2024 (KD'000)</b>	<b>2025 (KD'000)</b>
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
<b>Total</b>	<b>208,411</b>	<b>229,505</b>

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 Shari'a regulations. When controls fail to perform, it can have legal or regulatory implications, or lead to financial or reputational loss.

### **5.6.1 Operational Risk Frameworks**

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

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

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

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

## **Sixth: Investment Accounts**

Warba Bank receives fund from depositors through various product structures that comply with Islamic Shari'a.

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

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

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

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

**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: Shari'a Regulations**

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

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

Shari'a Board remuneration for the year ended 31 December 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 include basic salaries, benefits and allowances as well as end-of-service benefits, and this category includes Top Management, Groups and Departments Heads, with financial authorities who delegate responsibilities to their staff members but still have the ultimate responsibility and accountability for the risks taken.

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

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

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

**Job Assessment:**

1. Job evaluation is used to determine the fair financial value of individual functions within the Bank.
2. The elements to be taken into consideration in the job evaluation process, using the IPE methodology, are based on the following factors:
  - Impact on the organization
  - Communication (internal and external)
  - Knowledge
  - Innovation
  - Risk Environments
3. For each of these elements, the work is evaluated on a separate scale. The results of the evaluation of the Bank's functions determine the function within the relevant grade structure in line with best practices.
4. The Total Rewards Unit is responsible for job evaluation based on accurate job descriptions.

No employees were awarded remunerations on signing employment contracts (sign-on awards) during 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)
	<i>Fixed remuneration</i>	-	-
1	- Cash-based	2,333,036	-
2	- Shares and share-linked instruments	-	-
3	- Other	53,043	-
	<i>Variable remuneration</i>	-	-
4	- Cash-based	2,067,763	186,608
5	- Shares and share-linked instruments	-	-
6	- Other	94,472	-
	<b>Total</b>	<b>4,548,314</b>	<b>186,608</b>

2024

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

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)
	<i>Fixed remuneration</i>		
1	- Cash-based	1,966,116	-
2	- Shares and share-linked instruments		-
3	- Other	64,860	-
	<i>Variable remuneration</i>	-	-
4	- Cash-based	1,910,950	194,072
5	- Shares and share-linked instruments	-	-
6	- Other	187,472	-
	<b>Total</b>	<b>4,129,398</b>	<b>194,072</b>

2024

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

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