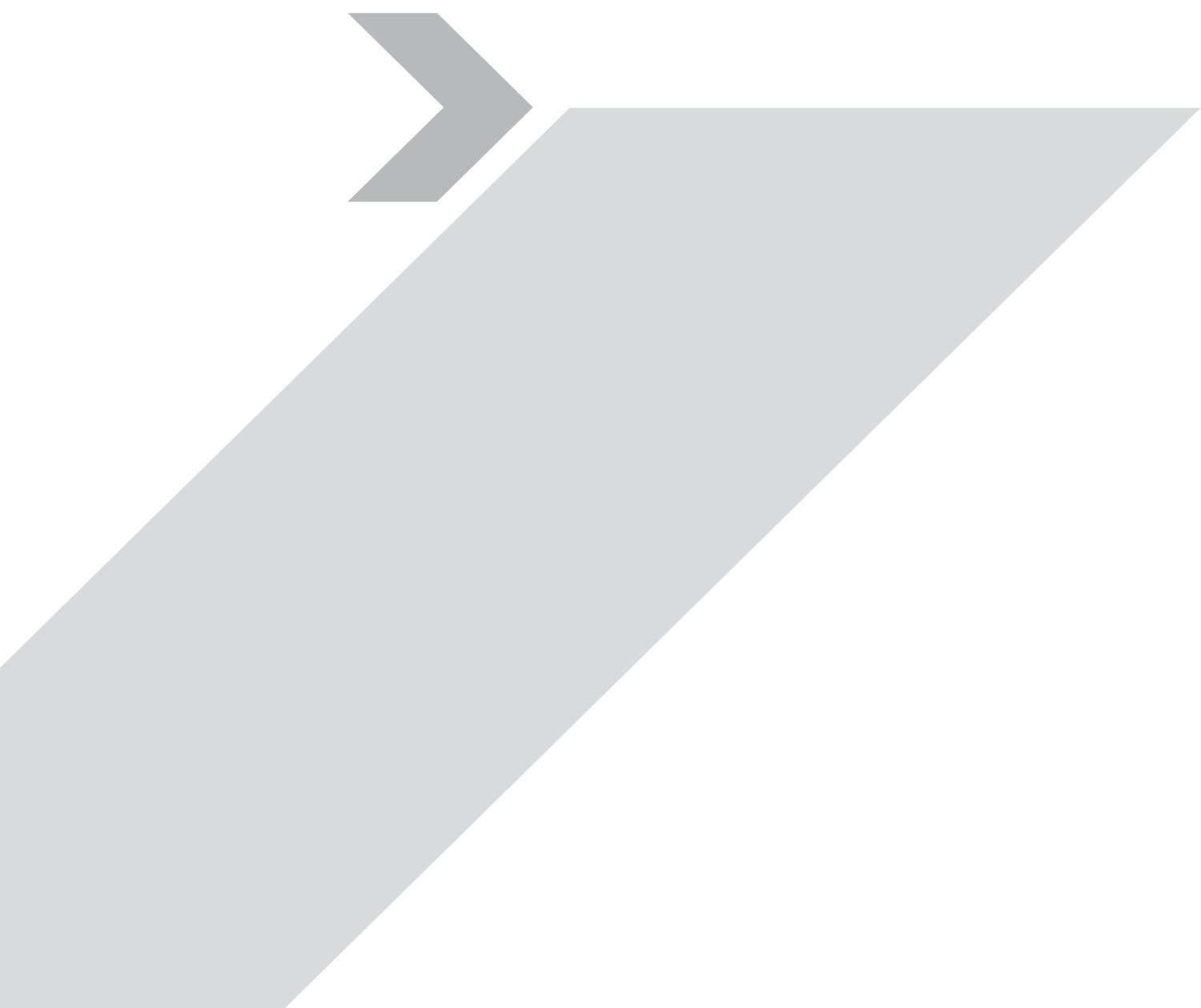




Annual Report 2025



Forward Toward Excellence





HH Sheikh
Sabah Al-Khaled Al-Hamad Al-Mubarak Al-Sabah

Crown Prince of the State of Kuwait



HH Sheikh
Mishal Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait



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STRATEGIC
REVIEW



Gulf Bank at a Glance

Vision:

To be the leading Kuwaiti bank of the future

Mission:

To provide customers with simple and innovative services that enable sustainable growth



Consumer Banking

Our Consumer Banking serves a broad range of customer segments, offering customer-centric solutions including loans, cards and deposits.

1960

Founded

1984

Listed on Kuwait Stock Exchange



Corporate Banking

Corporate Banking provides wholesale, commercial and SME solutions including structured finance, project finance, advisory, transaction banking and merchant banking.

7.7

KD bn Total Assets
YE 2025



Treasury And Investment

Our Treasury team focus is to optimize the balance sheet's efficiency, manage the Bank's liquidity while supporting asset growth and sufficient buffers to meet regulatory requirements. While our Investment Services manages the Bank's proprietary investment and offer investment products to clients.

45+

Branches

268

ATMs

16

ITMs

2025 Board of Directors Activity

56

Meetings



Board Meetings

13



Compliance and Governance Committee

3



Audit Committee

5



Nomination and Remuneration Committee

6



Risk Committee

5



Credit and Investment Committee

24

2025 External Recognitions

A3
MOODY'S
Stable

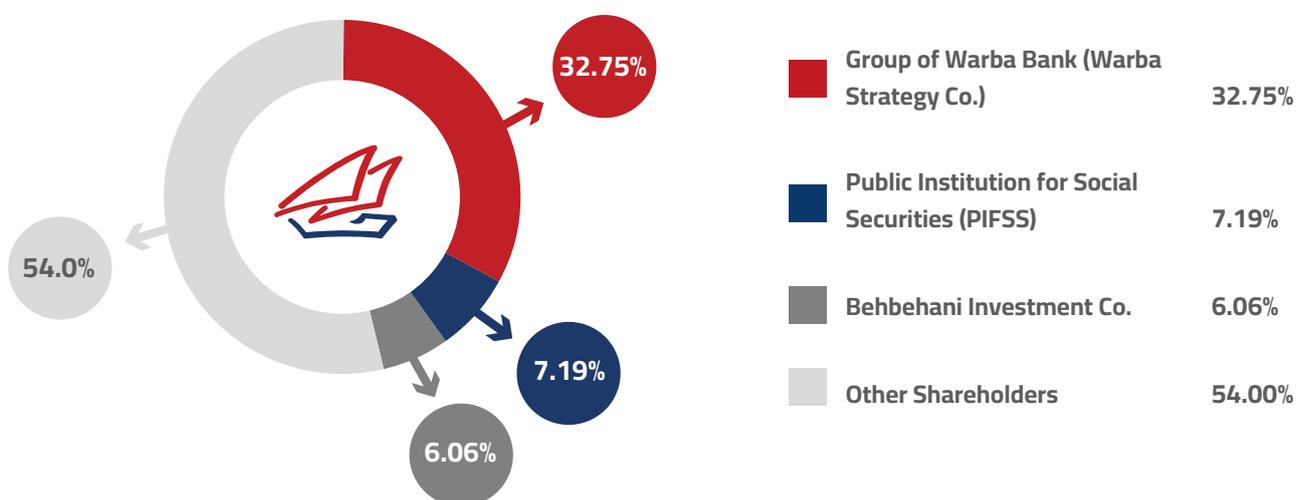
A
Fitch
 Ratings
Stable

A+
CI CAPITAL
 Intelligence
Stable

Awards and recognitions

		
<ul style="list-style-type: none"> Most Innovative Online Banking Services Kuwait 2025 	<ul style="list-style-type: none"> Best Mobile Banking App and Experience 	<ul style="list-style-type: none"> Best Sustainability Initiative of 2025
		
<ul style="list-style-type: none"> Best Private Banking Customer Experience 	<ul style="list-style-type: none"> Best Next Generation Program 	<ul style="list-style-type: none"> Best Corporate Digital Bank in Kuwait 2025
		<ul style="list-style-type: none"> Best Corporate Mobile Banking App in Kuwait 2025 Best in Social Media Marketing Services in the Middle East 2025 Best in Social Media Marketing Services in Kuwait 2025
<ul style="list-style-type: none"> Best Banking Brand in Kuwait Most Outstanding in Corporate Social Responsibility Initiatives in Kuwait 	<ul style="list-style-type: none"> Best Use of Social Media Use in Kuwait for 2025 	

Ownership Structure



Note: As of 31 Dec 2025

Shareholders Information

Gulf Bank Index Landscape

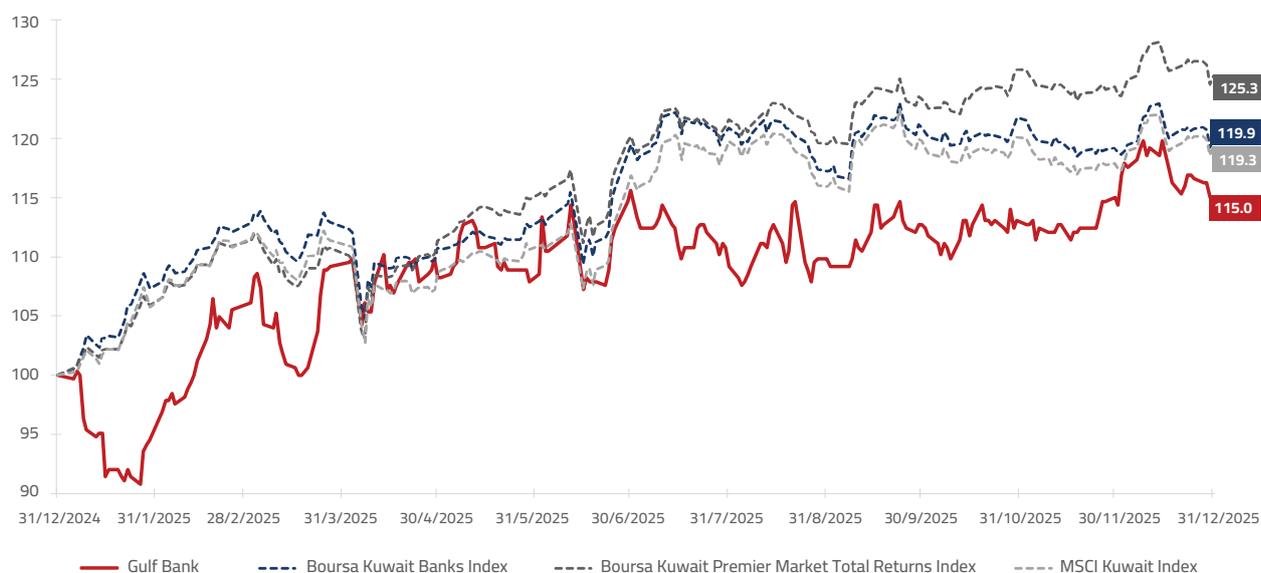
 <p>Listed in Boursa Kuwait Under Premier Market</p>	 <p>FTSE Russell Emerging Markets Index since September 2017</p>	 <p>S&P DJI Emerging Market Index since December 2018</p>	 <p>MSCI Emerging Market Index since November 2020</p>
<p>Exchange</p> <p>Boursa Kuwait</p>	<p>Ticker</p> <p>GBK</p>	<p>Stock Number</p> <p>102</p>	<p>ISIN</p> <p>KW0EQ0100028</p>
<p>Number of Shares Issued</p> <p>3,992,627,203</p>	<p>Market Cap as of 31 December 2025</p> <p>KD 1,422 Million</p>	<p>Gulf Bank Weight in Overall Boursa Kuwait Market</p> <p>2.7%</p>	

1. Gulf Bank Market Trading Activities During 2025

2025	Market Capitalization (KD) ⁽¹⁾	Month Closing Price (KD Fils) ⁽²⁾	Daily Average Closing Price (KD Fils) ⁽²⁾	Daily Average Traded Value (KD) ⁽²⁾	Daily Average Traded Volume ⁽²⁾	Price to Earnings ⁽³⁾	Price to Book ⁽³⁾
January	1,168,352,446	0.308	0.307	6,471,052	20,791,468	19.4	1.4
February	1,304,913,122	0.344	0.330	3,585,387	10,978,554	21.7	1.6
March	1,350,433,347	0.356	0.340	2,625,045	7,642,572	23.8	1.7
April	1,338,294,620	0.336	0.339	3,241,864	9,582,339	23.6	1.7
May	1,334,311,601	0.335	0.341	1,670,704	4,904,498	23.6	1.7
June	1,429,904,073	0.359	0.344	3,111,647	9,040,071	25.5	1.7
July	1,350,243,679	0.339	0.348	1,655,858	4,768,607	24.1	1.6
August	1,358,209,719	0.341	0.342	3,933,577	11,448,543	24.3	1.7
September	1,394,056,896	0.350	0.347	2,949,311	8,460,429	23.9	1.7
October	1,398,039,916	0.351	0.349	1,568,618	4,502,376	24.0	1.7
November	1,421,938,034	0.357	0.350	2,124,788	6,077,570	24.4	1.7
December	1,421,938,034	0.357	0.364	1,642,122	4,516,614	24.4	1.7
Average for the year	1,355,886,291	0.344	0.342	2,814,172	8,339,269	23.4	1.6

Source: (1) Boursa Kuwait - Market Summary by Company; (2) Boursa Kuwait - Data Services Portal; (3) Bloomberg - Latest Reported Period (Earnings Trailing 12 Months).

2. Gulf Bank share price performance during 2025 compared with major local indices



Source: Bloomberg – Prices are rebased to 100 and is adjusted for historical corporate actions.

3. Investor Relations Calendar During 2025

Date	Earning Calls	Date	Roadshows	Country
13 Feb 2025	YE 2024 Earnings Call	10 Apr 2025	EFG Hermes 19 th Annual One on One Conference	Dubai, UAE
5 May 2025	Q1 2025 Earnings Call	20 May 2025	Arqaam Capital MENA Investor Conference	Abu Dhabi, UAE
29 Jul 2025	H1 2025 Earnings Call	8-9 Sep 2025	EFG Hermes 11 th Annual London Conference	London, UK
29 Oct 2025	9M 2025 Earnings Call	8 Dec 2025	Jefferies Kuwait Corporate Day in Partnership With Boursa Kuwait	Dubai, UAE

4. Gulf Bank maintaining at least 50% cash dividends payout over the past couple of years and a consistent bonus shares distribution.

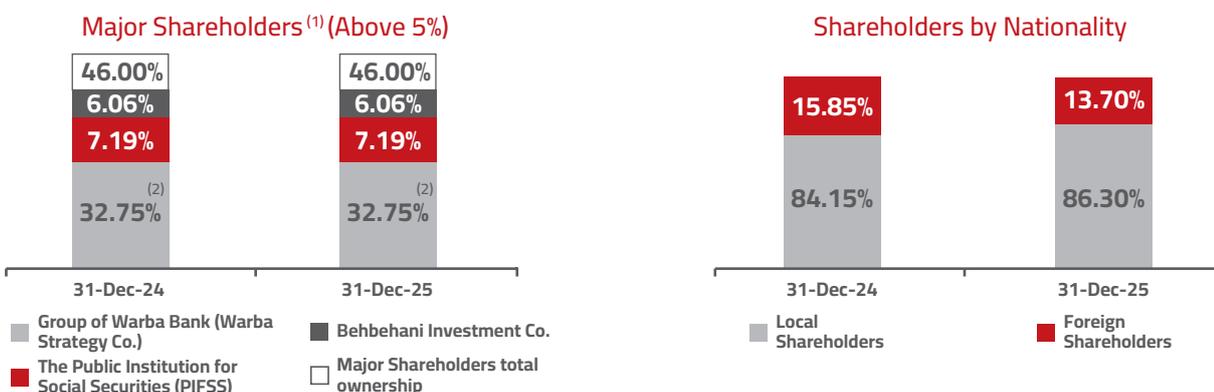
Gulf Bank Dividends	Year End 2021	Year End 2022	Year End 2023	Year End 2024	Year End 2025
Earnings Per Share Basic and Diluted (KD Fils)	13	18	20	15	13
Dividends Per Share ⁽¹⁾ (KD Fils)	7	10	12	10	9
Payout Ratio ⁽¹⁾	52.5%	54.2%	59.9%	66.3%	68.4%
Dividends Yield ⁽²⁾	2.5%	3.2%	4.6%	3.1%	2.5%
Bonus Shares	5.0%	5.0%	5.0%	5.0%	5.0%

(1) Payout ratio is based on cash dividends per share over basic and diluted earnings per share.

(2) Dividend Yield is based on cash dividends per share as a percentage of closing share price as on 31 December or last traded day of the relevant financial year.

Note: 2025 Dividends and Bonus Shares are subject to Annual General Meeting Approval to be held in March 2026.

5. Shareholders Structure.



(1) Major shareholders is defined as owning directly and indirectly greater than 5% of the Bank.

(2) In April 2025, Warba Bank completed The Purchase of AlGhanim Trading.

Source: Boursa Kuwait – Company Profile and the internal Year End major shareholders report greater than 5%.

Gulf Bank Strategy 2030

Transitioning toward Kuwait's Bank of the Future

Transformation Year: Concluding the 2025 Strategy

2025 marked a defining year in Gulf Bank's transformation journey. The Bank successfully concluded its 2020–2025 Strategy, completing key planned initiatives and laying the foundation for the next strategic cycle.

Gulf Bank has achieved several key milestones, including the **completion of its Core Banking Transformation**, enabling faster service delivery and improved scalability across business lines. The Bank also optimized the rollout of its **omni-channel platform**, strengthening its ability to deliver seamless, personalized experiences across digital and physical channels. Meanwhile, **InvestGB** continued to expand its wealth and treasury capabilities, reinforcing Gulf Bank's position as a leading financial institution.

Strategic Shift: From Strategy to Impact

Gulf Bank has obtained the **Central Bank of Kuwait's preliminary approval to convert into a fully Shariah compliant bank by August 2026**. This approval marks a turning point in the Bank's evolution and stands as a catalyst for the **2030 Strategy** for future growth, complementing its digital and operational advancements. Gulf Bank officially launched its 2030 Strategy, continuing its established Vision to be the leading Kuwaiti bank of the future and Mission to provide customers with simple and innovative services that enable sustainable growth. The Bank continues with this vision and mission through a **refreshed set of strategic pillars and enablers** designed to deliver sustained performance and long-term value creation.

Strategic Pillars

- ▶ **Complete Conversion** — Executing the transition to a fully Shariah-compliant institution, encompassing governance, IT, product, and investment frameworks.
- ▶ **Accelerate Core Businesses** — Enhancing retail and corporate banking through digitalization, product diversification, and deeper customer engagement.
- ▶ **Boost Growth Within Banking** — Expanding mortgage, SME, and wealth propositions, complemented by new international growth opportunities.
- ▶ **Expand Beyond Banking** — Developing strategic partnerships and ventures in fintech, consumer ecosystems, and embedded finance to diversify revenues.

These pillars enable Gulf Bank to build on its strong foundations while aligning closely with **Kuwait Vision 2035**, supporting the development of an inclusive economic and financial sector

Strategic Enablers

- ▶ **Digital Focus**: Establishing a digital business unit and enhancing cyber resilience to deliver secure and efficient scalability.
- ▶ **Data-Driven Innovation**: Embedding advanced analytics to strengthen decision-making and drive personalization.
- ▶ **ESG Integration**: Advancing responsible banking practices through sustainable finance and transparent governance.
- ▶ **Financial Inclusion & Literacy**: Expanding access to banking and financial education across all segments of society.
- ▶ **Organizational Excellence & Talent**: Building leadership depth and performance-driven culture to accelerate transformation.
- ▶ **Risk Framework Refresh**: Strengthening governance, controls, and risk appetite to align with Islamic banking standards.

Together, these enablers reinforce Gulf Bank's position as an agile, responsibly governed institution equipped to deliver consistent performance and long-term shareholder returns.

Starting the Islamic Conversion readiness Journey

The Bank has activated several core workstreams to ensure a smooth and timely conversion of every product, process and transaction to fully comply with Shariah banking principles

- The **Product Workstream** is focused on transforming all products and services into Shariah-compliant offerings, supported by updated policies, procedures, risk frameworks, and business requirements.
- The **IT Workstream** is focused on upgrading the technology landscape including enhancing the core banking platform to one of the most advanced Islamic compliant systems deployed in the region, alongside enabling treasury, finance, and other systems to support the bank's Islamic transformation journey.
- The **Finance Workstream** is restructuring the Bank's financial reporting to fully align with Shariah compliant accounting standards and disclosure requirements.
- The **Talent Development Workstream** is focused on building the capabilities required for a successful Islamic banking transformation. This includes **foundational training for all staff** to ensure a deep understanding of Shariah principles and their application across banking operations, as well as **specialized training programs for specific units** such as product development, risk management, treasury, and operations.

The goal is to embed Shariah-compliant practices into the culture of the Bank and empower employees with the knowledge and skills to deliver exceptional Islamic banking services.

Looking Ahead

As Gulf Bank enters its new strategic cycle, it remains focused on the disciplined execution of its 2030 Strategy, guided by the dual catalysts of Islamic conversion and accelerating the Bank's growth potential and inorganic opportunities. The Bank's priorities for the coming year center on embedding Islamic operational readiness, optimizing its digital and data platforms, and expanding beyond traditional banking through strategic partnerships and ventures to diversify its revenue sources.

Gulf Bank's solid capital base, robust risk governance, and culture of ownership and simplicity provide a strong foundation for the next phase of its evolution. The Bank will continue to align its strategy with Kuwait Vision 2035 advancing financial inclusion, promoting innovation, and delivering sustainable, long-term returns for shareholders and stakeholders alike.



Business Model

Backed by over six decades of disciplined banking in Kuwait, Gulf Bank consistently delivers sustainable shareholder value through robust governance, prudent risk management, and a customer-centric approach.

1- Our Strengths

Strong Franchise ⁽¹⁾

Kuwait second largest conventional bank in terms of loans, with a clear strategic direction to potential convert to an Islamic Sharia Compliant Bank.

Sound Fundamentals ⁽¹⁾

- KD 5.9 billion in net loans and advances
- KD 5.7 billion in total deposits
- KD 52.4 million in net profit

Solid Ratings ⁽¹⁾

- Moody's: A3, Stable Outlook
- Fitch: A, Stable Outlook
- Capital Intelligence: A+, Stable Outlook

Stable & Diversified Shareholder Base ⁽¹⁾

- 32.75% Group of Warba Bank (Warba Strategy Co.)
- 7.19% The Public Institution for Social Security (PIFSS)
- 6.06% Behbehani investment Co.
- With 13.7% held by International Investors⁽²⁾.

Aspiring Talent ⁽¹⁾

- Diverse talent pool of 1,699 employees, with Women representing 40%, and a proven succession planning that ensures leadership continuity and Bank stability.

2- How we add Value

Vision

To be the leading Kuwaiti bank of the future.

Mission

To provide customers with simple and innovative services, in order to enable sustainable growth.

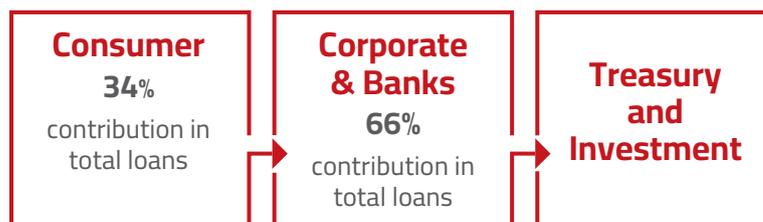
Core Values

- Be Ambitious
- Empower our People
- Take Ownership
- Strive for Simplicity

Leverage on our strength and capabilities

To better support our customers everyday banking needs and create additional value to all our stakeholders. By embracing the Bank vision, mission and core values and striving for execution excellence in our businesses.

Our Business ⁽¹⁾



3- Our Stakeholders

Customers

Customers centric approach, by providing them with simple and innovative solutions to improve their lives.

Employees

Attract, retain and develop our people that can take ownership and leverage their strengths and excel in their performance.

Shareholders

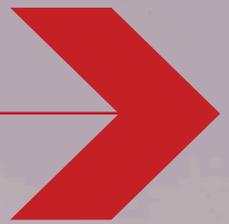
Deliver superior and sustainable returns to our investors.

Communities

Improve the well being of our communities through encouraging positive change to generate sustainable value for all stakeholders.

(1) All figures are either as of year end 2025 or as on 31 December 2025;

(2) Boursa Kuwait and Kuwait Clearing Company Foreign Investors Ownership Report.



Year 2025 in Review

- Calling off the merger project with Boubyan Bank.
- Resignation of Chairman Mr. Bader AlKharafi.
- Reformation of Board of Directors and appointment of Mr. Ahmad AlBahar as Chairman.
- Secured US\$ 650 Million Debut Senior Unsecured Syndicated Term Loan Facility.
- FY 2024 Financial Results, Net Profit of KD 60.2 million, down 15.5%.
- Held the 66th AGM.
- Formation of new Board, electing 11 board members for a period of 3 years.
- Distribution of FY 2024 cash dividends of 10 fils and bonus shares of 5%.
- Q1 2025 Financial Results, Net Profit of KD 9.4 million, down 27.3%.
- Chairman received a letter from Warba Bank proposing a feasibility study for a potential merger and awaiting to receive Central Bank of Kuwait direction.
- Central Bank of Kuwait provided the necessary guidelines on the Proposed Merger.
- Capital Intelligence affirms the Bank's Credit Rating at "A+"; Outlook remains Stable.
- Signed a MoU with Warba Bank for the Potential Merger.

Jan.

Feb.

Mar.

Apr.

May.

Jun.

- Fitch affirms State of Kuwait Sovereign Credit Rating at "AA-"; Outlook remains Stable.
- Amiri Decree issued setting a debt ceiling of KWD 30 billion and allowing issuance of bonds/Sukuk up to 50 years.
- S&P affirms State of Kuwait Sovereign Credit Rating at "A+"; Outlook remains Stable.
- Announcement of Real Estate Developer framework and execution of the bylaws.
- Heightened geopolitical tensions emerged in the region, impacting overall sentiment.



- H1 2025 Financial Results, Net Profit of KD 24 million, down 14.8%.
- Obtained Central Bank of Kuwait approval on the engagement of Advisory firms for the potential merger.
- Moody's Investors Service affirms the Bank's Credit Rating at "A3"; and changed outlook to "Stable" from "Positive".
- Central Bank of Kuwait Initial Approval on the Conversion of Gulf Bank to a Bank Compliant with Islamic Sharia'a which is valid for one year.
- Gulf Bank Celebrates Its 65th Anniversary Since Establishment.
- 9M 2025 Financial Results, Net Profit of KD 38.4 million, down 4.6%.
- Fitch Ratings affirms the Bank's Credit Rating at "A"; Outlook remains Stable.

Jul.

- Closing Accounts for FY 31 March, 2025, reporting a KD 1.1 billion deficit for the year.

Aug.

- Central Bank of Kuwait Initial Approval on the Conversion of Gulf Bank to a Bank Compliant with Islamic Sharia'a which is valid for one year.

Sep.

- Fitch affirms the Sovereign Credit Rating at "AA-"; Outlook remains Stable.
- CBK cut discount rate by 0.25% from 4.00% to 3.75% following the Fed cuts interest rate by 0.25%.
- IMF raised Kuwait's GDP growth forecast to 2.6%, up from earlier estimate of 1.9%.

Oct.

- Fed cuts interest rate by 0.25%, while CBK did not cut its discount rate and kept it at 3.75%.

Nov.

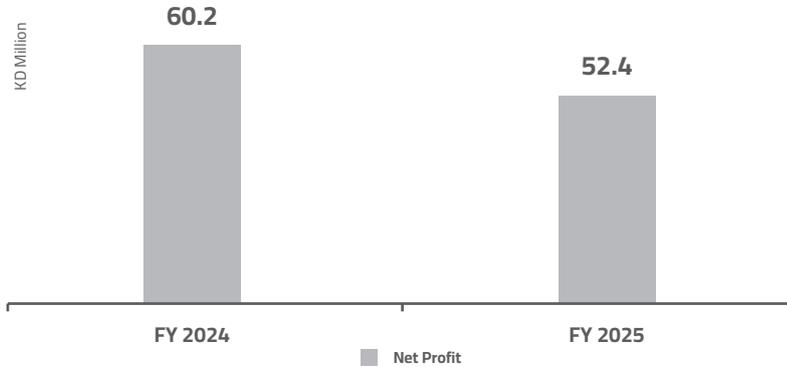
- S&P upgrades State of Kuwait Sovereign Credit Rating from "A+" to "AA-"; Outlook remains Stable.

Dec.

- CBK cut discount rate by 0.25% from 3.75% to 3.50%, following Fed cuts interest rate by 0.25%.

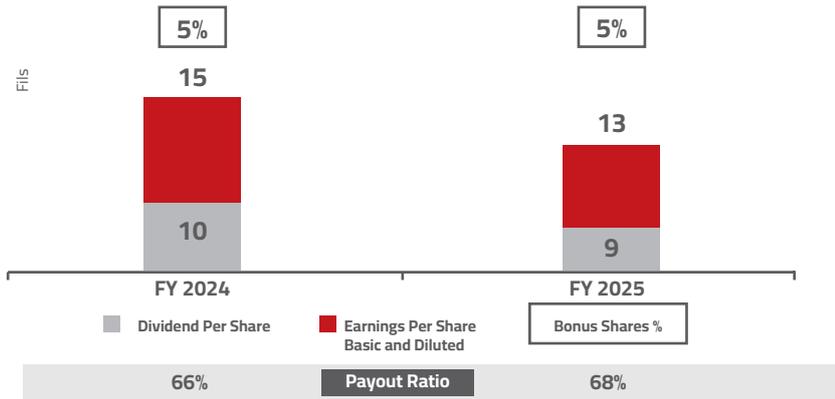
Key Financial Highlights 2025

1. Net Profit reached KD 52.4 million for full year 2025, a decline of 13% compared to 2024



Net Profit Decline
(13%)

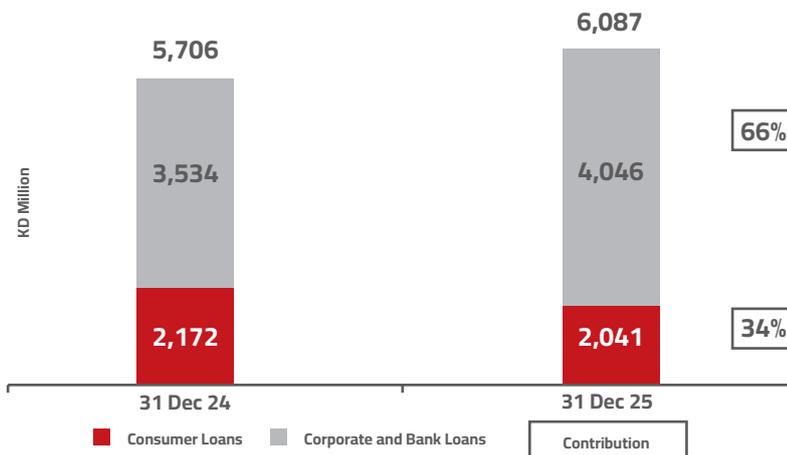
2. Earnings per share reached 13 fils. Recommending a cash dividend of 9 fils per share representing 68% cash payout ratio, and 5% bonus shares



Proposed Cash Payout Ratio
68%

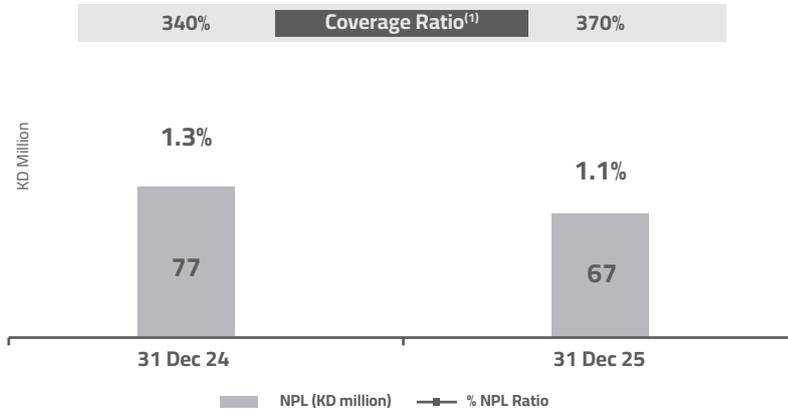
Note: 2025 proposed cash dividends and bonus shares are subject to Annual General Meeting shareholders approval expect to be held in March 2026.

3. Gross Loans and Advances reached KD 6.1 billion, up KD 382 million or +7% compared to 2024



Gross Loans and Advances Growth
+7%

4. Asset quality remained resilient, as non-performing loan ratio stood at 1.1% for year-end 2025, with ample coverage

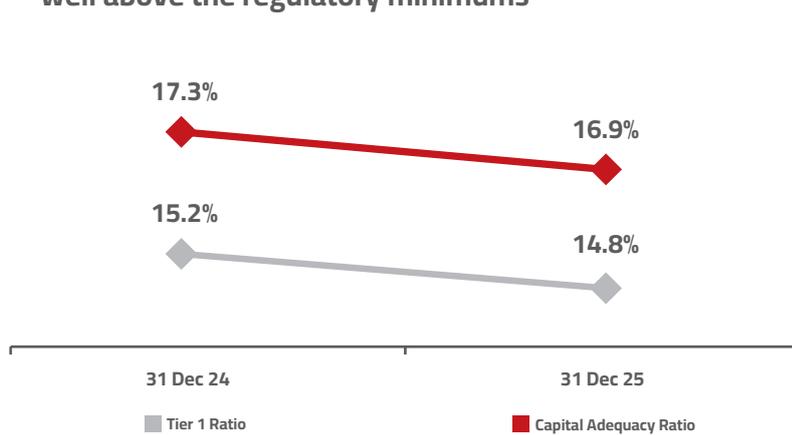


NPL Ratio
1.1%

Coverage Ratio
370%

(1) Coverage ratio includes total provisions and collaterals.

5. The Bank's regulatory capital ratios remained strong and well above the regulatory minimums



CAR Above Regulatory Minimums
285 bps

Tier 1 Ratio Above Regulatory Minimums
278 bps

Note: Tier 1 and Capital Adequacy Ratio (CAR) regulatory minimums include 1% DSIB.

6. The Bank remained an 'A' rated bank by three major credit rating agencies during 2025

Rating Agency	Criteria	Rating
MOODY'S	Long Term Deposits	A3
	Outlook	Stable
Fitch Ratings	Long-Term Issuer Default Rating	A
	Outlook	Stable
CI CAPITAL Intelligence	Long-Term Foreign Currency	A+
	Outlook	Stable



Chairman's Statement

Ahmad Mohammad Al Bahar



Dear Shareholders,

It is my pleasure to present to you the Annual Report of Gulf Bank for the year ended 31 December 2025. The year represented a period of measured progress, focused on strengthening the Bank's foundations and advancing key strategic priorities. As we reflect on the year, we recognize the collective efforts that supported the Bank's progress.

The Year in Context

The broader economic environment in 2025 combined global uncertainty and gradual domestic momentum. Geopolitical tensions and oil price fluctuations added volatility to regional markets, influencing government priorities and investor sentiment.

Locally, Kuwait's economic landscape showed signs of improvement, supported by fiscal reforms and renewed development activity. The approval of the long-anticipated Public Debt Law, with a debt ceiling of KD 30 billion, will enable the government to finance strategic capital projects and advance economic diversification initiatives. Moreover, the introduction of the Real Estate Developer Law marked a key step toward addressing structural housing challenges by enabling qualified

The year represented a period of measured progress, focused on strengthening the Bank's foundations and advancing key strategic priorities

private developers to undertake residential projects under regulated concessions. In parallel, the progress on the Real Estate Financing Law, which would establish Kuwait's first mortgage framework once approved, is expected to complement these efforts and open new avenues for local credit growth across both retail and corporate segments.

From a monetary policy perspective, the Central Bank of Kuwait (CBK) maintained a supportive stance in response to global easing trends. CBK reduced the discount rate by 50 basis points in 2025, bringing it down to 3.50% by the end of 2025, balancing external developments with local monetary priorities. These measures are expected to support credit expansion and stimulate local business activity. Government capital spending also advanced during the year, with a meaningful increase in contract awards led by infrastructure investments across oil and gas, power and water, transportation, housing, and logistics. This activity created opportunities for the banking sector to participate in financing national projects aligned with Kuwait Vision 2035.

Strategic Development

Against this backdrop, Gulf Bank continued to strengthen its position in Kuwait's banking sector, underpinned by its strategic priorities and a robust governance framework.

We advanced our planned transition to a Sharia-compliant Bank following the Central Bank of Kuwait's initial approval to proceed with this transformation, an important milestone in the Bank's strategic evolution that supports a strong financial profile, customer service excellence, and long-term value creation.

During the year, the Bank launched its 2030 five-year strategy, focused on reinforcing market position, promoting sustainable growth, and advancing its journey toward becoming a fully Sharia-compliant Islamic bank.

Gulf Bank also continued to explore strategic opportunities, both organically and inorganically, aimed at enhancing long-term shareholder value. This includes the ongoing evaluation of a potential merger with Warba Bank. This assessment is conducted in close coordination with regulators and advisors, with a strong focus on transparency and institutional integrity.

Locally, Kuwait's economic landscape showed signs of improvement, supported by fiscal reforms and renewed development activity

During the year, the Bank made tangible progress toward its planned transformation into a Sharia-compliant Bank, following the Central Bank of Kuwait's initial approval to proceed with this transition

Chairman's Statement

Financial Performance

Gulf Bank maintained a strong financial position in 2025, driven by robust balance sheet growth, a high-quality loan portfolio, and well-capitalized levels that position the Bank for future growth.

Total assets increased by 2.9% to KD 7.7 billion, supported by 7.2% growth in net loans and advances. For the full year ended 31 December 2025, the Bank reported a net profit of KD 52.4 million, resulting in earning per share of 13 fils.

In light of this performance, the Board of Directors has recommended the distribution of a cash dividend of 9 fils per share, representing a 68% cash payout ratio, in addition to 5% bonus shares, subject to shareholders' approval at the Annual General Meeting scheduled for March 2026.

Additionally, Gulf Bank's creditworthiness continued to be well-recognized by leading international credit rating agencies. During the year, Fitch Ratings reaffirmed the Bank's Long-Term Issuer Default Rating at 'A', while Moody's affirmed its long-term deposit rating at 'A3'. Capital Intelligence Ratings also reaffirmed the Bank's Long-Term Foreign Currency rating at 'A+', in addition to maintaining the rating on the Bank's Basel III-compliant Tier 2 Subordinated Bonds at 'BBB+'. All ratings were assigned Stable Outlooks, underscoring Gulf Bank's resilient financial position, well-diversified and stable funding base, and robust domestic franchise.

More Than Six Decades of Continuity

In 2025, Gulf Bank marked its 65th anniversary, a milestone that reflects more than six decades of continuity, resilience, and contribution to Kuwait's economic development. Since its establishment in 1960, the Bank has grown alongside the nation, supporting major development projects, expanding its financial services, and maintaining a strong and trusted presence within the community. This anniversary reflects Gulf Bank's enduring legacy and institutional maturity.

Gulf Bank maintained a strong financial position in 2025, driven by robust balance sheet growth, a high-quality loan portfolio, and well-capitalized levels that position the Bank for future growth

In 2025, Gulf Bank marked its 65th anniversary, a milestone that reflects more than six decades of continuity, resilience, and contribution to Kuwait's economic development

Market Recognitions

During the year, Gulf Bank received multiple independent recognitions from leading international bodies, demonstrating the strength of its franchise and the quality of its services across. Gulf Bank was recognized for excellence in digital banking, customer experience, wealth management, social media engagement, and sustainability. These acknowledgements reinforce Gulf Bank's position as a leading financial institution in Kuwait and provide independent validation of its competitive advantage.

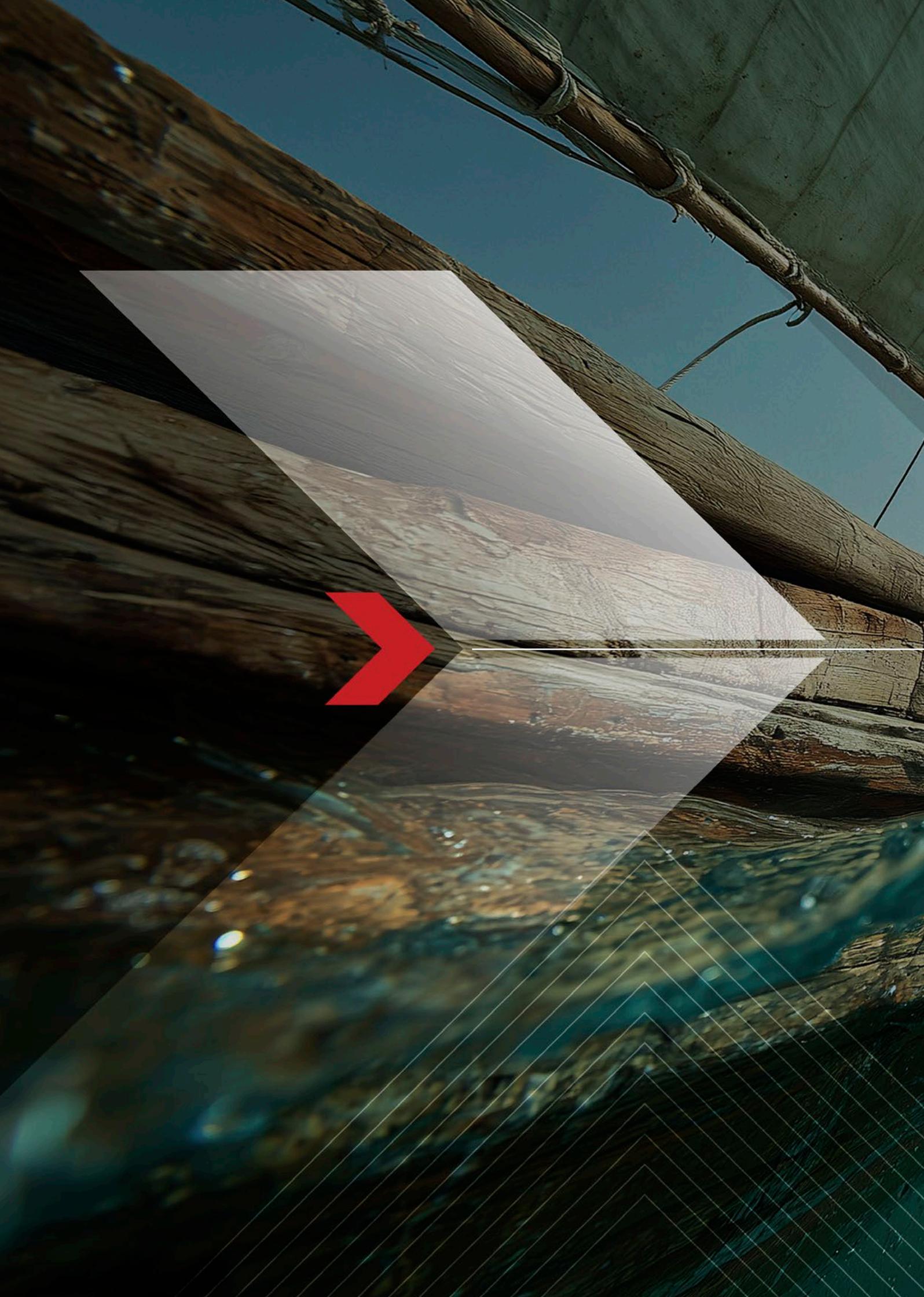
Closing Remarks

As we close the year 2025, we enter the next phase with a clear strategic direction, supported by strong governance and a sound financial position. These elements provide a solid foundation for sustaining the Bank's stability and long-term value for all stakeholders.

On behalf of the Board of Directors, I would like to express my appreciation to the Central Bank of Kuwait and the Capital Markets Authority for their continued support of Kuwait's banking sector.

I would also like to extend my gratitude to our shareholders, customers, Board members, management and employees for their continued trust and commitment to Gulf Bank.

As we close the year 2025, we enter the next phase with a clear strategic direction, supported by strong governance and a sound financial position



The background features a close-up, low-angle shot of a sailboat's mast and rigging against a clear sky. The water in the foreground is a deep teal color, with sunlight reflecting off its surface, creating a bokeh effect of bright spots. A large, white, stylized number '2' is positioned on the right side of the image, partially overlapping the text.

BUSINESS
OVERVIEW

2



Acting Chief Executive Officer Statement

Sami Mahfouz



The year 2025 was characterized by disciplined execution amid a challenging operating environment. Despite ongoing external pressures, Gulf Bank maintained a strong focus on sustainable financial performance, balance sheet resilience, and the advancement of key operational initiatives aligned with its long-term strategic aspiration. Throughout the year, the Bank prioritized prudent risk management, funding diversification, and talent development, to remain well positioned to meet evolving market conditions and regulatory requirements.

Strategy and Direction

During 2025, we concluded the Bank's 2020–2025 strategy, completing several foundational initiatives that have strengthened our operating platform and positioned Gulf Bank for its next phase of growth. Key milestones included the completion of the core banking transformation, enhancements to our omni-channel capabilities, and continued expansion of InvestGB's offerings, all of which have improved scalability, service delivery, and product depth across the Bank.

Gulf Bank maintained a strong focus on sustainable financial performance, balance sheet resilience, and the advancement of key operational initiatives aligned with its long-term strategic aspiration

Building on this progress, we launched our new 2030 strategy, which provides a clear execution roadmap centered on completing the Bank's conversion to a Sharia-compliant Bank, accelerating growth across core retail and corporate businesses, and selectively expanding into untapped opportunities. The strategy is supported by targeted investments in technology, data, talent, risk and governance, ensuring that growth initiatives are underpinned by strong operational discipline and readiness.

Financial Performance

Gulf Bank's financial performance in 2025 reflects a strong implementation and a balanced approach to growth. We continued to expand our balance sheet while maintaining a high-quality loan portfolio, supported by disciplined underwriting standards and proactive risk management. As of 31 December 2025, total assets increased by 2.9% year on year to KD 7.7 billion, driven by a 7.2% growth in net loans and advances, which reached KD 5.9 billion. Reflecting the success of our strategic initiatives in meeting clients' aspirations. Total deposits also rose by 2.2% year on year to KD 5.7 billion, supporting the Bank's balance sheet growth and funding requirements.

Additionally, the Bank achieved a net profit of KD 52.4 million for the full year 2025. Net fees and commissions recorded a year-on-year growth of 10.3% to reach KD 28.3 million, reflecting progress in strengthening fee-based income streams and improving revenue diversification. Operating income amounted to KD 188.9 million, while operating profit before total provisions and impairments reached KD 94.6 million, this is supported by disciplined cost management and focus on core income streams.

Our asset quality indicators remained strong, with the non-performing loan (NPL) ratio at 1.1% and a comprehensive NPL coverage ratio of 370% —factoring in total provisions and collateral—demonstrating the effectiveness of our credit and risk management practices. Furthermore, we continue to benefit from a robust internal capital generation, with our capital levels supporting balance sheet growth while maintaining healthy buffers above regulatory requirements. As of 31 December 2025, the Tier 1 Capital Ratio reached 14.8%, and the Capital Adequacy Ratio (CAR) stood at 16.9%, both well above the minimum regulatory thresholds.

Funding and Liquidity

During the year, Gulf Bank successfully executed its debut international syndicated loan transaction, raising USD 650 million through a senior unsecured facility. The transaction was significantly oversubscribed and attracted strong participation from regional and international financial institutions. This milestone reflects market confidence in the Bank's credit profile and strategic positioning.

The successful diversification of our funding base enhances liquidity flexibility and supports our ability to pursue growth opportunities while maintaining a prudent funding and maturity profile.

We launched our new 2030 strategy, which provides a clear execution roadmap centered on completing the Bank's conversion to a Sharia-compliant Bank

Gulf Bank's financial performance in 2025 reflects a strong implementation and a balanced approach to growth

During the year, Gulf Bank successfully executed its debut international syndicated loan transaction, raising USD 650 million through a senior unsecured facility

ACEO Statement

Operational Readiness and Sharia Conversion

In parallel, we continued to advance internal readiness for the Bank's planned transition to a Sharia-compliant Bank, following the Central Bank of Kuwait's preliminary approval to commence conversion activities. Dedicated governance structures and cross-functional teams have been established to oversee the program across operational, legal, technology, and product areas.

Significant progress has been made in assessing system requirements, strengthening governance frameworks, and building the necessary internal capabilities. We have also invested in targeted employee training programs to ensure readiness across the organization. Throughout this process, our focus remains firmly on maintaining business continuity, safeguarding asset quality, and delivering consistent service to our customers.

We continued to advance internal readiness for the Bank's planned transition to a Sharia-compliant Bank

People and Leadership

Our people remain central to the Bank's success. During the year, we continued to strengthen our leadership team by advancing experienced professionals into key executive roles, reinforcing our commitment to developing national talent and building leadership from within. These appointments support continuity, deepen institutional knowledge, and enhance our ability to execute strategy in a complex and evolving environment.

Our focus remains on executing our strategic priorities with rigor, maintaining asset quality, strengthening funding resilience, and progressing our Sharia conversion in line with regulatory expectations

Closing Remarks

As we move into the next phase, Gulf Bank does so from a position of operational strength and financial discipline. Our focus remains on executing our strategic priorities with rigor, maintaining asset quality, strengthening funding resilience, and progressing our Sharia conversion in line with regulatory expectations.

I would like to thank our customers for their continued trust, our employees for their dedication and professionalism, and our regulators for their constructive engagement, support and guidance. Together, we remain committed to delivering consistent performance and creating sustainable value for all stakeholders.



Our People

In 2025, Gulf Bank's Human Resources Division continued to redefine excellence by aligning its people strategy with the Bank's ambitious digital transformation agenda. This year marked a pivotal shift from traditional HR operations to a **fully digitized, data driven, and future ready model**.

Investing in Human Capital

Gulf Bank achieved a major milestone with the launch of a fully automated recruitment process, streamlining candidate sourcing, assessment, and onboarding. This transformation enhanced hiring speed, transparency, and strategic workforce planning, while maintaining a ready-to-hire talent pool.

Mandatory training programs including AML, Compliance, ORM, and FRM were successfully migrated to digital platforms, improving accessibility, completion rates, and regulatory alignment.

To build future ready national talent, Gulf Bank launched two flagship academies:

- **GBK-Tech Academy:** Focused on digital innovation, cybersecurity, and emerging technologies.
- **GBK-Risk Academy:** Dedicated to risk management, governance, and regulatory frameworks.

At the **Watheefi Career Fair 2025**, Gulf Bank attracted over 4,000 candidate profiles, reinforcing its employer brand and expanding its recruitment pipeline. The Direct Sales Team also opened new customer accounts at the event, showcasing HR's evolving role in driving business impact.

Diversity and Inclusion

Gulf Bank continued to champion gender equity through the **Women of Wisdom (WOW)** program, which supported 107 early and mid career female professionals. The program delivered targeted workshops focused on leadership, resilience, and career navigation.

Additionally, the **WOW Wellness Experience** offered mindfulness and stress management sessions to promote holistic well-being among female employees. These initiatives reflect Gulf Bank's ongoing commitment to empowering women and fostering inclusive growth.

Gulf Bank achieved a major milestone with the launch of a fully automated recruitment process, streamlining candidate sourcing, assessment, and onboarding

Gulf Bank continued to champion gender equity through the Women of Wisdom (WOW) program, which supported 107 early and mid career female professionals

Awareness and Wellbeing

In 2025, Gulf Bank expanded its health and wellness efforts. In partnership with **GlobeMed** and **Images**, the Bank hosted two days of on-site **breast cancer screenings**, emphasizing early detection and proactive care.

To better understand employee sentiment, Gulf Bank launched the **Glint Engagement Survey**, gathering insights to shape leadership development and employee experience strategies.

The Bank also introduced **Break the Routine**, a series of four energizing events that brought together over 300 employees for team building, mindfulness, and wellness activities.

Gulf Bank's commitment to physical wellness continued with the **GB Challenge**, where seven employees underwent a month long training program in preparation for the **GB642 Marathon**.

Social Engagement

Gulf Bank reinforced its culture of connection and community through a variety of social initiatives. The **Annual Ghabga** welcomed over 500 employees during Ramadan, celebrating unity and shared values.

A new initiative, **Kids Day at the Scientific Center**, invited employees and their families to explore science in an interactive setting, promoting STEM learning and work life balance.

Through the **Sawaed AlKhaleej** volunteering program, employees contributed nearly 70 hours of service to causes including environmental sustainability and youth mentorship.

The Bank also launched its **KBC Sports 2025/2026** season, with active participation in football, padel, and bowling tournaments, fostering camaraderie and team spirit.

To close the year, Gulf Bank will host its **End of Year Recognition Ceremony**, celebrating employee achievements and marking the graduation of the current Ajyal cohort.

Gulf Bank launched the **Glint Engagement Survey**, gathering insights to shape leadership development and employee experience strategies

Gulf Bank employees contributed nearly **70 hours of service** to causes including environmental sustainability and youth mentorship



The Bank reported a net profit of KD 52.4 million and earnings per share of 13 fils for the year ending 31 December 2025, compared to a net profit of KD 60.2 million and earnings per share of 15 fils for the year ending 31 December 2024. The Board of Directors is recommending a cash dividend of 9 fils per share and 5% bonus shares for shareholders' approval at the Annual General Meeting for the year 2026.

Operating profit before total provisions and impairment losses declined by KD 12.2 million compared with the previous year, primarily attributable to a reduction in net interest income of KD 10.2 million and an increase in operating expenses of KD 1.7 million. Nevertheless, the impact on net profit was partially offset by a decrease in total provisions and impairment losses of KD 4.2 million, resulting in a net profit reduction of KD 7.8 million year-on-year.

Gross Loans and advances increased by KD 382 million or 6.7%. The corporate segment saw a solid growth of KD 512 million or 14.5%, while the consumer segment saw a reduction of KD 131 million or 6.0%.

The Bank's non-performing loan ratio for the year-end 2025 stood at 1.1%, improving from 1.3% reported for the year-end 2024. Additionally, the Bank continues to have ample provisions, resulting in a strong non-performing loans coverage ratio of 370% including total provisions and collaterals for year-end 2025.

At the end of 2025, total provisions on credit facilities were KD 256 million compared with KD 166 million of provisions required under IFRS 9 accounting. Thus, the Bank held excess provisions of KD 90 million, representing 35% of total provisions.

The Bank's Tier 1 ratio as of 31 December 2025 reached 14.78%, 278 basis points above the regulatory minimum of 12.0%. The Bank's Capital Adequacy Ratio (CAR) was 16.85% as of 31 December 2025, 285 basis points above the regulatory minimum of 14.0%.

As at or for the year ended December 31st (in KD millions, except per share and ratio data)

KEY FINANCIAL METRICS

Income Statement	2025	2024	Better/(Worse) in 2025 vs. 2024
Net interest income	146	156	(7%)
Non-interest income	43	43	(1%)
Operating income	189	199	(5%)
Operating expenses	94	93	(2%)
Operating profit before total provisions and impairment losses	95	107	(11%)
Total Provisions / Impairment Losses	39	44	10%
Net profit	52	60	(13%)
Earnings per share (fils)- Basic and Diluted	13	15	(13%)
Dividends per share – Cash (fils)*	9	10	(10%)

*2025 proposed cash dividends are subject to Annual General Meeting shareholders' approval expected to be held in March 2026.

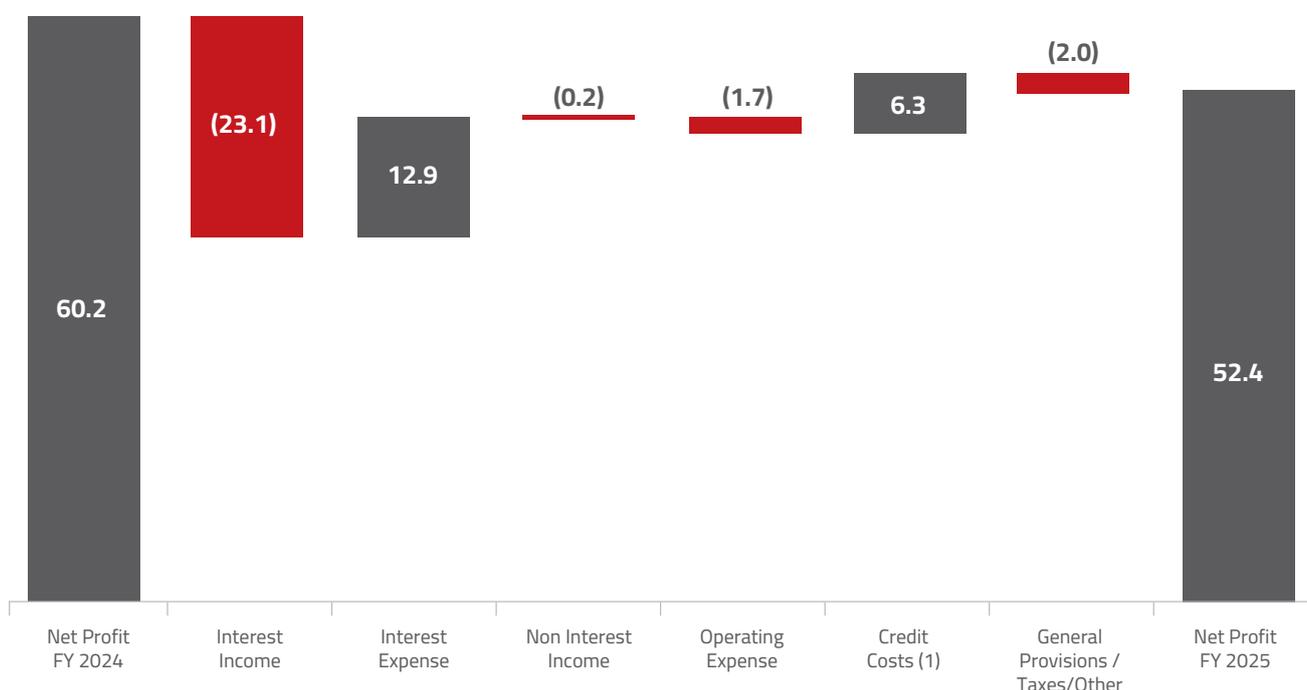
Balance Sheet	2025	2024	Better/(Worse) in 2025 vs. 2024
Gross loans and advances	6,087	5,706	7%
Total assets	7,700	7,480	3%
Total deposits	5,725	5,601	2%
Total stockholders' equity	854	834	2%
Average daily share price (fils)*	342	293	17%

*Source: Boursa Kuwait.

Key Financial Ratios	2025	2024	Better/(Worse) in 2025 vs. 2024
Return on average equity	6.3%	7.4%	(113 bps)
Return on average assets	0.7%	0.8%	(12 bps)
Net interest margin	1.9%	2.1%	(18 bps)
Non-performing loan ratio	1.1%	1.3%	25 bps
Provisions & Impairments / Average Total Assets	0.5%	0.6%	7 bps
Tier 1 capital ratio	14.78%	15.23%	(44 bps)
Capital adequacy ratio	16.85%	17.35%	(49 bps)

CFO Statement

Shown below are the major variances in net profit from full year 2024 to full year 2025 (KD millions):



(1) Credit costs = Specific Provision Charge + P&L write off on settlements – recoveries – excess general provision release.

IFRS9 IMPLEMENTATION

The **IFRS9 accounting standard** on credit facilities was implemented by the Central Bank of Kuwait at the end of 2018 and, as of year- end 2025, the Bank's total credit provisions of KD 256 million were greater than the IFRS9 requirements by KD 90 million.

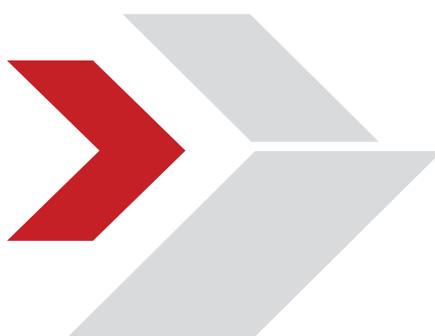
Comparison between total provisions and IFRS 9 Expected Credit Losses (ECL) on credit facilities:	2025 KD Millions	2024 KD Millions
Provision on cash facilities	229	239
Provision on non-cash facilities	27	31
Total provisions on credit facilities (A)	256	270
IFRS 9 ECL on credit facilities (B)	166	177
Excess of total provisions over IFRS 9 ECL on credit facilities (C = A-B)	90	94
Excess provisions as a percentage of total provisions (C/A)	35%	35%

ASSET QUALITY

Net credit costs in full year 2025 were KD 36.2 million lower by KD 6.3 million or 14.9% when compared to same period of last year.

Total provisions and impairment losses of KD 39.3 million were incurred in full year 2025, which represented 0.52% of average total assets.

PROVISIONS / IMPAIRMENT LOSSES	2025 KD Millions	2024 KD Millions	Change
Specific provisions	57.4	81.2	(23.8)
Write-offs	1.9	17.0	(15.1)
Gross credit costs	59.3	98.2	(38.9)
Recoveries	(10.7)	(8.3)	2.4
Excess General provisions	(12.4)	(47.3)	(34.9)
Net credit costs	36.2	42.5	(6.3)
General provisions	3.1	1.0	2.1
Impairment losses	0.0	(0.1)	0.1
Total provisions and impairment losses	39.3	43.5	(4.2)
Net credit costs (as a % of average gross loans)	0.61 %	0.75%	
Total Provisions and impairment losses (as a % of average gross loans)	0.67 %	0.76%	
Total Provisions and impairment losses (as a % of average total assets)	0.52 %	0.59%	



Operating Environment

2025 – A Year of Economic, Technological, and Geopolitical Crossroads

In 2025, the global economy navigated a mix of challenges and opportunities. Trade tensions and political uncertainties weighed on growth, while the rapid expansion of Artificial Intelligence (AI) investment offered a powerful counterbalance, supporting productivity and long-term potential. Financial markets reflected these dynamics, with a weaker U.S. dollar, soaring gold prices, and accommodative Fed policy. Geopolitical risks, particularly in the Middle East and Europe, alongside the U.S. government shutdown, added volatility, but diplomatic interventions helped prevent prolonged disruptions. Overall, the year was marked by resilience amid uncertainty, with technology and policy responses shaping the path forward.

Global overview of the year 2025 and its major events

Early in the year, global sentiment weakened following the introduction of new U.S. tariffs, which raised trade barriers to levels not seen in decades. As a result, the International Monetary Fund (IMF) revised its global GDP growth forecast downward to 2.8% for 2025, according to the IMF World Economic Outlook (WEO) Database, April 2025. This projection was lower than both the 3.3% growth recorded in 2024 and earlier expectations for 2025.

However, as the year progressed, the economic impact of the tariffs proved milder than initially anticipated. This was largely due to several factors: the private sector front loaded imports in the first half of the year and swiftly reorganized supply chains to redirect trade flows; the negotiation of trade agreements between the U.S. and various countries; and the general restraint from other economies, which largely kept the global trading system open.

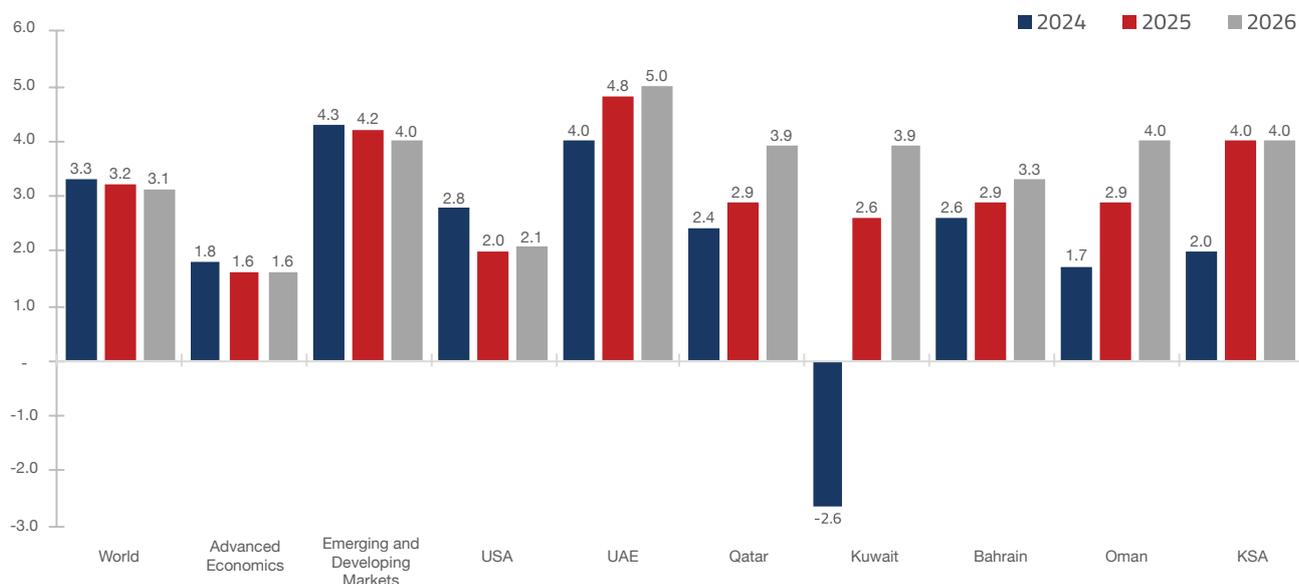
Additionally, a key counterbalance came from a surge in AI driven investment. Global AI spending was projected to reach USD 1.5 trillion¹, driving activity through data centres, advanced computing hardware, and digital infrastructure. Analysts estimate that AI adoption could lift global productivity, potentially adding up to 1 percentage point to annual GDP growth over the next decade. Those developments prompted modest upward revisions of the 2025 growth forecast to around 3.2%². Nonetheless, despite this improvement, global growth is still expected to remain below the levels recorded in the previous year.

3.2%
IMF expected global
real GDP
growth in 2025

¹ According to Gartner, Inc. a business and technology insights company.

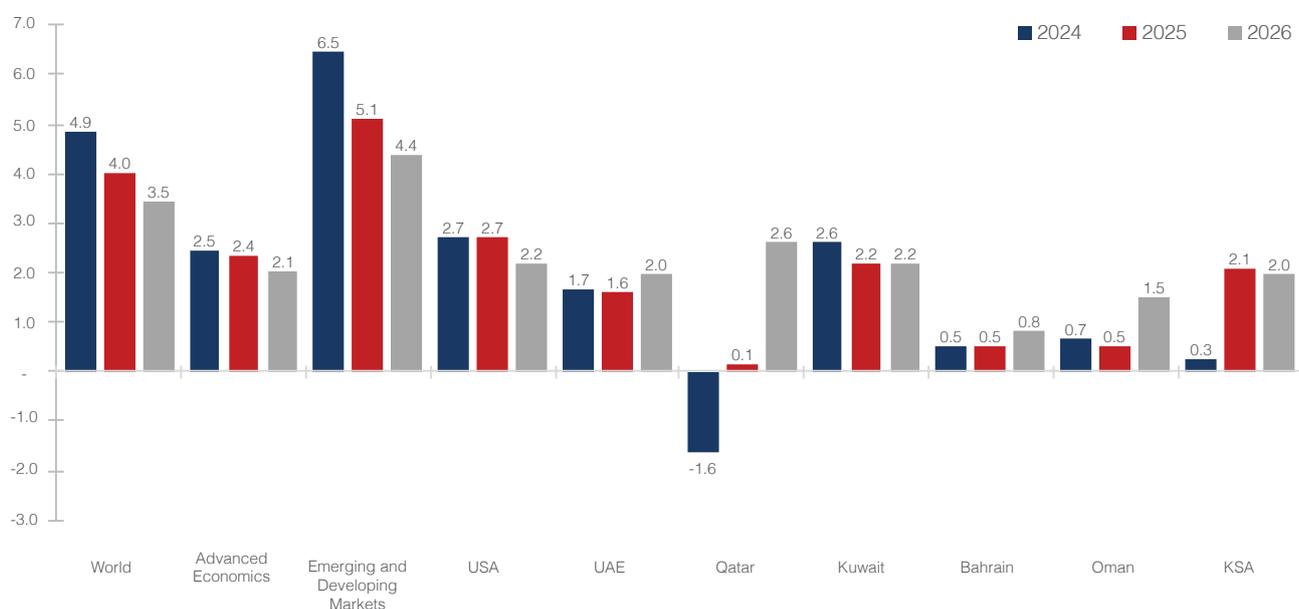
² International Monetary Fund's (IMF) World Economic Outlook Database (WEO) October 2025.

Figure: Gross Domestic Product, Constant Price (% Y/Y)



Source: IMF, World Economic Outlook Database, October 2025

Figure: Annual End of Period Inflation (Consumer Prices) (% Y/Y)



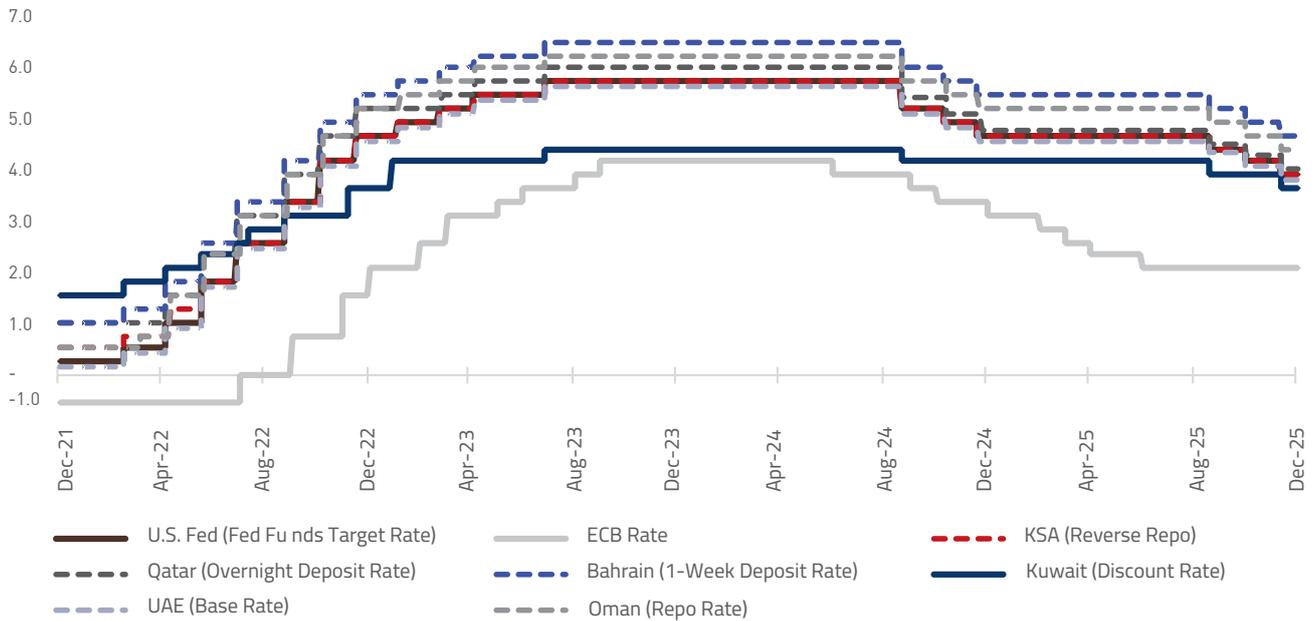
Source: IMF, World Economic Outlook Database, October 2025

Against this backdrop of slower global growth, inflation outcomes diverged across regions due to differences in fiscal settings, and the pace of monetary policy normalization. At the start of the year, markets had anticipated a more accommodative monetary policy stance, with sizable and frequent interest rate cuts. However, the introduction of an aggressive U.S. trade tariff regime altered this outlook, as inflation pressures proved more persistent than expected in the U.S. specifically. Consequently, the U.S. Federal Reserve delivered only three rate cuts totalling 75 basis points later in the year, bringing the policy rate to a range of 3.75-3.50%.

This more measured easing cycle was broadly mirrored across major global economies, where policy rates were reduced by similar magnitudes or, in some cases, to slightly lower levels. In Kuwait, for example, the Central Bank of Kuwait cut its discount rate by 50 basis points in 2025, bringing it down to 3.50%.

Operating Environment

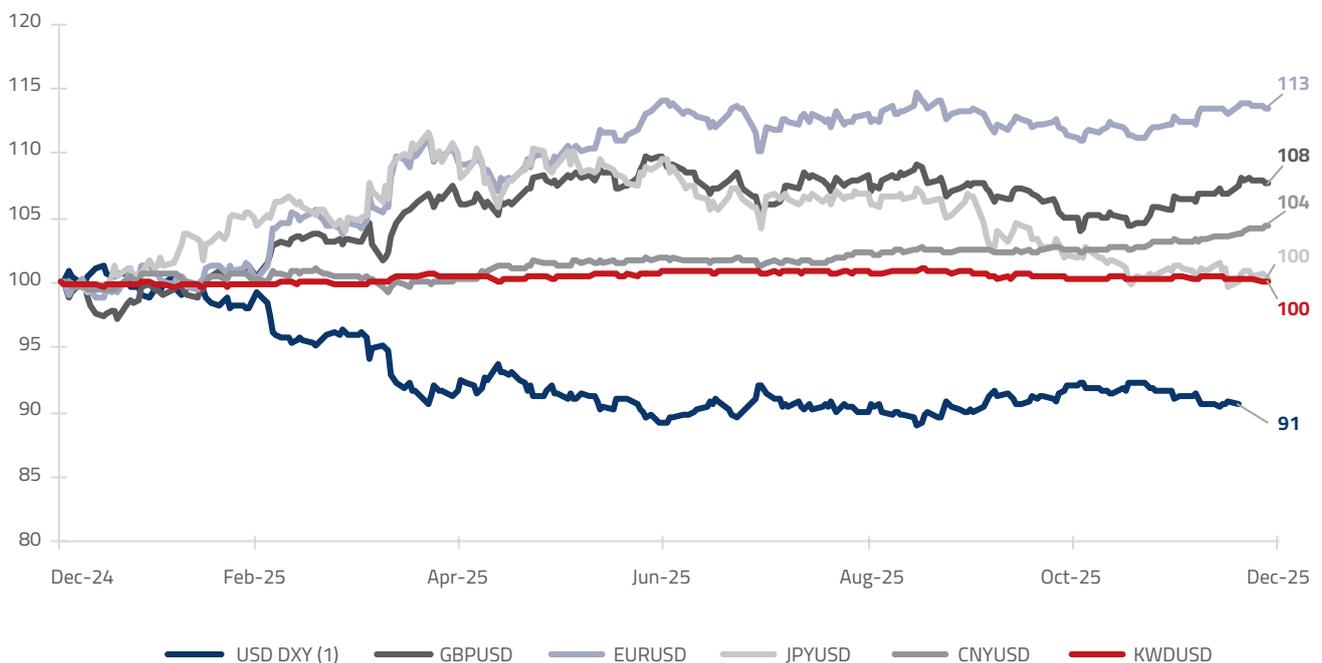
Figure: Policy Rates' Trajectory (%)



Source: Bloomberg

Financial markets, in turn, reacted sharply to these developments, with the U.S. dollar weakening across a basket of major currencies, depreciating by 9.4% in 2025 (USD DXY). Ongoing concerns over budget deficits, trade tensions, and policy misalignment further weighed on market confidence. A softer dollar also tended to push up the prices of many commodities, including gold and other precious metals. Gold surged to historical record highs of USD 4,533 per ounce, registering a 64.6% increase in 2025. This remarkable performance underscored gold's enduring role as a safe haven asset amid heightened currency risk, persistent inflationary pressures, and widespread economic uncertainty in increasingly volatile global market. At the same time, the weaker dollar contributed to Eurozone and emerging market inflation falling below target, prompting further rate cuts from their respective central banks. These developments helped support gains in international equity markets by enhancing the dollar denominated returns of non-U.S. equities, with Emerging Market equities posting their strongest annual performance since 2017 and contributing to improved market sentiment globally.

Figure: Currencies Performance during 2025



Source: Bloomberg. Note (1): DXY is U.S. Dollar Index that measures the value of the U.S. dollar (USD) relative to a basket of six major currencies.

Figure: MSCI Indices Performance during 2025

Source: Bloomberg

The events of 2025 reinforced the importance of structural forces in shaping market outcomes. While tariffs, fiscal imbalances, and geopolitical tensions drove periodic volatility, accommodative monetary policy and strong capital flows into AI related sectors provided a stabilizing anchor. Currency realignments, record high gold prices, and resilient equity markets reflected a balance between risk mitigation and growth in an uncertain macroeconomic environment.

Looking ahead, economic outcomes will hinge on policy discipline, technological diffusion, and geopolitical risk containment. Policymakers must strike a balance between fiscal sustainability and growth support, while central banks remain vigilant but flexible. Continued investment in AI and digital infrastructure, alongside workforce transformation, will be critical to sustaining productivity gains. Economies that successfully align policy credibility with innovation will be best positioned to weather future shocks and capture durable growth.

Major geopolitical events

Geopolitical fragmentation persisted throughout 2025, driven by ongoing conflicts in the Middle East, a prolonged war in Eastern Europe, rising tensions across Asia, and significant shifts in global trade policies all of which shaped international dynamics. Moreover, efforts to de-escalate major hostilities in the Middle East are expected to partially ease broader regional tensions. Meanwhile, the dispute in Eastern Europe continued at a lower intensity, maintaining uncertainty across the continent and accelerating the shift away from reliance on certain energy sources, which in turn boosted demand for oil and gas from Gulf producers. At the same time, Asian economy faced mounting economic and geopolitical pressures, including slower growth, structural reforms, and persistent trade frictions with several key counterparties were factors that moderated global energy demand and trade flows.

Geopolitical fragmentation persisted throughout 2025, in addition to a significant shifts in global trade policies all of which shaped international dynamics

Operating Environment

Collectively, these geopolitical developments shaped regional markets, driving energy price volatility, affecting trade patterns, and underscoring the strategic imperative for countries in the region and Kuwait in particular to diversify revenue sources beyond crude oil to mitigate inherent economic risks.

Kuwait Economy 2025

In 2025, Kuwait continued to pursue a multifaceted reform agenda aimed at balancing economic modernization, diversification, and long delayed structural reforms. Progress under Kuwait Vision 2035 remained focused on reducing reliance on hydrocarbons by stimulating non-oil sectors such as financial services, logistics, digital infrastructure, and private sector led investment. These efforts were supported by gradual improvements in the regulatory environment, increased engagement with international financial institutions, and renewed momentum in public-private partnership (PPP) initiatives designed to accelerate capital formation and job creation.

Government has focused on several key areas:

1. **Expediting Reforms:** The reforms include raising non-oil government revenue, containing government expenditure, optimizing procurement, and improving the performance of public entities. This year, the government implemented the Public Debt Law, adopted a 15% minimum domestic top up tax for multinational enterprises, removed the longstanding cap on fees for public services, and finalizing the framework of the long anticipated Housing Finance Law that yet to be approved.
2. **Key Infrastructure Projects:** Large scale capital investment activity accelerated in 2025, with particular focus on transport, power, and housing sectors. Housing received notable attention due to significant bottlenecks, with over 100,000 unmet applications and extended waiting periods. To address these challenges, the government is increasingly leveraging public-private partnerships (PPPs) and government to government (G2G) collaboration to implement projects in timely manner to boost economic growth while maintaining fiscal sustainability.

Against this backdrop, the economy is recovering, supported by higher oil production and strengthening non-oil activity. Improved business sentiment and rising investment have reinforced the upturn, while a more accommodative monetary policy stance has begun to support growth. As a result, real GDP is expected to rebound from a contraction of 2.6% in 2024 to growth of 2.6%³ in 2025.

Expediting Reforms includes raising non-oil government revenue, containing government expenditure, optimizing procurement, and improving the performance of public entities

Large scale capital investment activity accelerated in 2025, with particular focus on transport, power, and housing sectors

³ International Monetary Fund's (IMF) World Economic Outlook Database (WEO) October 2025.

Monetary easing is increasingly feeding through to domestic activity. With interest rates reduced by 50 bps this year and potentially easing further in 2026, corporate credit has become the primary driver of domestic credit expansion, rising by 7.6%⁴ at the end of December 2025 compared with 4.1% in 2024. Lower borrowing costs have also supported a strong pickup in real estate activity, which reached an 11 year high in 2025. Real estate activity was a key factor for robust domestic corporate credit growth, with the total real estate transactions by value increasing by 24.2%⁵ by the end of December 2025, that in comparison to a contraction of 20.7% in full year 2024.

Meanwhile, project awards activity has remained strong this year, already exceeding 2024's multi year high, with the value of contracts awarded approximately reaching KD 3.2⁶ billion growing at 16% in 2025. This strength reflects the government's commitment to expanding oil and power generation capacity, alongside a sizeable pipeline of infrastructure projects, including new housing cities, road networks, and expanded power and water facilities.

However, private consumption has lagged all year due to the delayed monetary easing action. Growth in system personal facilities reached 3.7% at the end of December 2025, compared to a not inspiring 3.0% growth in 2024. Similarly, card transaction values declined by 4.1% in full year 2025, compared with an increase of 4.1% in full year 2024, signalling subdued consumer spending conditions. Nevertheless, momentum in personal facilities lending improved toward the latter part of the year, supported by discount rate cuts implemented from September onwards.

One of the most significant developments this year was the approval of the Public Debt Law, which reinstates Kuwait's ability to access debt markets and raise financing. The law establishes a debt ceiling of KD 30 billion, allows tenors of up to 50 years, with various amounts, tenors, and across both domestic and international issuance. During the year, domestic sovereign issuance reached KD 2.0 billion, while international sovereign issuance amounted to USD 11.25 billion. The main objectives of these issuances are to partially finance capital expenditures and fiscal deficits, develop the domestic debt market by establishing a yield curve in Kuwaiti dinars, and improve liquidity management within the banking sector.

Kuwait's economy remains highly dependent on oil market fluctuations; changes in oil prices significantly affect public revenues and the fiscal balance. In 2025, oil prices have been on a declining trajectory compared with previous years, pressured by rising supply from non-OPEC+ countries, weaker demand mainly from China and broader economic uncertainty. Brent crude closed the year at US\$ 60.9⁷ per barrel, down 18.5% in 2025 and 10.8% below the year's average price of US\$68.2 per barrel. Counterbalancing this, the Kuwaiti government has been pushing to enhance non-oil revenues, which have seen an uptick in the most recent closing fiscal accounts, marking a positive development for the economy.

Project awards activity has remained strong this year, already exceeding 2024's multi year high, with the value of contracts awarded approximately reaching KD 3.2 billion

One of the most significant developments during the year 2025 was the approval of the Public Debt Law, which reinstates Kuwait's ability to access debt markets and raise financing

4 Central Bank of Kuwait – Monthly Statistical Releases.

5 Kuwait Ministry of Justice – Monthly Sales transactions for the Real Estate Registration Department.

6 Meed Projects, Kamco Invest Research and NBK Economic Research.

7 Bloomberg.

Operating Environment

Kuwait Sovereign credit ratings

Kuwait's sovereign credit ratings remain among the highest in the region and are comparable to those of other highly rated sovereigns globally. These strong ratings reflect Kuwait's prudent fiscal management, substantial government financial assets, and low debt burden.

Accordingly, S&P Global Ratings has upgraded Kuwait's long term foreign currency sovereign credit rating to AA- with a stable outlook. Fitch Ratings has affirmed Kuwait's Long Term Foreign Currency Issuer Default Rating (IDR) at AA- with a stable outlook, while Moody's Investors Service has also affirmed Kuwait's sovereign credit rating at A1 with a stable outlook.

S&P Global Ratings upgraded Kuwait's Long-Term Foreign-Currency Sovereign Rating to 'AA-' with a Stable Outlook

Kuwait Government Finances

Kuwait closing fiscal accounts for the full year FY24/25, showing a deficit of KD 1.05⁸ billion marking a substantial improvement compared with the KD 1.56 billion deficit recorded in FY23/24 and well below the KD 5.6 billion deficit originally projected in the budget. The stronger than expected result was driven by tighter expenditure control, higher realized oil prices relative to budget assumptions, improved oil production costs, and robust growth in non-oil revenues.

Total revenues amounted to KD 22.06 billion, representing a 6.7% year on year decline. This decrease was primarily attributable to weaker oil revenues, which account for approximately 88% of total revenues. Oil income fell by 10.8% year on year, driven by a lower average crude oil realization of USD 79.6 per barrel, compared with USD 84 per barrel in the previous fiscal year.

In contrast, non-oil revenues recorded a strong performance, increasing by 28% year on year to a record KD 2.7 billion. The improvement was supported by higher collections from taxes, fees, and income generated from goods and services, in line with the government's ongoing efforts to enhance revenue diversification and strengthen non-oil income streams through accelerated fiscal and structural reforms.

On the expenditure side, total spending fell by 8.3% year on year to KD 23.1 billion. Reductions were observed across all major categories, with current expenditures declining, including a 1.8% reduction in salaries and wages and a 21.7% decrease in subsidies. Capital expenditure declined by 18.7% to KD 1.52 billion, reflecting continued underspending relative to budget allocations, with execution reaching approximately 66% of planned capital spending.

Looking ahead, the FY25/26 draft budget projects a wider deficit of KD 6.3 billion, driven by higher planned expenditures and a conservative oil price assumption of USD 68 per barrel. The implied budget breakeven oil price of USD 90.5 per barrel, compared with USD 83.1 per barrel in the FY24/25 closing accounts, highlights Kuwait's ongoing fiscal sensitivity to oil price movements and reinforces the importance of sustaining reform momentum to strengthen non-oil revenues and enhance spending efficiency.

Kuwait closing fiscal accounts for the full year FY24/25, showing a deficit of KD 1.05 billion, well below the KD 5.6 billion deficit originally projected in the budget

⁸ Kuwait Ministry of Finance.

Kuwait Banking Sector

The robust performance of Kuwaiti banks over the past couple of years is clear evidence of the sector's solid foundation and its ability to navigate a complex operating environment—and 2025 has been no exception. This strength is particularly notable given the challenging conditions in 2025, including heightened regional geopolitical tensions, the introduction of a minimum corporate tax (affecting only multinational Kuwaiti banks), and partially compressed margins resulting from comparatively lower interest rates in the latter part of the year.

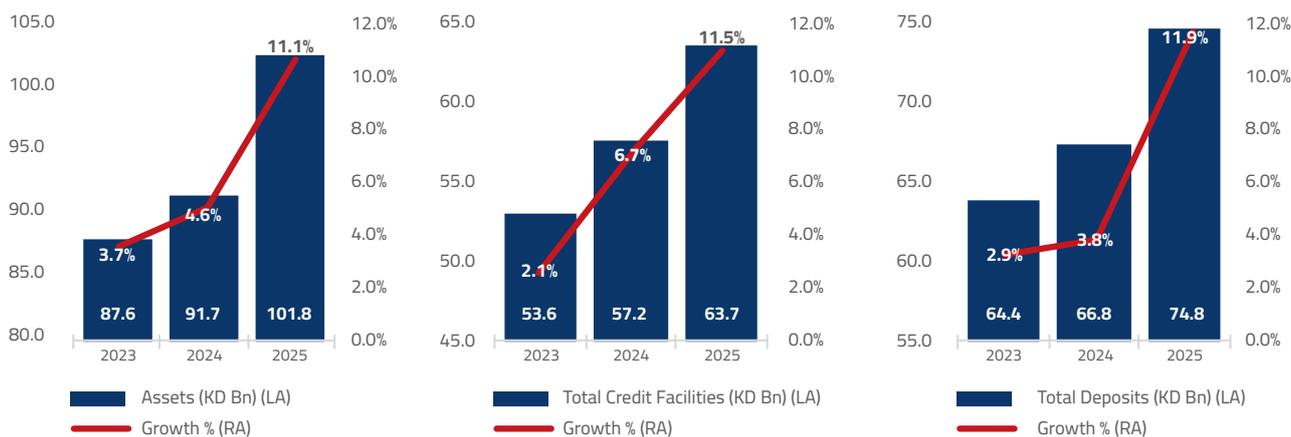
Despite these headwinds, the aggregate lending books of Kuwaiti banks expanded by 11.5%⁹ by the end of December 2025. A key driver of this growth was lending to non-residents, which surged by 36.1% over the same period, particularly within the corporate segment, as banks increased their participation in regional syndicated loan transactions.

Domestic credit growth also gained momentum after a slow start to the year, reaching 7.6% by the end of December 2025. This expansion was primarily driven by local corporate lending, which grew by 7.6%. In contrast, growth in domestic personal facilities remained subdued at 3.7%, with most of the increase materializing during the second half of the year, according to data from the Central Bank of Kuwait.

From a sectoral perspective, loan growth as of the end of December 2025 was led by lending to banks, which rose sharply by 58.5%, followed by loans to other financial institutions (OFIs), up 23.5%. This was complemented by growth in lending to other services 23.4%, loans for the purchase of securities 27.3%, and real estate financing, which recorded a more modest increase of 5.4%.

Aggregate lending books of Kuwaiti banks expanded by 11.5%⁹ by the end of December 2025

Figure: Kuwait Banking Overview



Source: Central Bank of Kuwait

The fundamentals of the Kuwaiti banking sector remained solid in 2025. Aggregate operating income of Kuwaiti banks rose by 8.9% year on year, while aggregate net profit recorded a modest increase of 0.5% over the same period. Banks remained well capitalized, with a capital adequacy ratio of 18.1%¹⁰ in Q3 2025. While asset quality approached cyclical lows, as the gross NPLs to total loans ratio stood at 1.6% as of Q3 2025.

⁹ Central Bank of Kuwait – Monthly Statistical Releases.

¹⁰ Central Bank of Kuwait – Quarterly Statistical Releases.

Operating Environment

Stock Market Performance

In 2025, the Kuwait market delivered an exceptional performance, with the All Share Index rising by 21.0%¹¹ in 2025. This strong advance was driven by significant enhancements in the operational and regulatory infrastructure of Kuwait's capital markets, alongside a marked increase in market activity. Trading momentum strengthened considerably, with average daily traded volume surging by 71.3% and average daily traded value increasing by 80.0% in 2025.

When benchmarked against global markets, Kuwait's performance ranked among the top tier of world indices in 2025. The MSCI World Index recorded gains of 20.6%¹², while the MSCI Emerging Markets (EM) Index rose by 30.6% and the MSCI GCC Index increased by a modest 1.6%. In comparison, the MSCI Kuwait Index advanced by 19.3%, underscoring the market's strong relative performance.

Market capitalization of the Kuwait All Share Index reached KD 53.2 billion¹³ by the end of December 2025, representing a year on year increase of 22.1%. This expansion was largely driven by the banking sector, which accounted for 61% of total market capitalization, equivalent to KD 32.4 billion. Kuwaiti banks were central to the market's strong performance in 2025, supported by solid fundamentals and potential sector consolidation. Highlighting this momentum, the Kuwaiti Banks Index rose 19.9% in 2025, accelerating significantly from the 9.9% growth seen in 2024.

Looking Ahead To 2026

Kuwait's economic outlook for 2026 appears promising, with the IMF projecting a GDP growth of 3.9%¹⁴. This growth is expected to be driven by several key factors: the potential rollback of OPEC+ oil production cuts, strengthened private consumption supported by monetary easing, and the revival of major infrastructure projects. The country's extremely low public debt by international standards along with its exceptional credit quality, further bolsters its economic prospects.

However, Kuwait's heavy reliance on oil revenues continues to pose risks. Oil price volatility, influenced by geopolitical events and slower global growth particularly among major trading partners could constrain the country's fiscal position.

For the banking sector, the outlook is positive. Credit growth is expected to strengthen, supported by ongoing project mobilization and easing monetary policy. Asset quality indicators remain broadly stable, and any interest rate cuts heading into 2026 would likely boost lending activity while reducing borrowers' debt burdens.

While challenges remain, Kuwait is well positioned to leverage its strengths and manage potential risks, paving the way for a more resilient and diversified economic future.

Kuwait's market performance ranked among the top tier of world indices in 2025

Kuwait's GDP is expected to grow by 3.9% in 2026 according to IMF

11 Boursa Kuwait – Data Service Portal.

12 Bloomberg.

13 Boursa Kuwait – Market Summary by Company Monthly Report.

14 International Monetary Fund's (IMF) World Economic Outlook Database (WEO) October 2025.



Management Report

The year 2025 marked a renewed period of economic momentum in Kuwait, driven by the government's acceleration of major development tenders, improvements in business sentiment, and progress on key legislative reforms such as the Public Debt Law and the Housing Mortgage Law. Against this improving macroeconomic backdrop, yet amid persistent competition in the banking sector, Gulf Bank has successfully achieved its financial and strategic objectives, delivered solid and high-quality asset growth while remaining aligned with the Bank's disciplined risk appetite.

Corporate Banking

Driving Growth and Market Leadership

Corporate Banking strengthened its market position through deeper customer engagement, acquisition of new to bank corporates, and disciplined expansion in core sectors. Despite tightening yields across the market and strong competition on pricing, the Group successfully grew its asset book through selective lending, sectoral diversification, and a continued focus on profitable risk-adjusted returns. This growth reinforces Gulf Bank's role as a preferred banking partner for leading local and multinational corporates in Kuwait.

Focus on Sustainable and Green Financing

Following the finalization of Gulf Bank's ESG Framework, Corporate Banking made substantial progress in embedding sustainability into its financing strategy. A key achievement in 2025 was the expansion of green financing solutions, particularly for solar panel installations in residential areas delivered under projects awarded by the Public Authority for Housing Welfare (PAHW).

These initiatives support Kuwait's broader environmental goals and position Gulf Bank as a leading advocate of sustainable development and energy transition in the local market.

Corporate Banking strengthened its market position through deeper customer engagement, acquisition of new to bank corporates, and disciplined expansion in core sectors

Corporate Banking made substantial progress in embedding sustainability into its financing strategy

Digital Evolution and Enhanced Client Experience

Building on the 2024 core transformation, Corporate Banking broadened its digital capabilities throughout 2025.

Key developments included:

- Onboarding a larger number of corporate clients onto SWIFT for Corporate to streamline secure cross-border communication and payments.
- The launch of the Host-to-Host (H2H) service, allowing clients to integrate their ERP systems directly with Gulf Bank. This advancement significantly enhances automation, real-time data exchange, and operational efficiency for corporates with high transaction volumes.
- Continued enhancements to digital trade finance tools, real-time reporting dashboards, and customer onboarding workflows.

These digital advancements underscore Gulf Bank's commitment to delivering a seamless, fast, and technology-advanced banking experience.

The digital advancements made during the year underscore Gulf Bank's commitment to delivering a seamless, fast, and technology-advanced banking experience

Consumer Banking

Product Development and Customer Propositions

In 2025, Consumer Banking introduced several product enhancements designed to improve customer choice and convenience. The red plus prepaid card was integrated into the Gulf Rewards program, enabling new customers to receive 5,000 welcome points that can be redeemed through the Bank's eStore, eVoucher partners, or via cashback. This integration aligns the prepaid offering with the broader loyalty platform and supports improved engagement across customer segments.

The Bank continued to support salaried customers through its Kuwaiti Salary offering, under which customers transferring their salaries to Gulf Bank are eligible for cash gifts of up to KD 1,200. The offer also provides access to personal loans of up to KD 95,000, with a one-year grace period available at a reduced interest rate. Additionally, the Bank maintained its focus on automotive financing, providing customers with auto loans of up to KD 25,000 through convenient installment plans available directly at partner car showrooms.

Management Report

Support for SME and Commercial Customers

During the year, Consumer Banking reinforced its service model for small and medium enterprises by assigning eleven dedicated relationship managers across eleven branches within the Bank's network. This structure enhances the Bank's ability to respond to the needs of SME and commercial clients and has contributed to an improvement in deposit growth and customer engagement. As a result of these efforts, the SME customer base expanded by 11% during the year.

The Bank also continued to promote digital adoption among SME clients. Usage of the Bank's corporate online banking platform increased by 15%, reflecting the effectiveness of ongoing efforts to encourage the use of digital channels for day-to-day banking and payment activities.

Mobile Banking Enhancements for Card Services

Several enhancements were introduced to card-related services within Mobile Banking. Customers can now temporarily block and unblock their cards through the application, providing a practical self-service option for managing card security. Blocked cards with outstanding balances remain visible within Mobile Banking, enabling customers to monitor and settle any dues.

The platform also allows customers to modify their card transaction limits for both purchases and cash withdrawals, offering greater control over spending preferences. In addition, the Bank introduced the ability for customers to submit requests for card replacements directly through Mobile Banking, further reducing the need for branch visits and enhancing service efficiency.

Outlook

Looking ahead, Consumer Banking will continue to focus on strengthening its product offerings, expanding digital functionality, and improving service delivery across all customer segments. Priority areas include enhancing self service capabilities, deepening customer engagement through targeted propositions, and further supporting SME clients through improved coverage and digital enablement. These efforts aim to contribute to sustained growth while reinforcing the Bank's commitment to operational efficiency and customer-centric service.

Treasury

The year 2025 was marked by a dynamic and transitional financial landscape. Following a period of elevated global uncertainty, interest rates in Kuwait were reduced to 3.50%, mirroring the U.S. Federal Reserve's first rate cut in over a year and signaling a shift toward a more accommodative policy stance. Kuwait's monetary policy remained cautiously aligned with its currency basket peg, balancing domestic liquidity requirements against external pressures.

Consumer Banking reinforced its service model for small and medium enterprises by assigning eleven dedicated relationship managers across eleven branches within the Bank's network

Consumer Banking will continue to focus on strengthening its product offerings, expanding digital functionality, and improving service delivery across all customer segments

Macroeconomic conditions presented a mixed picture: non oil growth in Kuwait held steady above 2.5%, supported by government led reform and investment initiatives. However, global headwinds, including weakening trade relations and subdued consumer sentiment, added layers of complexity to the operating environment.

Despite these challenges, the Treasury team demonstrated agility and foresight, successfully navigating an evolving rate environment and macroeconomic volatility to safeguard the Bank's financial strength. Through proactive risk management, we maintained robust liquidity buffers, consistently meeting the Central Bank of Kuwait's requirements. At the same time, we are controlling the cost of funds, reinforcing our ability to support sustainable growth and customer financing needs.

Building on the Bank's strategic transformation, Treasury made significant progress in diversifying funding sources, reducing concentration risk and enhancing financial resilience.

A landmark achievement during the year was the successful execution of the Bank's first syndicated loan, raising USD 650 million at a preferential rate. The transaction was anchored by a consortium of leading regional and international banks, reflecting strong market confidence in the Bank's credit profile and strategic direction. This milestone marks a pivotal step in the Bank's funding evolution and positions us for scalable growth.

In parallel, Treasury expanded its customer base, onboarding several new institutional and corporate clients across key sectors, including logistics, energy, and investments, strengthening our market presence and deepening relationships.

Following the initial approval from the Central Bank of Kuwait to convert into an Islamic bank, Treasury promptly initiated preparations to align operations and product offerings with Shariah-compliant principles. This strategic shift represents a transformative phase in the Bank's evolution, requiring a comprehensive review of existing instruments and the development of Islamic alternatives across liquidity management, investment, and hedging activities.

Treasury worked closely with Shariah scholars, legal advisors, and system vendors to ensure a seamless transition, underpinned by rigorous staff training to build deep expertise in Islamic finance principles and operational procedures. Our state of the art Murex platform will play a pivotal role in this transformation, enabling Treasury to model, price, and manage Islamic instruments with precision and compliance.

The Treasury department maintained strong liquidity buffers, consistently meeting CBK requirements through proactive risk management

Treasury promptly initiated preparations to align operations and product offerings with Shariah compliant principles

Management Report

International Banking

The International Banking Department, which comprises the Financial Institutions & Sovereigns (FIS) and the Multinational Corporates and Oil & Gas (MNC) divisions, continued to play a pivotal role in supporting Gulf Bank's strategic priorities during 2025. Despite a year marked by tightening yields, heightened competition across regional markets, and evolving global funding conditions, the Department delivered strong and balanced growth, reinforcing Gulf Bank's regional footprint and deepening its relationships with leading corporates, financial institutions, and sovereign related entities.

Strategic Funding Achievement

A major milestone for 2025 was the successful execution of a USD 650 million syndicated term loan facility, arranged jointly by the FIS division and the Treasury Department in February 2025. This transaction not only diversifies the Bank's funding base but also strengthens its liquidity position and enhances its ability to support large scale corporate and sovereign-related financing activities in the years ahead.

Performance of the Multinational Corporates and Oil & Gas Division

The MNC division demonstrated resilience and disciplined growth despite tightening margins and higher funding costs across global and regional markets. The division succeeded in expanding its asset portfolio by selectively originating and participating in high quality funded and unfunded exposures, maintaining strict alignment with the Bank's risk appetite and return objectives.

The division continued to strengthen its relationships with major multinational corporations operating in Kuwait, while simultaneously leveraging regional opportunities to secure risk balanced, well structured deals across the GCC, including Saudi Arabia, the UAE, Bahrain, and Oman, in addition to selective opportunities in Turkey and Egypt.

Performance of the Financial Institutions & Sovereigns Division

The FIS division continued to diversify the Bank's lending and investment activities by growing its portfolio of high quality financial institutions and sovereign linked exposures. Despite significant spread compression in regional markets, the division effectively expanded its asset book by concentrating on strong-rated counterparties and participating in primary and secondary syndicated transactions that aligned with Gulf Bank's capital and risk parameters.

In line with the Bank's ESG direction, the FIS division also remained active in supporting sustainability linked mandates and strengthening correspondent banking relationships to enhance the Bank's global connectivity.

The International Banking Department continued to play a pivotal role in supporting Gulf Bank's strategic priorities during 2025

A major milestone for 2025 was the successful execution of a USD 650 million syndicated term loan facility

The FIS division continued to diversify the Bank's lending and investment activities by growing its portfolio of high quality financial institutions and sovereign linked exposures

Regional Expansion and Departmental Growth

Together, the MNC and FIS divisions advanced the International Banking Department's strategic goal of enhancing Gulf Bank's presence across the region. By targeting well rated clients, securing diverse cross border opportunities, and deepening cooperation with global banks, the Department delivered significant year on year growth in its overall asset book in 2025.

This performance underscores Gulf Bank's ability, as a local institution, to compete effectively in regional markets, maintain strong international credibility, and capitalize on high quality opportunities across multiple jurisdictions.

Invest GB

InvestGB, the investment arm of Gulf Bank, is a fully owned Kuwaiti closed joint stock company with a paid-up capital of KD 10 million. Established in 2023, it manages assets exceeding KD 1 billion (approximately USD 3.2 billion), reflecting its strong foundation and Gulf Bank's commitment to expanding in wealth and asset management. InvestGB serves high net worth individuals and institutional investors with innovative, personalized solutions designed for long term success.

Its services span Asset Management, Custody and Investments, Brokerage, Wealth Management, and Investment Banking. Each offering is tailored to clients' aspirations, risk profiles, and investment horizons helping them navigate evolving markets, protect their wealth, and pursue growth opportunities with flexibility and resilience.

Strategic Partnerships

In 2025, InvestGB strengthened its global reach through key partnerships with Ares Wealth Management Solutions (AWMS), Arrow Global, and Investcorp. These alliances enhance access to diversified investment opportunities that balance innovation, stability, and income generation. The partnership with AWMS, the wealth management arm of Ares Management Corporation, gives Kuwaiti clients access to a USD 225 billion direct lending platform focused on senior secured, floating rate loans to U.S. middle-market companies offering steady income and attractive risk-adjusted returns.

In Q4 2025, InvestGB partnered with Arrow Global Group, a European asset manager specializing in private credit and real estate. This collaboration provides institutional grade, asset backed opportunities across Europe, supported by Arrow's local expertise and short-duration investment focus.

InvestGB also continued its collaboration with Investcorp, expanding Sharia-compliant real estate offerings in resilient U.S. sectors such as light industrial and student housing delivering scalable opportunities built on solid fundamentals.

InvestGB is the investment arm of Gulf Bank, positioned as a fully owned Kuwaiti closed joint-stock company with a paidup capital of KD10 million

Management Report

Technology & Digital Transformation

InvestGB's partnership with Avaloq, a global leader in wealth management technology, marked a major upgrade in its digital capabilities. The new platform streamlines operations with specialized modules for investment consulting, fund management, and portfolio management. Clients benefit from faster access to insights and performance metrics, while InvestGB boosts operational efficiency and readiness for future digital demands.

Product Innovation

In 2025, InvestGB launched its first Sharia-compliant funds: The Lulwa KD and USD Money Market Funds. These low risk, highly liquid solutions invest in short-term Sukuk and high quality Islamic deposits, offering capital preservation and stable returns for both individual and institutional investors.

Looking Ahead

InvestGB remains focused on shaping Kuwait's financial future by creating long-term value through talent, technology, and strategic partnerships. Its commitment to delivering trustworthy, innovative, and adaptable financial solutions ensures it continues to be a pioneering and enduring partner in its clients' success.

In 2025, InvestGB
launched its first Sharia-
compliant funds: The
Lulwa KD and USD
Money Market Funds



Sustainability

In 2025, Gulf Bank continued to advance its ESG Strategy 2030, reaffirming the Bank’s commitment to building a responsible, and proactive organization. Guided by our four key strategic pillars: Accountable Governance, Equitable Workplace, Empowered Community Engagement and Responsible Banking we have further strengthened our corporate sustainability foundation, expanded our impact, towards ESG integration into our business operations.

The following provides a summary of Gulf Bank’s key achievements and milestones represented by each ESG Strategic pillar.



1. Accountable Governance P1

- In 2025, we continued advancing the Bank’s governance structures through the activation of the Bank’s ESG Management Committee responsible for supervising and governing the Bank’s ESG related projects and initiatives. Such milestone ensures that ESG is considered within the Bank’s decision making processes, reinforcing the alignment of Gulf Bank’s financial performance with long-term sustainability value.
- We maintained our commitment to open communication with stakeholders through ongoing disclosure, enhanced reporting cycle, by being one of the first Banks in Kuwait to issue our Sustainability Report 2024 within the first quarters of the year.

- Conducted an IFRS S1 & S2 Gap Assessment to evaluate the Bank's readiness in terms of disclosure requirements.
- Gulf Bank continued to expand its risk management practices through assessing, measuring and tracking the Bank's non-financial related risks. Namely, the Bank initiated the integration of ESG risk scoring to our credit portfolio, along with the integration of climate risk into the Bank's ICAAP.
- Developed a Supplier / Vendor Code of Conduct to ensure our vendors' rights are protected and that they comply with our procurement practices.

2. Equitable Workplace P2

- We continued to invest in employee development through our offered training programs, leadership development, and our Ajyal skill development program. The Bank formed a strategic partnership with the Institute of Banking Studies (IBS) to provide specialized training programs, as part of its ongoing efforts to transition into a Sharia compliant institution.
- The Bank strengthened diversity and inclusion efforts, reinforcing our commitment to driving women's empowerment through our organized series of events that fall under Gulf Bank's Women of Wisdom (WOW) program.
- As part of Gulf Bank's continued commitment to supporting and empowering local talent, the Bank announced the graduation of the first cohort of its Technology Academy, launched in partnership with the American University of Kuwait (AUK). This strategic initiative aligns with the Gulf Bank 2030 strategy to strengthen the Bank's position as a leading Kuwaiti Bank of the future.

3. Empowered Community Engagement P3

- We continued to engage with the community through impactful programs and initiatives that are related to education, youth empowerment, financial literacy, sports, and much more.
- Gulf Bank expanded data literacy among Kuwaiti youth through an educational workshop and an engaging competition focused on Data Science, Generative AI and Data Engineering in its fourth annual Datathon.

- Consecutively, we promoted sports, health, wellness, and fitness within our community by hosting Gulf Bank 642 Marathon for the eleventh years.
- Gulf Bank was named “Best Banking Brand” and “Most Outstanding in CSR Initiatives” by Global Brands Magazine.
- The Sawa’ed Al Khaleej volunteering group continued to play a pivotal role in leading Gulf Bank’s community outreach initiatives during 2025. The group engaged employees from across various departments to participate in the Bank’s community initiatives that are aligned with the ESG Strategy 2030 targets.

4. Responsible Banking

- We expanded energy efficiency measures across our branches and facilities, optimizing lighting, air conditioning, and digital operations to further reduce carbon emissions.
- We continued to work towards financing ESG-related projects, assessing opportunities that fall under our Sustainable Finance Framework criteria.

- Developed the Bank's GHG inventory allowing the Bank to have a solid baseline to accurately measure its greenhouse gas emissions across scopes 1, 2 and 3 and have an accountable point of view on the main contributing emission sources and what are the needed mitigation / reduction plans.

Looking Ahead

As we move forward, Gulf Bank remains committed to driving sustainable value for our stakeholders, guided by the Bank's ESG Strategy 2030 towards a more inclusive, accountable and environmentally conscious future for the financial sector.

ESG Ratings and Performance

ESG Score
26

S&P Global Ratings

ESG Score
52



MSCI ESG Rating

Gulf Bank K.S.C.P.



Industry Adjusted Score: **4.5** | Weighted Average Key Issue Score: **4.2**

Rating Action Date: **October 29, 2025** | Last Report Update Date: **November 4, 2025**

CCC CD CB **BBB** A AB AAA





GOVERNANCE

3

Board Of Directors



Ahmad Mohammed Al-Bahar

Chairman, Board of Directors
Chairman, Board Compliance and Governance Committee
Chairman, Board Credit and Investment Committee

Date of Appointment:

- Chairman: January 15, 2025 – Present.
- Independent Board Member: October 31, 2020 – January 14, 2025.

Academic Qualifications:

- Bachelor's Degree of Science in Business Administration, from Southern Oregon State University, USA.

Experience:

- Formerly Chief Executive Officer of Gulf Custody Company (Kuwait).
- Formerly Chairman of Gulf Custody Company (Bahrain & Oman).
- Formerly, Partner in Charge – Settlement Group of The International Investor.
- Formerly, Senior Manager – Settlement Department of Kuwait Foreign Trading Con., & Investment Co. (KFTCIC).
- Formerly, Manager – Consumer Loans Department of Arab European Financial Management (AREF).
- Formerly, Chairman of First Bahrain Co.
- Formerly, Board Member of National Cleaning Co.



Ali Morad Behbehani

Deputy Chairman of Board of Directors

Date of Appointment:

- Deputy Chairman: March 16, 2013 - Present.
- Board Member: April 11, 2009 - March 14, 2013.

Academic Qualifications:

- BA, English Literature, Kuwait University.

Experience:

- Chairman - Kuwait Insurance Company.
- Board Member - National Industries Company.
- President of Morad Yousuf Behbehani Group.
- Board Member - The Kuwaiti Danish Dairy Company (K.D.D.).
- Formerly Board Member of Kuwait National Cinema Company (S.A.K.).
- Formerly Board Member of Kuwait Pipe Industries Company.



Omar Hamad Al-Essa

Board Member

Deputy Chairman, Board Nomination and Remuneration Committee

Deputy Chairman, Board Credit and Investment Committee

Date of Appointment:

- April 11, 2009

Academic Qualifications:

- BA in law, Faculty of Law, Kuwait University, Kuwait.

Experience:

- Owner of The Law Office of Al-Essa & Partners.
- Formerly Chairman of the Kuwait Bar Association.
- Formerly President of the Admission Committee of the Kuwait Bar Association.
- Formerly President of the Arbitration Center of the Kuwait Bar Association.
- Formerly President of the Development and Training Committee of the Kuwait Bar Association.
- Formerly Head of the Kuwaitization Group at the Manpower and Government Restructuring Program.
- Formerly Chairman of Kuwaiti Touristic Enterprises Company, Egypt.
- Formerly Appointed adviser to the Public Authority compensation for Iraqi invasion.
- Formerly Member of the board of Kuwaiti Association for Learning Differences (from 2015 to 2021).
- Founder Member of Kuwait transparency Society.
- Founder Member of Kuwaiti Association for Protecting Public Funds.



Abdullah Sayer Al-Sayer

Board Member

Deputy Chairman of Board Audit Committee

Date of Appointment:

- March 27, 2021

Academic Qualifications:

- Bachelor of Science in Business Administration with Finance Emphasis, Barry University, Miami, Florida, USA.
- Master of Business Administration with Finance Concentration, Summa Cum Laude (With Highest Honors) from Barry University, Miami, Florida, USA.

Experience:

- Board Member in Al-Sayer Group (2022 to date).
- Board Member in Al-Razzi Holding Co. (2021 to date).
- Board Member in Bayan Dental (2019 to date).
- Board Member in Credit One (2018 to date).
- Formerly Senior Manager, Al Sayer Group – Al Dhow Holding Co., Kuwait (2015 to the end of 2022).
- Formerly Financial Analyst in Injazzat Real Estate Dev. Co (2013 – 2015).
- Formerly, Analyst in Bader Al Abduljader & Partners (Russell Bedford International), Kuwait (2012 – 2013).
- Formerly Associate in Qunsult International Ltd, Kuwait (2012).
- With over 12 years of experience, largely in the finance and investment sectors, Mr. Abdullah has played a vital role in diversification of AlSayer Group into the Education, Healthcare, and Banking sectors. He has been significant in introducing new technologies as part of the digitization process at AlSayer Group.



Dr. Fawaz Mohammad Al-Awadhi

Board Member

Member of Board Nomination and Remuneration Committee

Member of Board Credit and Investment Committee

Date of Appointment:

- August 7, 2019

Academic Qualifications:

- Bachelor of Laws (LL.B.) - Kuwait University (June 2007).
- Master of Laws (LL.M.) - University of California, Berkeley (May 2016).
- Master's in Business Administration (MBA) - London Business School ("LBS") (July 2025).
- Doctor of the Science of Law (J.S.D.) - Washington University in St. Louis (May 2021).

Experience:

- Chief Legal Officer – Alghanim Industries Group (July 2020 – Present).
- Law Professor – Legal Department – College of Business Studies (June 2016- Present).
- Visiting Scholar – College of Law – Prince Sultan University, KSA (October 2025 – Present).
- Vice- Chairman in the Board of Members of Ejari Real Estate Co. SAK(C) (November 2021- Present).
- Vice – Chairman in the Board of Members of Alamana Industries Co. SAK(C), (Jan 2021- Present).
- Vice- Chairman in the Board of Members of Alghanim Industries Group Holding Co. SAK(C) (Jan 2021- Present).
- Manager in the Board of Managers of Alghanim International Food Co. LLC, Saudi Arabia (November 2021- Present).
- Manager in the Board of Managers of Al Qimma Universal for Real Estate Development Co. LLC, Saudi Arabia (November 2021- Present).

- Manager in the Board of Managers of Kirby Contracting Co. LLC, Saudi Arabia (November 2021 – Present).
- Manager in the Board of Managers of Saudi Pipes Insulation Manufacturing Factory Co SPC LLC, Saudi Arabia (February 2019 – Present).
- Manager in the Board of Managers of Kutayba Yusuf Alghanim & Partner for Trading Co. SPC LLC, Saudi Arabia (January 2018 – Present).
- Manager in the Board of Managers of Saudi First Company for Manufacturing Insulation Materials & Steel Buildings LLC, Saudi Arabia (December 2017 – Present).
- Council Member & Authorized Signatory of Kutayba Alghanim 2 Foundation, DIFC, United Arab Emirates (September 2025 – Present).
- Board Director & Authorized Signatory of Alghanim Dial Tone Holding Limited, ADGM, United Arab Emirates (February 2025 – Present).
- Board Director & Authorized Signatory of Al Dial Tone Trading LLC, Dubai, United Arab Emirates (December 2024 – Present).
- Board Director & Authorized Signatory of KAG Holding 2 Limited, DIFC, United Arab Emirates (March 2024 – Present).
- Board Director & Authorized Signatory of KAG Holding 1 Limited, DIFC, United Arab Emirates (March 2024- Present).
- Board Director & Authorized Signatory of KAG Holding Limited, DIFC, United Arab Emirates (Sept 2022 – Present).
- Council Member & Authorized Signatory of Kutayba Alghanim Foundation, DIFC, United Arab Emirates (April 2022 – Present).
- Manager in the Board of Managers of Atara Investment Co. LLC – United Arab Emirates (2020 – Present).
- Manager in the Board of Managers of Pasture Trading Co. LLC, United Arab Emirates (2018 – Present).
- Board Director & Authorized Signatory of Sama Global For Wired & Wireless Telecommunication Co. SPC, Oman, (March 2025 – Present).
- Board Director & Authorized Signatory of Al Dial Tone (Bahrain) For Sale & Installation of Telecommunications Equipment & Parts Co. WLL , Bahrain, (February 2025 – Present).
- Board Director & Authorized Signatory of Al Dial Tone For Maintenance and Trading in Communication Devices Co. LLC, Qatar, (February 2025- Present).
- Board Director & Authorized Signatory of Star Alghanim For Wired & Wireless Telecommunications and Internet Services Co. LLC, Jordan (March 2025 – Present).
- Legal Affairs Director in The Public Authority for Applied Education and Training (August 2023 – September 2025).
- Vice – Chairman in the Board of Members of Takhzeen Warehousing Co. SAK(C) (August 2021 – August 2024).
- Vice – Chairman in the Board of Members of X-cite General Trading Co. SAK(C) (March 2022 – July 2023).
- Secretary General of the Kuwaiti Association for Protecting Public Funds, Kuwait (2018 – 2022).

Board Of Directors



Muath Saleh AlRayes

Board Member

Member of Board Audit Committee

Member of Board Risk Committee

Date of Appointment:

- March 22, 2025

Academic Qualifications:

- Bachelor of Science in Industrial & Systems Engineering, Virginia Polytechnic and State University, Virginia, USA.

Experience:

- Board Member at Integrated Holding Co. KSCP, Kuwait (2022-present).
- Deputy CEO of Integrated Holding Co KSCP, Kuwait (2024-present).
- General Manager Investor Relations of Integrated Holding Co. KSCP, Kuwait (2020-present).
- Business Development Director of Quest Enterprises Co., Kuwait (2018-present).
- Held multiple roles culminating in the role of Senior Analyst at NBK Capital, Kuwait (2014-2018).



Dalal Hisham AlRayes

Board Member

Member of Board Compliance and Governance Committee

Date of Appointment:

- March 22, 2025

Academic Qualifications:

- Bachelor of Science in Business Management, Babson College, Boston, USA.
- Master of Business Administration (MBA), London Business School, London, UK.

Experience:

- Co-founder and CEO of Spare (Bahrain, Kuwait, Saudi Arabia, UAE) (2018-present).
- Independent Board Member at Wafra International Investment Co., Kuwait (2022-present).
- Associate – Investment Banking Department at Morgan Stanley – London (2013).
- Investment Manager, Private Equity, Alternative Investments at Global Investment House, Kuwait (2005-2012).
- Former Board Member in Palms Agro Production Co., Kuwait.
- Former Board Member in Jordan Trade Facilities Co., Jordan.



**Dr. Abdulrahman
Mohammad Al-Taweel**

Independent Board Member
Chairman, Board Risk
Committee
Deputy Chairman, Board
Compliance and Governance
Committee

Date of Appointment:

- March 27, 2021

Academic Qualifications:

- Bachelor of Science in Chemical Engineering, University of Colorado, Boulder, USA.
- Master of Business Administration (MBA), University of Colorado, Boulder, USA.
- Doctor of Philosophy in Business Administration (PhD) - Finance, University of Colorado, Boulder, USA.

Experience:

- Assistant Professor, Finance and Financial Institutions Department, College of Business Administration, Kuwait University.
- Dr. Abdulrahman has been very active in the academic and teaching professions for over ten years, conducting a variety of professional seminars, workshops and development programs during his career.
- He has many intellectual contributions relating to corporate finance and corporate governance in upcoming working papers.
- Formerly an advisor to the Director General of the State Bureau of Financial Controllers (2019 -2022).



Talal Ali Al-Sayegh

Independent Board Member
Chairman, Board Audit
Committee

Date of Appointment:

- September 12, 2021

Academic Qualifications:

- Bachelor of Arts in Accounting and Auditing, Kuwait University, Kuwait.
- Executive MBA in Business Administration, American University Beirut, Lebanon.

Experience:

- Formerly Advisor in Al Ahli Bank of Kuwait on AML/CFT and Financial Crime issues.
- Formerly president of Kuwait Financial Intelligence Unit, Kuwait.
- Formerly Deputy Manager On-Site Supervision, Central Bank of Kuwait.
- Formerly Senior Credit Analyst in Gulf Bank, Kuwait.



Majed Essa AlAjeel

Independent Board Member
Chairman, Board Nomination
and Remuneration Committee

Date of Appointment:

- March 22, 2025

Academic Qualifications:

- Bachelor of Science in Architecture Engineering, The Catholic University of America, USA.
- Master of City and Regional Planning, The Catholic University of America, USA.

Experience:

- Former Chairman, Vice Chairman and Board Member at Burgan Bank.
- Former Chairman and Board Member at the Kuwait Banking Association.
- Former Board Member at the Institute of Banking Studies.
- Former Chairman and CEO at United Projects Co.
- Former Board Member at International Leasing and Investment Co.
- Former Head of Investment Office at the Public Institution for Social Security.
- Former Board Member at Kuwait and Middle East Financial Investment Company.
- Former CEO - Kuwait Finance & Investment Co.
- Former Board Member - Kuwait Real Estate Investment Consortium.
- Former Board Member - Burgan Bank, Turkey.
- Former Board Member - FIMBANK, MALTA.
- Former Board Member - United Gulf Bank, Bahrain.
- Former Member, the Advisory Board, College of Graduate Studies - Kuwait University.
- Current Member, Industrial Advisory Board, Australian University of Kuwait.
- Current Member, The Conference Board, Gulf Centre for Economics and Business, Kuwait.



Eid Naser AlShehri

Independent Board Member
Deputy Chairman, Board Risk
Committee

Date of Appointment:

- March 22, 2025

Academic Qualifications:

- Bachelor of Science in Petroleum Engineering, West Virginia University, West Virginia, USA.
- Master of Business Administration (MBA), Kuwait Maastricht Business School, Kuwait.

Experience:

- Board Member at National Fund for SMEs (2023-present).
- Managing Director and founder of FGA Partners LLC, USA (2017-present).
- Formerly Chairman at Almal Investment Company (2021-2024).
- Formerly Board Member at Almasaleh Investments Company (2017-2020).
- Formerly Board Member at Warba Bank (2018-2019).





Sami Mahfouz

Acting Chief Executive Officer

Date of Joining Gulf Bank:

- March 6, 2018.

Academic Qualifications:

- Master's Degree in Business Management, Holy Spirit University, Lebanon.
- Completed extensive leadership and technical development programs.

Experience:

- Over 30 years of banking experience across the Middle East region with leading international institutions.
- Served 18 years at Standard Chartered Bank, most recently as Head of MENA Public Sector Coverage Group, and previously held various senior roles in Financial Markets across the UAE, Bahrain, and Lebanon.
- Began his career at HSBC Lebanon.



Faisal Al-Adsani

Acting Deputy CEO

Date of Joining Gulf Bank:

- April 18, 2004.

Academic Qualification:

- Bachelor's degree in finance from University of Denver, USA.
- Executive management courses from Harvard Business School, INSEAD and University of Berkeley California.

Experience:

- General Manager Corporate Banking Group.
- Previously Deputy General Manager Family Conglomerates Division which caters to trading/commercial/industrial and services.
- Previously Deputy General Manager overlooking Multinational Corporations and Oil & Gas Department.
- Previously Assistant General Manager heading Shares & Real Estate Unit part of the Specialized Lending Division.
- Previously Assistant Relationship Manager of the Financial Markets Division.



David Challinor
Chief Financial Officer

Date of Joining Gulf Bank:

- April 14, 2021.

Academic Qualifications:

- Honors Degree in Economics from the University of Newcastle, UK.
- A Fellow of the Institute of Chartered Accountants in England and Wales.
- Qualified Chartered Accountant with Price Waterhouse in London.

Experience:

- More than 25 years of experience in Financial Service Industry.
- Previously worked as Chief Financial Officer of Doha Bank, Qatar for 12 years.
- Experience in large financial institutions in Australia.
- Member of The Australian Institute of Company Directors.



Abdulrahman Al-Saddah
Chief Risk Officer*

Date of Joining Gulf Bank:

- September 21, 2003.

Academic Qualification:

- BSc in Accounting, Kuwait University.
- Program for Leadership Development, Harvard Business School.
- Advanced Risk Management Program, Wharton & Risk Management Association.

Experience:

- More than 22 years of experience in Banking and Financial Services.
- Previously Deputy Chief Risk Officer at Gulf Bank.
- Previously Deputy GM of Structured Workout and Remedial in Corporate Banking at Gulf Bank.
- Presently Board Member in Gulf Capital Investment Company, Chair of BRC, and a member of BAC.
- Served as Board Member in Kuwait Finance and Investment Company (KFIC), a member in both BRC and BAC.
- Led and Co-Led several debt restructuring and M&A transactions.

* Resignation of Mr. Abdulrahman Al-Saddah from his position as Chief Risk Officer , effective January 15, 2026.



Ali Al-Faras

Chief Internal Auditor

Date of Joining Gulf Bank:

- September 20, 2003.

Academic Qualifications & Certifications:

- Bachelor's degree in English, from Kuwait University, Kuwait.
- Currently pursuing an MBA from Kuwait Maastricht College of Management.
- General Management Program (GMP27), from Harvard Business School in Boston, USA.
- Emerging Leaders Program at London Business School, UK.
- Certified Risk Based Auditor (CRBA).
- Certified Compliance Officer (CCO).

Experience:

- An experienced banking professional with over 22 years of experience in the banking sector, mainly at Gulf Bank. Possesses extensive expertise in Internal Audit, Internal Controls, Risk Management and Compliance. Managing the Internal Audit Group and overseeing subsidiaries in accordance with leading audit frameworks and methodologies, to ensure comprehensive risk assessment and effectiveness of internal controls. Committed to align the Audit Function with the direction of the Board Audit Committee and adhering to the Internal Audit Standards, while implementing best practices to enhance audit processes and efficiency.



Bader Al-Ali

General Manager -
Consumer Banking *

Date of Joining Gulf Bank:

- May 1, 2011.

Academic Qualifications:

- Mr. Bader holds a bachelor's degree from The University of Bahrain having majored in Computer Science, Computer Engineering and Business Information in a unique compact graduate program.
- Mini MBA Program for Banking Industry, from United Kingdom (MCE).
- Advance Professional Diploma in Islamic Financial, from General Council for Islamic Banks and Financial Institutions.
- Executive management courses from London Business School, INSEAD, and Harvard Business School.

Experience:

- Mr. Al Ali has over 19 years' experience across various financial operations and services including Retail Banking, Digital Banking, Audit, Branch Sales and Operations, Internal Control and Compliance.

* Resignation of Mr. Bader Al-Ali from his position as Chief Risk Officer, effective February 15, 2026.



Faisal Al-Gharabally

General Manager International
Banking

Date of Joining Gulf Bank:

- January 1, 2001.

Academic Qualifications & Certifications:

- Bachelor's degree in Business Administration, Kuwait University.
- Executive Master of Business Administration (EMBA), INSEAD Business School.
- Strategic Organization Management Certificate, Chicago Booth University (USA).
- Mastering Strategic Negotiation Certificate, HEC (Paris).
- High Potential Leadership Program, Harvard Business School (USA).
- Certificate in Credit Management, Institute of Banking Studies (Kuwait).

Experience:

- Mr. Al-Gharabally has over 24 years of banking experience, the majority of which has been with the Bank. He began his career in the Internal Audit Department before moving to Corporate Banking in 2006, where he progressed through a series of leadership roles, ultimately serving as Deputy General Manager of Corporate Banking. He was appointed General Manager of the International Banking Department, where he oversees the Multinational Corporates (MNC) division as well as the Financial Institutions and Sovereign (FIS) division, leading the Bank's relationships with global corporates, financial institutions, and cross-border strategic partners.



Lamia Karam

General Manager - Treasury

Date of Joining Gulf Bank:

- July 2, 2017.

Academic Qualifications:

- Bachelor's degree in Economics, Kuwait University (1987).
- Executive Certificates in Strategy and Innovation and in Management and Leadership, MIT Sloan School of Management, USA.

Experience:

- With over three decades of expertise in Treasury, Lamia has built a distinguished career focused on efficient balance sheet management and overseeing activities across Money Markets, Foreign Exchange, Sales, and Marketable Securities.
- Her journey began in 1987 at Al Ahli Bank, followed by 23 years at Burgan Bank, where her last position was as Treasurer for the Kuwait office. During this tenure, Lamia earned recognition as a market maker in the KWD local market and pioneered Islamic transaction dealings with Sharia-compliant institutions. She also chaired the Kuwait Banking Association's Treasurers Committee for two consecutive years.
- In 2017, Lamia joined Gulf Bank as Deputy Manager of Treasury. Her strategic vision and leadership have strengthened the bank's presence in Kuwait and GCC markets. In August 2023, she was appointed General Manager of Treasury, overseeing all Treasury operations and representing Gulf Bank's interests across diverse business lines. Most recently, in August 2025, Lamia was appointed to serve as Chairperson of Invest GB, Gulf bank's investment arm, marking another milestone in her distinguished career.



Mona Mansour

General Manager - Customer Service Delivery

Date of Joining Gulf Bank:

- August 15, 2004.

Academic Qualifications:

- BSc in Business Administration, Kuwait University, Kuwait.
- Emerging Leaders Program certificate from London Business School, UK.

Experience:

- More than 30 years of Banking experience.
- Previously worked at NBK for 20 years with diversified experience in IT, cards, customer services & operations.
- Joined Gulf Bank in 2004 Managed (Branch Operations, Complaints unit, Retail Credit , Trade Finance, Treasury Operations , Corporate & Retail Loans , Consumer Operations And Central Operations).



Shahzad Anjum

Chief Information Officer

Date of Joining Gulf Bank:

- August 1, 2019.

Academic Qualifications:

- Master of Business Administration (MBA) from London Business School, UK.
- Bachelor of Science in Computer Science from Newport's Institute, Pakistan.

Experience:

- Over 24 years of IT experience, including 17+ years in financial services, he has been pivotal in driving IT strategies for various major companies, such as Gulf Bank, Alghanim Industries, Alamana Finance, and Enaya Insurance.
- Prior to his role at Gulf Bank, Shahzad served as Group CIO at Alghanim Industries, one of the largest privately owned multinational companies in the Gulf region, with operations in 40 countries and more than 30 business units.
- At Gulf Bank, since joining Gulf Bank in 2019, Shahzad has led the bank's Information Technology strategy, focusing on digital transformation and enhancing the bank's technological infrastructure.



Dari Al-Bader, CFA
General Manager – Corporate
Affairs & Board Secretary

Date of Joining Gulf Bank:

- October 21, 2019.

Academic Qualifications:

- BSc in Management Science and Mechanical Engineering from Massachusetts Institute of Technology, Cambridge, MA, USA.
- MBA from Columbia Business School, NY, USA.
- Chartered Financial Analyst.

Experience:

- More than 20 years of experience in business and banking.
- Previously President of Group Corporate Affairs at Alghanim Industries.
- Previously worked with a number of international and regional organizations such as JP Morgan, Citi Group, Dubai Capital Group, and the National Bank of Kuwait.
- Chairman of Asiya Capital Investments Company.
- Member of the Board of INJAZ a non-profit organization for the development of the youth.
- Board Member of Gulf Capital Investment Company KSC(C).



Meshal AlWazzan
Chief Strategy Officer

Date of Latest Joining at Gulf Bank:

- February 10, 2019.

Academic Qualifications:

- MBA, IE Business School – Madrid.
- Bachelor of Business Administration, University of Toledo – Ohio.
- Several Executive Training Programs from Harvard & Chicago Booth.

Professional Experience

- Overall, 20 years' experience and 17 years with Gulf Bank.
- Started career as an Analyst in Wafra Investment Advisory Firm in New York.
- Held several posts within Corporate Banking Group focusing on the Commercial, Shares and Real Estate sectors.
- Held several posts within the Structured Workouts and Corporate Finance Group.
- Appointed as Executive Vice Chairman (Under-Secretary), The National Fund for SME Development.
- Appointed as Executive Director (Under-Secretary), Competition Protection Agency.
- Advisor to the Minister of Commerce & Industry.
- Assistant General Manager, Small & Middle Markets Coverage – Corporate Banking Group.
- Appointed as Deputy General Manager, Head of Strategy.
- General Manager, Chief Strategy Officer.
- Head of Conversion Management Office.



Hamed Al Tamimi
Acting Chief Human
Resources Officer

Date of Joining Gulf Bank:

- June 25, 2008.

Academic Qualifications:

- Bachelor's degree in management information system.
- Lean Six Sigma Green Belt Certification, Qimpro Consulting.
- Assessors Skills Certification Course, RiverWaves.
- Certified Compliance Officer for Anti- Money Laundering Requirements, Thomson Reuters.
- Executive programs with a focus on data analytics, Wharton and HBX.

Experience:

- Over 17 years of experience at Gulf Bank, progressing across Retail Banking, Operations, and Human Resources, culminating in his current role as Assistant General Manager of Human Resources Group.
- Extensive HR expertise spanning Compensation & Benefits, HR Business Partnering, Workforce Planning, Talent Acquisition, and the establishment of the Bank's People Analytics function.
- Leads key strategic HR areas including Talent Acquisition, Training & Development, Internal Communications, Employee Experience, HRBP, HR Technology, Workforce Planning, and People Analytics, with a focus on data-driven decision-making, process enhancement, and aligning people strategies with the Bank's objectives.



Najla Aleisa
Chief Marketing Officer

Date of Joining Gulf Bank:

- November 14, 2019.

Academic Qualifications:

- Bachelor's Degree in Journalism and Mass Communications, The American University in Cairo, with a Specialization in Integrated Marketing Communications and a Minor in Psychology.
- Completed executive leadership programs at Harvard Business School and advanced professional development programs in strategic leadership, marketing excellence, and corporate communications.

Experience:

- Almost 25 years of executive and professional experience in leading value-driven marketing, corporate communications, and brand transformation initiatives across the banking and telecommunications sectors, having started her career in 2002.
- Has successfully driven strategic transformation, innovation, and large-scale project management through senior leadership roles at Gulf Bank and Zain, delivering sustainable growth, operational efficiency, and enhanced customer experience.
- Rejoined Gulf Bank on 14 November 2019 and has a combined total of more than 12 years of professional experience at the Bank across two tenures. She currently leads the Bank's integrated marketing, brand, digital, and CSR strategy, overseeing complex, cross-functional programs that strengthen institutional performance, accelerate digital adoption, and create long-term stakeholder value.

Introduction

2025 marked a defining chapter in Gulf Bank's journey, driven by clarity of vision and resilience of purpose. Beyond financial outcomes, the year was distinguished by transformative initiatives that are reshaping the Bank's identity and role within Kuwait's financial sector. At the center of this evolution lies a governance framework that anchors accountability, safeguards stakeholder trust, and enables sustainable growth.

A pivotal milestone was the formal commencement of Gulf Bank's preparation to convert into a fully Sharia-compliant institution. This transition, publicly announced on Boursa Kuwait and endorsed by the Board of Directors, reflects the Bank's commitment to aligning with the values of its customers and the broader aspirations of the Kuwaiti market. The process is being executed under strict regulatory oversight to ensure integrity, compliance, and transparency.

Equally significant was the Bank's exploration of strategic inorganic opportunities. Following initial discussions with Boubyan Bank, a new potential merger with Warba Bank was disclosed in 2025. These developments are overseen directly by the Board, with emphasis on rigorous due diligence, regulatory alignment, and long-term value creation for shareholders and the wider financial ecosystem.

Together with its wholly owned subsidiary, Gulf Capital Investment Company K.S.C. (Closed) ("InvestGB"), established in 2023 with KD 10 million in paid-up capital, Gulf Bank operates under a unified governance structure approved by the Board. InvestGB complements the Group's strategic ambitions and adheres to the same high standards of governance and ethical conduct.

The Group's governance framework is aligned with the directives of the Central Bank of Kuwait (CBK), the Capital Markets Authority (CMA), and other relevant regulators, while integrating global best practices such as the Basel Framework. Governance principles are embedded across all levels of the organization, with the Board of Directors playing a decisive role in overseeing executive performance, risk management, and strategic execution, including the Sharia conversion and merger evaluation initiatives.

Gulf Bank also advances its digital transformation agenda, reinforcing data privacy and cybersecurity to strengthen operational resilience and customer protection. At the same time, the Bank continues to embed Environmental, Social, and Governance (ESG) principles into its strategy, reaffirming its role as a responsible corporate citizen.

Looking Ahead

As Gulf Bank progresses on its digital and Sharia-compliance transformation, the focus remains on resilience, customer trust, and sustainability. The Board is committed to ensuring that governance evolves in step with innovation, regulatory developments, and stakeholder expectations, positioning Gulf Bank as both a trusted financial institution and a pioneer in shaping the future of Islamic banking in Kuwait.

Corporate Governance Compliance with CBK Instructions:

In line with the Central Bank of Kuwait (CBK) Corporate Governance regulations and their subsequent amendments, Gulf Bank remains fully committed to implementing the highest standards of governance. The CBK framework outlines nine pillars that form the foundation of sound Corporate Governance:

1. Board of Directors;
2. Corporate values, conflict of interests and Group structure;
3. Executive Management;
4. Risk Management and Internal Controls;
5. Remuneration System and Policy;
6. Disclosure and Transparency;
7. Complex Corporate Structures;
8. Protection of Shareholders Rights; and
9. Protection of Stakeholders Rights.

Gulf Bank has established comprehensive policies, manuals and guidelines to ensure full compliance with each of these pillars. Under the leadership of the Chairman and the Board of Directors, the Bank has built a robust governance structure supported by transparent processes and stringent oversight mechanisms.

This framework ensures continuous adherence to all applicable laws, CBK regulations, and supervisory requirements. Beyond compliance, Gulf Bank actively promotes the principles of Corporate Governance across its stakeholder base—including regulators, shareholders, customers, and the wider business community—reinforcing trust, accountability, and integrity at every level of the organization.

Stakeholder Definition

In alignment with international best practices, a stakeholder is defined as any party that has an interest in the Group and whose actions can influence, or be influenced by, the Group's business activities. Recognizing the importance of stakeholder engagement, the Group has identified the following as its key stakeholders, each playing a vital role in shaping its success and sustainability:

1. Customers and depositors – the foundation of the Group's business, whose trust and satisfaction are paramount.
2. Shareholders – providers of capital and strategic direction, whose long-term value creation remains a priority.
3. Regulators – supervisory authorities ensuring compliance, stability, and alignment with national and international standards.
4. Board of Directors and Executive Management – the leadership responsible for governance, oversight, and strategic execution.
5. Employees – the driving force behind operational excellence and innovation.
6. Suppliers and service providers – partners who enable the Group to deliver quality services efficiently and responsibly.
7. Local and correspondent banks – institutions that support financial interconnectivity and strengthen the Group's market presence.
8. The community in which the Group operates – society at large, where the Group seeks to create positive economic, social, and environmental impact.

By clearly defining its stakeholder base, the Group ensures that its governance framework, strategic decisions, and sustainability initiatives are designed to balance diverse interests, reinforce accountability, and foster long-term trust across all relationships.

Corporate Governance - Policies and Procedures

The Group has established a comprehensive Corporate Governance framework designed to strike the right balance between its ambitious strategic objectives and strict adherence to local and international governance and compliance standards. Both the Board of Directors and Executive Management firmly believe that governance is not static, but rather a dynamic discipline that must be continuously reviewed and refined to ensure resilience, transparency, and accountability.

To reinforce this commitment, Gulf Bank has implemented a suite of clear, accessible, and practical policies and procedures that serve as the backbone of its governance culture. These instruments provide guidance, set expectations, and safeguard the interests of all stakeholders. Key policies and manuals include:

1. Corporate Governance Manual
2. Disclosure and Notification Manual
3. Risk Appetite Document
4. Whistleblowing Policy and Procedure Manual
5. Conflict of Interest Policy
6. Related Party Transactions Policy
7. Customer Complaints Handling Policy and Procedures
8. Internal Audit Charter
9. Human Resources Manual
10. Policy and Procedure Standards
11. Compliance Manual
12. Confidentiality Policy
13. Shareholders and Stakeholders Rights Policy
14. Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) Procedure Manual
15. HR Non – Discrimination and Harassment Policy

Together, these policies and procedures form a cohesive governance ecosystem that ensures the Group operates with integrity, accountability, and resilience. They are regularly reviewed and updated to reflect evolving regulatory requirements, international best practices, and the Group's strategic priorities, underscoring the commitment to continuous improvement and sustainable growth.

Gulf Bank Corporate Governance Manual – Roles and Responsibilities

The Corporate Governance Manual serves as a cornerstone of the Group's governance framework, providing clear definitions of the roles and responsibilities of both the Board of Directors and Executive Management. By establishing these parameters, the Manual ensures that the Bank's activities are conducted with integrity, transparency, and accountability.

The Manual explicitly defines the responsibilities of the Board of Directors and key executive leadership, including the Chairman, Chief Executive Officer (CEO), Chief Risk Officer (CRO), General Manager – Corporate Affairs & Board Secretary, Chief Internal Auditor (CIA), Chief Financial Officer (CFO). By clearly outlining their roles, the Manual ensures strategic direction, operational execution, risk oversight, transparent communication, independent assurance, and financial integrity—while reinforcing accountability and effective decisionmaking across the Bank.

The Board of Directors maintains oversight of these key executive positions, supported by additional monitoring and assurances from the CBK. This dual layer of governance reinforces autonomy, enhances transparency, and continuously improves the Bank's governance procedures in line with regulatory expectations and international best practices.

Importantly, this governance framework has enabled Gulf Bank to confidently pursue its transformational agenda in 2025; including the conversion to full Sharia compliance, the evaluation of strategic merger opportunities, and the acceleration of digital resilience—ensuring that every milestone is achieved under strong oversight and accountability.

Governance Structure

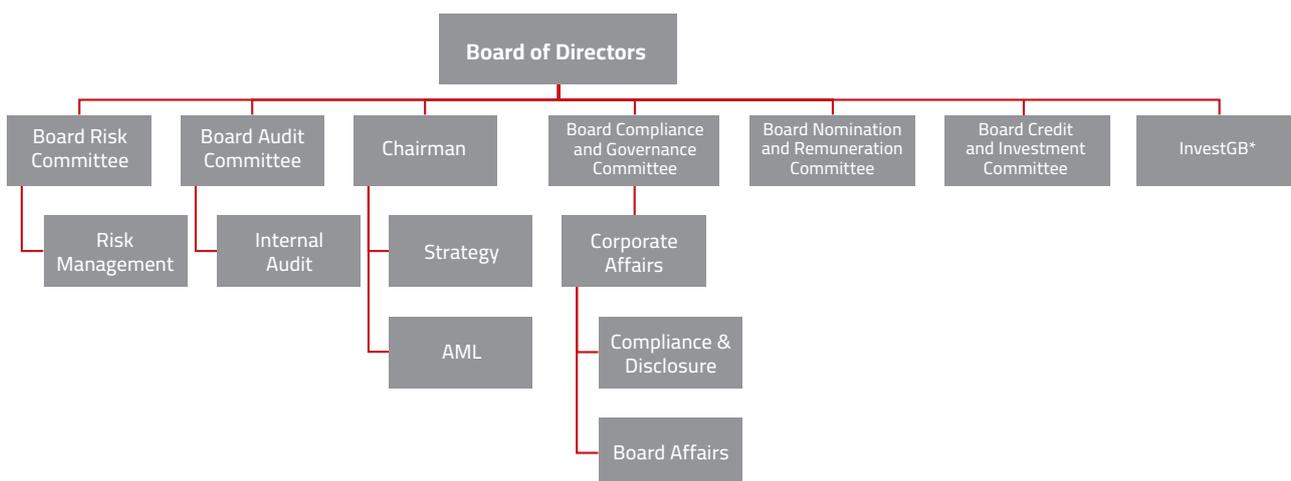
In line with best practices and industry standards, the Bank has established a comprehensive governance framework that permeates every level of the Bank. This framework is built on well-defined reporting lines, a clear separation of roles, and the promotion of independent decision making across critical functions such as AntiMoney Laundering, Legal, Compliance, Internal Audit, and Risk Management. By embedding these principles, the Bank fosters a culture of ethics, accountability, and transparency, while ensuring full alignment with the regulatory guidelines of the CBK.

The governance structure is organized into three distinct tiers:

- **Board Level** – providing strategic direction and ultimate oversight.
- **Board Committees Level** – enabling specialized focus on key areas such as risk, audit, and remuneration.
- **Executive Management Level** – responsible for operational execution and daytoday leadership.

Each tier is supported by a network of specialized committees that strengthen oversight, enhance risk management, and ensure that strategic decisions are made with rigor and integrity. Together, these tiers form a cohesive governance ecosystem that safeguards the Bank's resilience, reinforces stakeholder trust, and drives sustainable growth.

The Board - Governance Organization



* In 2023, InvestGB, a 100% owned subsidiary, was established.

Gulf Bank's Board of Directors is composed of highly experienced and respected individuals, drawn from diverse professional and academic backgrounds. Collectively, they bring deep expertise and strong leadership and remain fully committed to safeguarding the Bank's longterm sustainability. The Directors' familiarity with the Bank's business structure and operational procedures enables them to remain alert to significant developments and act decisively to protect the Bank's strategic interests.

The Board convenes at least six times annually. In line with the latest amendments to the CBK's Corporate Governance regulations, the Board currently comprises eleven members, of whom four members are independent. Oversight is further strengthened through the work of five specialized Board Committees.

The Board is entrusted with advancing the Group's aspirations while consistently upholding the interests of shareholders. In accordance with Corporate Governance Principles, the Board approves and oversees the implementation of the Bank's overall strategy and regularly reviews the governance framework to ensure its continued relevance in light of evolving business strategies, scope of activities, and regulatory requirements. Together with Senior Management, the Board also defines the Bank's risk appetite, balancing risk exposure with long-term objectives.

To ensure effectiveness, Gulf Bank's Board members receive ongoing training designed to prepare them for emerging challenges in the financial sector. In 2025, the Board participated in specialized training programs that addressed the shift towards Sharia-compliant, AntiMoney Laundering (AML), cybersecurity, governance, and risk management topics. These sessions enhanced the Directors' ability to anticipate regulatory developments, strengthen oversight, and guide the Bank's strategic direction with confidence. In addition, the Board Secretary provides comprehensive guidance on the Bank's governance framework and related policies, further supporting the Directors in discharging their responsibilities with diligence and integrity.

Performance Evaluation

In 2025, Gulf Bank engaged an external firm to conduct a comprehensive evaluation of the Board of Directors, covering both collective performance and the individual contributions of its members. The assessment was carried out in accordance with recognized professional standards and encompassed a wide range of areas, including the skills and experience of Board members, succession planning, strategic development for the Bank, and the effectiveness of the Chief Executive Officer and the Board Secretary.

The outcome of this evaluation was an overall rating of "Outstanding", reflecting the Board's strong commitment to excellence, effective oversight, and strategic leadership.

Board Overall Responsibilities

The Board of Directors assumes a comprehensive range of responsibilities for overseeing the Bank's operations, which includes setting, overseeing, and monitoring the implementation of the Bank's strategic objectives, risk strategy and corporate governance. Additionally, the Board oversees the performance of the Executive Management team.

The core responsibilities of the Board include:

- Setting the Group's strategic objectives and oversee the performance of the Executive Management;
- Ensuring that the Bank builds and sustains a healthy corporate culture;
- Monitoring the Group's business operations, financial soundness, and compliance with regulatory and legal requirements;
- Safeguarding the interests of shareholders, depositors, creditors, employees, and other stakeholders;
- Approving and ensuring the proper implementation of the internal control framework;
- Ensure that transactions with related parties are properly reviewed and vetted prior to being carried out;
- Ensure that the Bank has adequate policies and processes in place for all areas of its activity;
- Disclose reliable and timely information to the shareholders with regard to the Group's performance and forecasts;
- Set criteria for the evaluation, compensation, and succession for key management roles and
- Regularly reviewing Corporate Governance practices to ensure effectiveness.

The Board members take part in a series of training and continuing education programs. In addition to a formal induction program, the Board members receive regular bulletins designed to keep them abreast of industry progress relating to their duties and responsibilities.

The Chairman of the Board of Directors plays a key role in the proper functioning of the Board and maintenance of mutual trust among its members. He carries out the following:

- Ensure that Board decisions are made on a sound and well-informed basis;
- Oversee the implementation of the Whistle Blowing Policy and Program;
- Build a constructive relationship between the Board and Executive Management;
- Ensure a high level of corporate governance in the Group and
- Create a culture during Board meetings promoting constructive critique in case of divergent views and encourage discussion and voting in such cases.

Organization of the Board's Business

The Chairman, in consultation with Executive Management, proposes the items to be included to the agenda of the Board meeting.

The Board Secretary organizes the Board's business. The responsibility of the Board Secretary is to provide all stakeholders with confidence and comfort that the Bank is run openly. He also ensures that the Board members are provided with sufficient information and details well before the Board/ Board Committees meetings, enabling them to make enlightened decisions in respect of the matters to be discussed. Also, the Board Secretariat maintains a conflict of interest and related parties register, which is updated on a regular basis.

The Board meets at least 6 times annually and at least once every quarter. The Board Secretary takes note of the Board's deliberations and resolutions. The Board Secretary, under the Chairman's supervision, is responsible for the follow-up on the implementation of Board resolutions.

Board Composition

In January 2025, Mr. Bader AlKharafi resigned from the Board of Directors and from his position as Chairman, and Mr. Ahmad AlBahar was named by acclamation as his successor. Subsequently, in March 2025, during the Ordinary General Assembly Meeting, shareholders elected the Board of Directors for the new term. Shareholders elected a Board comprising seven non-independent members and four independent members, in accordance with applicable regulatory and governance requirements.

Corporate Governance

Board Meetings and Attendance

The Board of Directors met regularly, and Directors received information between meetings about the Bank's activities and the activity of the Management Committees. In 2025, 13 Board meetings and 43 Board Committees meetings were held as detailed below:

	Board Meeting	Audit Committee	Risk Committee	Compliance and Governance Committee	Nomination and Remuneration Committee	Credit and Investment Committee
Number of meetings in 2025	13	5	5	3	6	24
Ahmad Mohammad AlBahar **	13	*	*	3	*	23
Ali Morad Behbehani	9	*	*	*	*	*
Omar Hamad Al Essa	13	*	*	*	6	24
Fawaz Mohammad AlAwadhi	12	*	*	*	5	19
Abdullah Sayer Al Sayer	11	5	*	*	*	*
Muath Saleh AlRayes***	9	4	4	*	*	*
Dalal Hisham AlRayes***	9	*	*	2	*	*
Abdulrahman M. Al Taweel	13	*	5	3	*	*
Talal Ali Al Sayegh	13	5	*	*	*	*
Majed Essa AlAjeel***	9	*	*	*	5	*
Eid Naser AlShehri***	9	*	4	*	*	*
Bader Nasser AlKharafj****	2	*	*	0	*	1
Barrak Abdulmohsen AlAsfour*****	4	*	1	*	*	*
Reem Abdullah Al Saleh*****	3	1	*	1	1	*
Abdullateef Abdulaziz AlSharekh*****	3	*	1	*	*	*

* Not a member of the committee

***Joined the Board in March 2025

***** Left the Board in March 2025

** Chaired the Board in January 2025

**** Left the Board in January 2025

The minutes of each meeting are part of the Bank's records.

All Board Committees have submitted quarterly updates to the Board about their respective activity.

Board Remuneration

The Board Nomination and Remuneration Committee recommended to the Board of Directors, subject to the approval of the shareholders at the Annual General Assembly Meeting, that the total remuneration of the Board of Directors for 2025 be equal to **KD 430,000** (2024: KD 240,000).

Board Committees' Structure

In line with the Governance regulations issued by the CBK, the Bank has in place five committees that assemble regularly to govern the Bank's activities. The committees are as following:



Board Committees

The Board has established five committees: the Audit Committee, the Risk Committee, the Compliance and Governance Committee, the Nomination and Remuneration Committee and the Credit and Investment Committee (the "Committees"). Each Committee has a written bylaw. The Board expects to accomplish a substantial amount of its work through the Committees. Each Committee shall report regularly to the Board, summarizing the Committee's actions and any significant issues considered by the Committee. Such reporting shall not be required if all committee members are present at the Committee meeting at which such actions or issues are considered. If any of the committee members is not present at the Committee meetings, they will be informed with respect to such actions or issues as appropriate. Each Committee shall be composed of no fewer than three members. Each Committee member must satisfy the membership and governance requirements set forth in the relevant Committee bylaw. A committee member may serve on more than one Committee.

I. Board Compliance and Governance Committee

a. Committee's Scope of Activity

The Board Compliance and Governance Committee (BCGC) oversees the Bank's Corporate Governance framework, ensuring adherence to CBK instructions and alignment with leading international practices. It monitors the effectiveness of governance structures, policies, and procedures, manages conflicts of interest and related party transactions, reviews governance policies, oversees annual evaluations of the Board and its Committees, and ensures ongoing training for Board members.

In addition, the BCGC is responsible for following up on Sustainable Finance and ensuring compliance with CBK guidelines, including the three pillars of Environmental, Social, and Governance (ESG). Through these responsibilities, the Committee promotes a strong governance and sustainability culture that supports prudent decision-making, enhances Board effectiveness, and contributes to the Bank's long-term value creation.

b. Composition of the Committee

- Mr. Ahmad Al Bahar Committee Chairman
- Dr. Abdulrahman Al Taweel, Committee Deputy Chairman
- Mrs. Dalal Al Rayes, Committee Member
- Mr. Dari Al Bader, Committee Secretary

c. Committee Meetings

The Board Compliance and Governance Committee convenes at least twice a year. The committee composed of three non-executive members, including an Independent Member, selected by the Board of Directors. The presence of two members is required to hold a meeting.

d. Key Achievements in 2025

- Assisted the Board in overseeing the effective implementation of the Group's Corporate Governance framework.
- Monitored the implementation of governance-related policies and procedures across the Bank.
- Recommended enhancing compliance accountability for all staff, including Executive Management.
- Reviewed and approved the 2025 Annual Compliance Testing Plan.
- Reviewed and approved the Annual Corporate Governance Report.
- Reviewed the monitoring and reporting mechanisms under the Whistleblowing Policy.
- Took note of all disclosures recorded by the Disclosures Unit.
- Reviewed and approved the GM-Corporate Affairs performance assessment for Y2025.
- Ensured governance stability and oversight as the Bank undertook significant strategic projects, including the Islamic banking conversion and the review of potential merger.

e. Changes during the year

In January 2025, following the resignation of Mr. Bader Al Kharafi and the subsequent appointment of Mr. Ahmad Al Bahar as Chairman of the Board, Mr. Al Bahar was appointed as Chair of the BCGC.

Following the Board Elections in March 2025, Mr. Ahmad Al Bahar was reappointed as Chairman of the Committee, Mr. Abdulrahman Al Taweel was reappointed as Deputy Chairman, and Mrs. Dalal Al Rayes was appointed as a Committee Member.

II. Board Audit Committee

a. Committee's Scope of Activity

The Board Audit Committee (BAC) carries out its duties within the framework of governance principles and practices established by the Board of Directors. The Audit Committee's role is to assist the Board of Directors in fulfilling its oversight responsibilities. To this effect, the Board Audit Committee has been authorized to provide oversight and reasonable assurance on the financial reporting process and review accounting issues of material impact on the financial statements, the integrity and adequacy of the Bank's internal control and risk management system, effectiveness of internal and external audit processes, the Bank's process for monitoring compliance with laws, regulations and code of conduct and, the performance of the Internal Audit function. The Board Audit Committee appraises the performance of the General manager/Chief Internal Auditor and recommends to the Board of Directors the nomination, termination, appointment, and remuneration of the external auditors. Since its effectiveness is directly linked to that of the Board of Directors, the Board Audit Committee works closely with Executive Management to obtain any information required to enhance the performance of the Board.

b. Composition of the Committee

- Mr. Talal Al Sayegh, Committee Chairman
- Mr. Abdullah Al Sayer, Committee Deputy Chairman
- Mr. Muath AlRayes, Committee Member
- Mr. Dari Al Bader, Committee Secretary

c. Committee Meetings

The Board Audit Committee convenes once every three months or as needed, or at the request of its Chairman or its two members. Chaired by an Independent Director – selected by Board of Directors. The presence of two members is required to hold a meeting.

d. Key Achievements in 2025

- Monitored the activities of the Internal Audit Division, including review and/or approval of its plans, strategies, department key performance indicators, follow-up action points, organizational structure, Balanced Scorecard of the General Manager of Internal Audit and staffing budgets.
- Exercising oversight over the internal audit function of the Bank's subsidiary.
- Approved the three-year risk-based Internal Audit plan and related updates, as well as reviewed the observations, action plans and recommendations set forth in the Internal Audit reports.
- Held private meetings with the GM-Internal Audit, External Auditors and the Bank's Compliance and Disclosure Officer without the presence of Executive Management as per the regulatory requirements.
- Recommended the appointment and remuneration of External Auditors to the Board of Directors.
- Reviewed the scope and approach of the External Auditor's audit plan.
- Reviewed and recommended the annual and quarterly financial statements to the Board of Directors.
- Reviewed observations, action plans and recommendations set forth in the CBK mandated Internal Control Report.

e. Changes during the year

Following the Board Elections in March 2025, Mr. Talal AlSayegh was reappointed as Chairman of the Committee. Mr. Abdullah AlSayer was reappointed as Deputy Chairman, and Mr. Muath AlRayes was appointed as a Committee Member.

f. Auditors' Fees:

The Ordinary General Assembly Meeting held on March 22, 2025 approved the appointment of the Bank's external auditors for 2025. Below are the total fees paid to the Auditors :

	2025 (KD'000)	2024 (KD'000)
Audit of Group financials statments	166	166
Other assurance and non-assurance services to the Group	86	230
Total	252	396

III. Board Risk Committee

a. Committee's Scope of Activity

The Board Risk Committee's (BRC) main duties are to provide oversight of the Bank's Risk Management, ensure autonomy of the Risk Management function and enhance the effectiveness of the Board of Directors monitoring of risk issues facing the Bank. The Committee reviews significant risk exposures and provides the Board with an update on the Bank's current and future risk strategy and appetite and oversees the Executive Management's implementation of the strategy. The Committee evaluates the risk exposure, concentration and tolerance limits and has authority to approve the aggregate transactional and trading limits for extraordinary or new risks. Furthermore, the Committee reviews, on a quarterly basis, a summary of the Top-25 credit clients and Top-20 credit risks rated 6 or worse. In addition, the Committee reviews any specific transaction or risk position and the impact analysis of any potential risks or changes in external environment that it deems relevant for the management of the risks facing the Bank and instructs actions to be taken to mitigate and manage risks to ensure conformity to the Bank's risk appetite. The committee on an ongoing basis reviews material Information & Cyber Security initiatives, activities and events, receives updates on the current threats the Bank is facing and the mitigants, and provides the Board with insight on the current status of the security programme's initiatives and activities.

b. Composition of the Committee

- Dr. Abdulrahman Al Taweel Committee Chairman
- Mr. Eid Al Shehri Committee Deputy Chairman
- Mr. Muath Al Rayes Committee Member
- Mr. Dari Al Bader Committee Secretary

c. Committee Meetings

The Board Risk Committee convenes not less than four times a year. Chaired by an Independent Director – selected by Board of Directors. The presence of two members is required to hold a meeting.

d. Key Achievements in 2025

- Convened 5 meetings and an additional meeting jointly with Board Audit Committee
- Reviewed the periodic risk management reports and risk dashboards and presented quarterly reports to the BoD.
- Approved the Technology Risk Management Strategy and Information & Cyber Security strategy roadmap.
- Reviewed and recommended risk management and information & cyber security policies for BoD approval
- Reviewed and jointly approved along with the Board Audit Committee, a joint proposal from Bank's Risk Management and Internal Audit Groups on handling risk assessments, policy and procedure updates and audit issues while supporting the Bank's Islamic Conversion efforts as well as jointly discussed the impacts from the new CBK Cyber and Operational Resilience Framework.
- Reviewed and approved the Risk Management Organizational Structure.
- Reviewed summary of all credit approvals given by Credit Committees.
- Held meetings with the Chief Risk Officer without the presence of the Bank's Executive Management.

e. Changes during the year

Following the Board Elections in March 2025, Dr. Abdulrahman Al Taweel was reappointed as Chairman of the Committee, Mr. Eid AlShehri was appointed as Deputy Chairman, and Mr. Muath al Rayes was appointed as a Committee Member.

IV. Board Nomination and Remuneration Committee

a. Committee's Scope of Activity

The Board Nomination and Remuneration Committee (BNRC) oversees the financial remuneration framework to ensure it supports the Group's risk management effectiveness. It also provides recommendations to the Board of Directors (BOD) regarding the nomination of Board members. As part of its mandate, the BNRC evaluates nominees' skills, qualifications, and capabilities in line with the Group's policies and Central Bank of Kuwait (CBK) guidelines. The BNRC conducts an annual review of the Board's structure and proposes changes that align with the Group's best interests. It also ensures that Board members remain up to date with the latest developments in banking and are equipped to assess the principles and practices underlying remuneration decisions. In collaboration with the Board Risk Committee, the BNRC reviews the compensation and benefits of Executive Management (as defined by CBK), including the criteria used to evaluate their annual performance. This process also involves assessing the authority and leadership qualities of Board members. Each year, the BNRC prepares and reviews the Remuneration Granting Policy for the Board.

b. Composition of the Committee

- Mr. Majed AlAjeel, Committee Chairman
- Mr. Omar Al-Essa, Committee Deputy Chairman
- Dr. Fawaz Al Awadhi, Committee Member
- Mr. Dari Al Bader, Committee Secretary

c. Committee Meetings

The Board Nomination and Remuneration committee convenes at least twice a year, with meetings chaired by an Independent Director appointed by the Board of Directors . The presence of two members is required to achieve quorum and hold a meeting.

d. Key Achievements in 2025

- Supported and tracked the implementation of the Bank's Kuwaitization strategy, ensuring full compliance with Central Bank of Kuwait (CBK) directives.
- Assessed and enhanced leadership succession plans in accordance with CBK guidelines, submitting refined proposals to the Board for endorsement.
- Proposed and ratified executive compensation packages, presenting formal resolutions to the Board.
- Re-evaluated the Long-Term Incentive Plan (LTIP) for senior executives, ensuring alignment with regulatory standards and strategic objectives.
- Reviewed the Bank's Remuneration Policy to ensure its relevance and effectiveness.
- Supervised and finalized a third-party audit of executive compensation practices.
- Approved and executed the Board Effectiveness Assessment initiative.
- Engaged in specialized training focused on Islamic Banking principles and operational practices.
- Approved of Group Life & Medical Insurance.
- Endorsed the Board's three-year training and development roadmap.
- Reviewed and approved updates to the Bank-wide organizational structure.

e. Changes during the year

In January 2025, following the resignation of Mr. Bader Al Kharafi and the subsequent appointment of Mr. Ahmad Al Bahar as Chairman of the Board, Mrs. Reem Al Saleh was appointed as Chair of the BNRC.

Following the Board Elections in March 2025, Mr. Majed Al Ajeel was appointed as Chairman of the Committee, Mr. Omar AlEssa was reappointed as Deputy Chairman, and Dr. Fawaz AlAwadhi was reappointed as a Committee Member.

V. Board Credit and Investment Committee

a. Committee's Scope of Activity

The Board Credit and Investment Committee is constituted of 3 board members and is chaired by the Chairman of the Board of Directors. The overall purpose and scope of the Board Credit and Investment Committee (BCIC) that was formed in March 2018 are to review, approve, reject or modify or conditionally approve credit proposals exceeding the authority delegated to the Executive Credit Committee and up to the legal lending limit of the Bank, except credit facilities extended to the Bank's Board members as per CBK guidelines. BCIC is also empowered to approve all investments or divestments above the delegated authority of lower-level committees and discounts for settlements and write-offs for abandonment and discounts exceeding the authority delegated to the Executive Credit Committee. BCIC has also the authority to grant a credit delegation to the Executive Credit Committee.

b. Composition of the Committee

- Mr. Ahmad Al Bahar Committee Chairman
- Mr. Omar Al Essa Committee Deputy Chairman
- Dr. Fawaz Al Awadhi Committee Member
- Mr. Dari Al Bader Committee Secretary

c. Committee Meetings

The Committee normally meets once in every two weeks or as and when required. At least 2 voting members are required to hold a meeting. Out of the two voting members, one must be the Chairman or the Deputy Chairman of the BCIC.

d. Key Achievements in 2025

- The approval of credit and investment proposals at the Board level has strengthened the Corporate Governance in line with the instructions and directives of the Central Bank of Kuwait and enhanced the efficiency and transparency of credit approval process.
- Approved large credit proposals that constitute the major portion of Bank's credit portfolio, including bank limits and country limits.
- Approved settlement / recovery of large remedial credits.
- Approved Treasury limits in line with the Risk Appetite approved by the Board of Directors of the Bank and amendments in liquidity ratios based on Central Bank of Kuwait instructions.
- Recommended to Board for review and approval of all Board related credit facilities.
- Reviewed Investment Portfolio of the Bank as per Central Bank guidelines and Gulf Bank Investment Policy.
- Approved ECC Bylaw amendments consequent to change in the voting members and amended the delegation authority matrix.

e. Changes during the year

In January 2025, following the resignation of Mr. Bader Al Kharafi and the subsequent appointment of Mr. Ahmad Al Bahar as Chairman of the Board, Mr. Al Bahar was appointed as Chair of the BCIC.

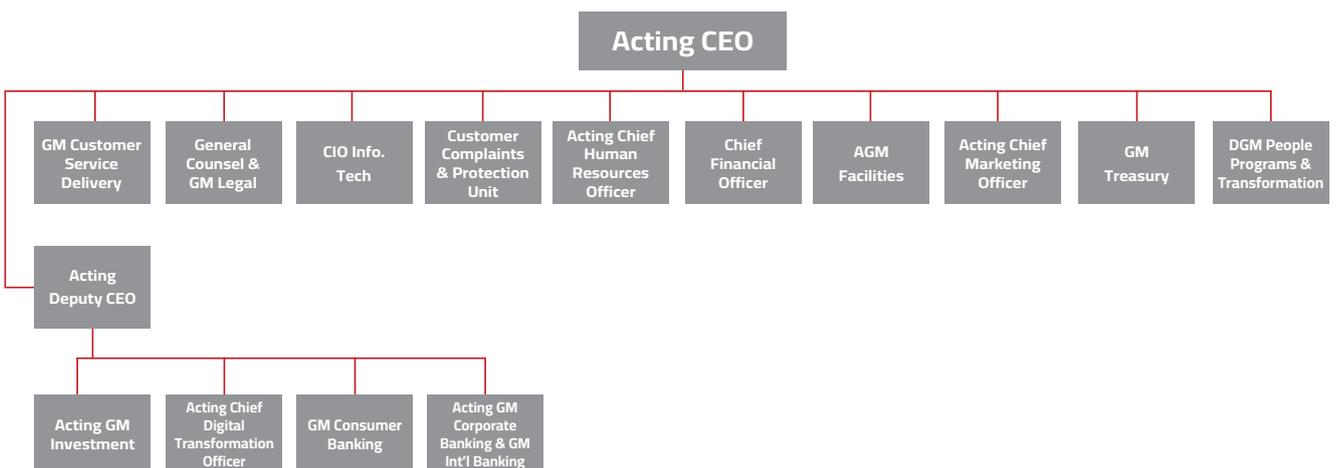
Following the Board Elections in March 2025, Mr. Ahmad Al Bahar was reappointed as Chairman of the Committee, Mr. Omar AlEssa was reappointed as Deputy Chairman, and Dr. Fawaz AlAwadhi was reappointed as a Committee Member.

Executive Management Governance Structure

The modus operandi of Executive Governance is reflected in the committees operating at the Executive level. These include credit committees, risk committees and several other committees set out in the chart below:



Executive Management Organization



Succession Planning

The Board's Nomination and Remuneration Committee vetted the bank's succession planning process for senior management to ensure transparency and satisfactory alignment with Bank Strategy.

The succession plan is reviewed and approved by the Board of Directors with the purpose of identifying critical roles across the organization, which if not filled in a timely fashion would potentially place the organization at risk. Succession planning identifies a minimum of one successor for each key role.

Remuneration Policy

The Group's Executive Remuneration is designed to attract, motivate and retain leadership responsible for strategic growth of the Group while ensuring sustained shareholder value. Executive remuneration is intended to be based on a philosophy of 'Distinction to establish an ethos of 'Meritocracy', create a strong alignment between business performance and executive payout as well as compliance with Central Bank of Kuwait (CBK) and Capital Markets Authority (CMA) guidelines.

These fixed and variable rewards are an integral part of the Group's total reward framework that:

- Is fully integrated with the Group's strategic objectives and supports the core values;
- Enables the attraction of the desired profile of potential employees, retention of key talent, and internal mobility and differentiation based on performance; and
- Is fair and equitable – ensures the mix of fixed and variable rewards that are relevant at the different levels of seniority.

The Group shall in general have a variable compensation based on 'At-Risk' approach for the senior executives whereby enough incentives are built-in to encourage outstanding performance notwithstanding that the variable remuneration pool encourages strengthening the capital base of the Group yet prevents undue and excessive risks.

The Remuneration policy is based on ensuring that the disclosure of payouts is clear, comprehensive, and timely to facilitate constructive engagement of all stakeholders and allow them to assess performance against clear targets, achievement of the Group's strategy and risk posture.

Salary Structure

The Group seeks to recruit and retain employees in a manner that is externally competitive and internally adequate. The Group's remuneration policy is applied consistently across all grades. The Group's salary structure is designed to ensure internal and external salary equity, whilst providing flexibility to acknowledge different degrees of individual performance and acknowledge levels of responsibility.

Annual Merit Increment

The Group shall review the performance of all employees on an annual basis and may award eligible employees a merit increment as agreed by the Management, effective 1st January of each calendar year.

Korn Ferry - Hay Bank Job Evaluation

The Group utilizes the Korn Ferry Hay Group Job Evaluation methodology which helps establish the relative value of jobs in the Group to ensure a fair and equitable remuneration to incumbents holding various jobs in the organization based on a structured methodology of evaluating those jobs.

Promotion Increment

The Group promotes competent and experienced employees when a position becomes available, and the incumbent meets the set criteria. The promotion will warrant an increase in the employee's basic salary and a change to allowances and benefits applicable to the new position. Such promotions foster the culture of meritocracy.

The Remuneration Policy is fully compliant with regulatory requirements including application of "claw back" regulations that will allow the Group to withhold payout of a part of the deferred compensation of key executives due to certain performance conditions not being met including misconduct, negligence, misstatement, exceeding credit approval and/or risk limits, and any other dubious business practices.

Employee Benefits

The Group provides a range of employment-related benefits. An employee may be eligible to certain benefits according to the eligibility criteria and job conditions; these include both Group products/services at preferential terms, and non-banking benefits in line with business needs and market practices. The Group introduced equal benefits pay for all employees eliminating any gender bias in its policies.

Total Remuneration paid to senior management, material risk takers, risk management and financial & control functions: (2025/2024)

Total value of remuneration awards for the current fiscal year	2025 (Remuneration Amount KD Thousand)		2024 (Remuneration Amount KD Thousand)	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration				
- Cash – based	3,775	-	3,334	-
- Shares and share-linked instruments	-	-	-	-
-Other	-	-	-	-
Variable remuneration				
- Cash – based	1,649	-	1,520	-
- Shares and share-linked instruments	-	-	-	-
- Other	1,428	-	1,563	-

Employee Categories	2025 (Remuneration Amount KD Thousand)		2024 (Remuneration Amount KD Thousand)	
	Number of employees in the category	Total remuneration paid	Number of employees in the category	Total remuneration paid
Senior Management*	19	4,651	16	4,579
Material risk takers	5	754	4	568
Financial & Control functions	11	1,447	10	1,270

* The compensation of the senior management has been disclosed in note 23 to the consolidated financial statements.

All personnel included in each of the above categories form part of the management team at the Group. The management team encompasses all key decision makers and their assistants.

The senior management category includes Acting Chief Executive Officer, Acting Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and other business heads. Material risk takers are defined as executives whose activities have a material impact on the risk profile of the Group.

The total remuneration paid to top five senior executives was **KD 1,953 thousand** (2024: KD 1,961 thousand).

The total remuneration paid to the Acting Chief Executive Officer, Acting Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor was **KD 1,855 thousand** (2024: KD 1,641 thousand).

Compliance and Disclosure Unit

Due to the special nature of non-compliance risks, the Unit monitors the process of compliance with the laws, regulations, and instructions issued by CBK, CMA, Boursa Kuwait and the Ministry of Commerce and Industry, in addition to compliance with the resolutions and directives issued by the Board. The Unit advises the Board at first-hand on the degree of conformity of its resolutions with the regulatory authorities' instructions, and keeps them continuously updated on the latest developments, regulatory requirements, legislations, instructions and controls related to the Group's activities.

The Unit also enhances the Bank's compliance at all times with the organizational and legal/regulatory requirements related to disclosure and transparency, and ensures that all shareholders, investors and stakeholders are provided, in an accurate and timely manner, with all material information related to the Group, including its financial position, performance, business results, any changes in the ownership or management of the Bank and any other matters as required under the rules and regulations issued in this regard, mainly under CBK Instructions on Corporate Governance related to Disclosure and Transparency, in addition to Resolution No. 72 of 2015 and the Executive Bylaw related to Law No. 7 of 2010 regarding the Establishment of Capital Markets Authority and the Regulation of Securities Activity, as amended.

Corporate Governance

The Bank ensures that consistent disclosure practices are applied and that the business community, including individual investors, have prompt and simultaneous access to the disclosed information.

Accordingly, the Bank has adopted a Disclosure and Notification Manual setting forth the details of disclosure requirements and corporate responsibilities in that respect.

Insider Information

In accordance with regulatory authorities' instructions, the Bank set up clear board-approved policies and procedures for dealing with insider information, which prohibit employees, Executive Management, and members of the Board from using such information for personal gain or to trade or engage in any form of market manipulation or market abuse.

Code of Ethics

Gulf Bank's code of ethics is an integral component of the corporate governance framework. It is adhered to by the Board of Directors and Executive Management in their daily interactions with employees, customers, and other stakeholders.

Money Laundering

Money laundering is the process of which proceeds from a criminal activity are disguised to conceal their illicit origin.

Criminal activities such as drug trafficking, smuggling, human trafficking, corruption, and others, tend to generate large amounts of profits for the individuals or groups involved in the criminal act, and therefore, they must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

Financing Terrorism

Financing terrorism is the financial support, in any form, of terrorism or of those who encourage, plan, or engage in terrorism. Terrorist groups obtain funds from illegal activity such as kidnapping, extortion, fraud, counterfeiting and drug trafficking. However, terrorist funding also comes from apparently legitimate sources such as the sale of pamphlets, DVDs, books etc., and the solicitation of money from wealthy individuals and whole communities. Individuals may buy such materials or donate to seemingly legitimate charities in good faith, unaware that the funds are later illegally diverted to support terrorism and terrorist groups.

Gulf Bank is strongly committed to preventing the use of its products and services for Money Laundering and/or Terrorist Financing. Accordingly, the Bank complies with all applicable laws and regulations in the State of Kuwait designed to combat money laundering and terrorist financing. In addition, the Bank is fully committed to cooperate with the appropriate authorities in this regard. It has established all necessary procedures, processes, and controls to ensure freezing/confiscation of all economic assets owned by the suspected person(s)/entities completely or jointly owned and/or held directly or indirectly in their names, without delay or prior warning.

The Bank has established an independent and full time (AML & CFT Unit) headed by the Bank's designated Money Laundering Reporting Officer (MLRO), who reports independently to the Chairman. It is the Bank's policy to provide the AML/CFT Unit with adequate human and technological resources to allow it to check and report on the extent of the Bank's compliance with Laws, Ministerial Resolutions, Regulatory Instructions, and the Bank's own policies, processes, systems, controls, and procedures concerning the combating of money laundering.

The primary function of the Unit is to ensure that the Bank complies with AML/CFT legal and regulatory requirements applicable to banks in Kuwait as issued from time to time by the Central Bank of Kuwait (CBK), Capital Market Authority (CMA) and other governmental agencies.

The AML/CFT Unit follows the below listed legal & regulatory provisions:

- Law No. 106 of 2013 & Article (25) of the same law.
- CBK Instructions No. 2/BS/IBS/432/2019.
- The Ministerial Resolution No.5/2014 & Article (3) & (5) of the same & Resolution No. (35) of 2019 issued on 04/08/2019. Resolution No. (35) of 2019 has been replaced with below resolution; however, the same implication and mechanism will be implied as instructed by CBK circular dated 10/07/2023.
- Resolution issued under No. (141) of 2023 on 18 June 2023 and published in the official gazette in its issue 1641 dated 25 June 2023 concerning the executive bylaw pertaining to implementation of the Security Council's Resolutions issued under Chapter VII of the Charter of the United Nations regarding Counter - Terrorism & Proliferation of Weapons of Mass Destruction Financing.
- UN Charter Chapter VII.
- CBK Amended Instructions No. 2/105/1759/2023.

Conflict of Interest

The Bank seeks to ensure that a conflict of interest does not adversely affect the interests of clients, the Bank, its shareholders or other stakeholders through the identification, prevention or management of any conflict of interest.

The Board ensures that executive management exercise high integrity and avoid conflict of interests. Also, the Board adopts controls to manage the transfer of information within various departments, to prevent using such information for personal gain. For that, the Bank adopted a conflict-of-interest policy to ensure that all transactions are carried out at arms -length and transparently.

Confidentiality

In accordance with the rules and regulations issued by the Central Bank of Kuwait and other regulatory bodies; the Board of Directors, Executive Management and employees are committed to preserve the information security and the confidentiality of the data and information of the Bank, its customers, as well as data and information of other Banks' customers and other stakeholders as per regulations.

The Bank implements the necessary controls to ensure confidentiality of information as per the policies approved by the Board of Directors.

Whistle Blowing Policy

In compliance with CBK instructions, and further to the Bank's commitment towards the shareholders and third parties, and in pursuance of the highest ethics standards and business integrity requirements, the Bank established a "Whistle Blowing Policy" and a direct reporting channel to the Chairman. The policy aims at detecting any practices that fall out of the scope of laws, regulations, and sound professional conduct, so as to be remedied in a timely manner.

It is the employees' responsibility to speak up and report actual or potential suspicious and dishonest activities directly to Chairman of the Board of Directors, either via email, intranet or by letter.

Employees must report any suspected or presumed incidents of serious misconduct or behavior that violates the Bank's Code of Ethics and Conduct, policies, procedures, or any action by a Bank employee or any third party that is or could be harmful to the Bank's interests or reputation.

Those who report illegal or suspicious activities will be adequately protected, and their identities will be kept anonymous. They can express their concerns in complete confidentiality, and their names will not be revealed without their express permission.

Board Affairs Unit

The Board Affairs Unit is responsible for managing all matters related to the Board of Directors and its committees, ensuring that their activities are conducted efficiently, transparently, and in full alignment with regulatory requirements. The Unit oversees the preparation of agendas, coordination of meeting schedules, and documentation of minutes for the Board, its committees, and the Annual General Meeting of Shareholders. It also ensures full adherence to the Corporate Governance regulations issued by the Central Bank of Kuwait (CBK).

Corporate Governance

Throughout the year, the Unit supported the Board and its committees by coordinating key governance activities, and facilitating the smooth execution of their responsibilities. Serving as a key liaison between the Board and Executive Management, the Unit plays a central role in ensuring the effective communication and implementation of Board policies, directives and resolutions across the Bank.

In addition, the Board Affairs Unit works closely with the Disclosure and Compliance Unit to ensure full compliance with the instructions and regulatory requirements issued by the CBK, the Capital Markets Authority (CMA), Boursa Kuwait, and the Ministry of Commerce and Industry. Through these efforts, the Unit reinforces the Bank's commitment to transparency, strong governance practices, and regulatory excellence.

Investor Relations Unit

The Investor Relations (IR) Unit is dedicated to serving the Bank's shareholders, credit rating agencies, analyst, and investors, locally and internationally. It is the main focal communication point and is responsible for the strategic management of prompting sustainable economic growth and establishing investor confidence in an effective two-way transparent communication between the Bank, the financial community, and other constituencies. The efforts and commitment of our IR team significantly contributes to Gulf Bank's securities achieving fair evaluation and strong credit ratings.

The Bank frequently engages with its stakeholders, through the quarterly investor earnings call, attending investor conferences and conduct one-to-one meetings with existing and potentials investors, managing the credit rating process of the Bank and producing the Annual Report.

Customer Complaints & Protection Unit

The Bank is eager to find appropriate solutions to customer complaints (individuals). To meet this goal, the Bank established an independent unit specializing in customer service complaints in 2011, reporting directly to the CEO. The Unit has its own policies and procedures, as well as the necessary mechanisms to handle customer complaints in accordance with CBK instructions. The unit is also in charge of overseeing the implementation of the Customers Protection Manual, which ensures good performance and transparency in the Bank's banking services provided to its customers.

The supervision over the implementation process of the Customer Protection Manual (CPM) alongside the activities of this unit enabled the Bank to successfully enhance satisfaction, protection, loyalty and trust of customers.

Related Party Transactions

Certain related parties (Major Shareholders, Board Members, and Officers of the Bank, as well as their families and companies in which they are the primary owners) are customers of the Bank in the ordinary course of business.

The Bank has in place robust processes for identifying, assessing, monitoring, and reporting the Bank's exposures to related parties. These transactions are concluded at arm's length and on substantially the same terms as comparable transactions with unrelated parties.

The Board of Directors is provided with details of all transactions in which a Director and/or related parties may have actual or potential conflicts. Where a Director is interested, he or she does not participate in the discussion or vote on such issues. The Bank's policy is, to the greatest extent possible, to conduct transactions with related parties on arm's length terms and in accordance with applicable laws and regulations.

The details of such transactions are provided in Note 23 of the Financial Statements.

Major Shareholders

Gulf Bank is listed in Boursa Kuwait, under Premier Market. Please refer to Gulf Bank's page at the official website of Boursa Kuwait (www.boursakuwait.com.kw) for the list of major shareholder(s) who own or have control over 5% of the Bank's share capital.

Annual General Meetings:

Gulf Bank held its 66th Annual General Assembly Meeting (AGM) in March 2025. Shareholders exercised all their rights in attending and participating in the meetings, representing 77.3% of the total free shares.

These decisions of these meetings, as well as the ratified minutes, are disclosed to Boursa Kuwait and sent to the Central Bank of Kuwait and the Capital Markets Authority. The outcomes and decision of the meetings are published on the Bank's website. For more information, please visit: <https://www.e-gulfbank.com/en/investors/announcements/disclosures>

Adequacy of Internal Control Systems

The Board of Directors, further to CBK rules and instructions issued in June 2012, November 2016 and revised guidelines issued in September 2019, declares and certifies that it has reviewed the internal control systems in place and confirmed their effectiveness and adequacy.

Internal controls form an integral part of the Bank's processes in its conduct of business. The Board of Directors has the overall responsibility to maintain sound internal controls and provides a broad oversight in this respect to the Executive Management. The Executive Management is responsible for the establishment and maintenance of the Internal Control Systems. The Executive management is also responsible for the ongoing improvements to the Internal Controls, through constant evaluations to meet the emerging needs and activities of the Bank and to ensure that the Bank is in compliance with applicable regulations and policies.

The key elements, which ensure the adequacy of Internal Control systems in the Bank, include the following:

- Existence of appropriate Board approved policies and Executive Management approved procedures, which are subject to regular reviews and updates, to validate applicability and sufficiency.
- Existence of several Board level and Management Level Committees which monitor all significant areas and activity.
- Existence of specialized control functions such as Compliance, Risk Management and Internal Audit. Processes consistent with the "Three lines of Defense" principle are in place to ensure weaknesses are identified and reported to Executive Management and the Board.
- Existence of an independent review process by Internal Audit, which assesses the Bank's internal controls as per its mandate including independent assurance and evaluation of the appropriateness of design & operating effectiveness of governance, systems controls, risk management and internal controls to monitor, manage and mitigate the Bank's key risks and its related processes, as per the approved annual risk-based Audit plan. Internal Audit focuses on the areas of significant risks, verifies and assesses the adequacy and effectiveness of the internal control system and reports significant issues and control gaps with the Management agreed actions, to the Board Audit Committee and to the Board of Directors (through the Board Audit Committee).
- Existence of independent control reviews on financial accounting records and statements by External Auditors as per the requirement of local laws and regulations and submission of such audit reports in the form of Management letters to Board of Directors and CBK.
- Existence of a comprehensive independent Internal Control Review process, performed annually through an international audit firm (other than the external auditors), as per the requirement of CBK, which identifies and reports any internal control deficiencies along with a Management action plan, to address such issues. A summary of the ICR report for the year ended 31st December 2024 was presented to the Board Audit Committee and Board of Directors during 2025 and was reviewed and approved by the latter. The latest report was issued in June 2025 (Annexure A). The external audit firm has conducted a follow-up review as at 30/09/2025 and 31/12/2025 to ascertain corrective actions to its findings as per CBK requirements.
- The Board Audit Committee provides an oversight and strengthens the independence of Internal and External auditors. The Committee reviews the Internal Audit reports, Central Bank audit reports, Management Letters, Internal Control Review reports and monitors periodically the status of such issues through a sound follow-up process to ensure appropriate implementation of controls to address identified issues.

Internal Control System Report



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19 June 2025

Board of Directors

Gulf Bank K.S.C.P

State of Kuwait.

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 16 February 2025, we have examined the accounting records and other records and internal control systems of Gulf Bank K.S.C.P ('the Bank') for the year ended 31 December 2024. We covered the following areas of the Bank:

- Corporate Governance
- Anti Money Laundering
- Corporate Affairs
- Corporate Banking
- Customer Service Delivery
- Facilities Management
- Finance
- Human Resources
- Consumer Banking
- Preservation of Confidentiality of Customer Information and Data
- Fraud Prevention and Control
- Customer Complaints & Protection Unit
- Marketing
- Investment
- Information Technology
- Risk Management
- Internal Audit
- Treasury
- Financial Institutions & Sovereigns
- Legal Affairs
- Digital Transformation and Innovation
- Corporate Strategy
- Bank's Subsidiary "Gulf Bank Capital Investment Company"

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) contained in the Manual of General Directives issued by the CBK on 14 November 1996, IV of corporate governance instructions in respect of risk management and internal controls issued by the CBK on 20 June 2012 and its amendments on 10 September 2019, instructions dated 16 February 2023 concerning Anti-money laundering and combating financing of terrorism, instructions dated 9 February 2012 regarding confidentiality of customer's information, financial securities 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.

Having regard to the nature and volumes of the bank's operations, during the year ended 31st December 2024, and the materiality and risk rating of our findings, and the exception of matters set out in the report submitted to the Bank, in our opinion:

- 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 14th November 1996 and all other subsequent instructions and circulars issued by CBK in this regard,
- 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 31st December 2024, and
- c) The actions taken by the bank to address the findings referred in the report, including previous years' findings, are satisfactory.

Yours faithfully,



Qais M. Al Nisf

License No. 38 "A"

BDO Al Nisf & Partners

Capital Management And Allocation

Capital Structure

In accordance with the Central Bank of Kuwait (CBK) guidelines (CBK circular No.2/RB,RBA/336/2014), Kuwaiti banks must maintain a minimum Capital Adequacy Ratio (CAR) of 13% and minimum Tier 1 ratio of 11%. Tier 1 capital comprises of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital.

For Gulf Bank K.S.C.P. (the "Bank") and its subsidiary (collectively the "Group"), CET1 comprises of paid up share capital, share premium and reserves including property revaluation reserve and fair valuation reserve less treasury shares. The Group's Tier 2 comprises of allowed portion of general provisions (1.25% of the credit risk weighted assets) and subordinated Tier 2 bonds. The Bank has been identified as a Domestic Systemically Important bank (D-SIB) and is required to hold additional Common Equity Tier 1 capital (CET1) of 1% (2024: 1%).

The table below details the regulatory capital for the Group as at 31 December 2025 and 31 December 2024:

(KD Million)

Composition of Capital	31-Dec-25	31-Dec-24	Variance
Common Equity Tier 1 Capital : instruments and reserves			
Directly issued qualifying common share capital plus stock surplus	606.2	586.2	20.0
Retained earnings	158.3	163.2	(4.9)
Accumulated other comprehensive income (and other reserves)	92.3	86.6	5.7
Common Equity Tier 1 capital before regulatory adjustments	856.7	836.0	20.8
Common Equity Tier 1 Capital : regulatory adjustments	-	-	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	(2.4)	(2.4)	-
Total regulatory adjustments to Common equity Tier 1	(2.4)	(2.4)	-
Common Equity Tier 1 capital (CET1)	854.4	833.6	20.8
Additional Tier 1 capital : instruments	-	-	-
Additional Tier 1 capital : regulatory adjustments	-	-	-
Additional Tier 1 capital (AT1)	-	-	-
Tier 1 capital (T1=CET1+AT1)	854.4	833.6	20.8

			(KDMillion)
Composition of Capital	31-Dec-25	31-Dec-24	Variance
Tier 2 capital : instruments and provisions			
Directly issued qualifying Tier 2 instruments plus related stock surplus	50.0	50.0	-
General provisions included in Tier 2 capital	69.5	66.0	3.5
Tier 2 capital before regulatory adjustments	119.5	116.0	3.5
Tier 2 capital : regulatory adjustments	-	-	-
Tier 2 capital	119.5	116.0	3.5
Total capital (TC= T1+T2)	973.9	949.6	24.2
Total risk weighted assets	5,779.3	5,474.8	304.5
Capital ratios and buffers	31-Dec-25	31-Dec-24	Variance
Common Equity Tier 1 (as a percentage of risk weighted assets)	14.8%	15.2%	(0.4%)
Tier 1 (as a percentage of risk weighted assets)	14.8%	15.2%	(0.4%)
Total capital (as a percentage of risk weighted assets)	16.9%	17.4%	(0.5%)
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).	10.5%	10.5%	0.0%
of which : capital conservation buffer requirement	2.5%	2.5%	0.0%
of which : bank specific countercyclical buffer requirement	-	-	-
of which : D-SIB buffer requirement	1.0%	1.0%	0.0%
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	7.8%	8.2%	(0.4%)
National minima (Excluding D-SIB buffer)	-	-	-
National Common Equity Tier 1 minimum ratio	9.5%	9.5%	0.0%
National Tier 1 minimum ratio	11.0%	11.0%	0.0%
National total capital minimum ratio excluding CCY and DSIB buffers	13.0%	13.0%	0.0%
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	211.4	220.7	(9.3)
Cap on inclusion of provisions in Tier 2 under standardized approach	69.5	66.0	3.5

Capital Management And Allocation

Capital Management

The Group's capital management policy is to ensure and maintain an adequate capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of loan growth expectations for each business group, expected growth in other balance sheet items, off-balance-sheet facilities and trading (i.e. market risk) activities, and the Group's future dividends.

The Group seeks to maintain a prudent balance between the different components of its capital, particularly the relative mix of Tier 1 and Tier 2 capital.

The following table below details the risk-weighted exposures, regulatory capital requirements and regulatory capital ratios for the Group as at 31 December 2025 and 31 December 2024:

(KD Million)

Credit Risk Exposures	31-Dec-25	31-Dec-24	Variance
Credit risk weighted assets	5,560.6	5,282.0	278.6
Less: Excess general provision	(141.9)	(154.6)	12.7
Net credit risk weighted exposures	5,418.7	5,127.4	291.3
Market risk weighted assets	6.1	1.8	4.3
Operational risk weighted exposures	354.4	345.6	8.9
Total Risk Weighted exposures	5,779.3	5,474.8	304.5

Regulatory Capital requirement at 13% (2024: 13%)

(KD Million)

Credit Risk	31-Dec-25	31-Dec-24	Variance
Cash items	-	-	-
Claims on sovereigns	13.2	1.0	12.2
Claims on public sector entities (PSEs)	21.1	11.0	10.1
Claims on Multi Development Banks (MDBs)	6.3	5.3	1.0
Claims on banks	61.4	37.2	24.2
Claims on corporates	352.6	345.9	6.7
Regulatory retail exposures	221.4	233.8	(12.4)
Past due exposures	4.5	6.3	(1.8)
Other exposures	42.4	46.3	(3.9)
Capital requirement for credit risk	722.8	686.6	36.2
Less : Excess general provision	(18.4)	(20.1)	1.7
Capital requirement for net Credit Risk	704.4	666.5	37.9

(KD Million)

Market Risk	31-Dec-25	31-Dec-24	Variance
Interest rate position risk	-	-	-
Foreign exchange risk	0.8	0.2	0.6
Capital requirement for market risk	0.8	0.2	0.6
Capital requirement for operational risk	46.1	44.9	1.2
Additional capital requirement (DSIB @ 1%)	57.8	54.7	3.0
TOTAL CAPITAL REQUIREMENT	809.1	766.4	42.6

Capital adequacy ratios (per cent)	31-Dec-25	31-Dec-24	Variance
Tier 1 ratio	14.8%	15.2%	(0.4%)
Total capital adequacy ratio	16.9%	17.4%	(0.5%)

The total risk-weighted exposure as at 31 December 2025 is **KD 5,779.3** million (2024: KD 5,474.8 million), requiring a total capital at **14.0%** (2024: 14%) including 1% DSIB, of **KD 809.1 million** (2024: KD 766.4 million).

The Group's regulatory capital as at 31 December 2025 is **KD 973.9 million** (2024: KD 949.6 million), translating to a capital adequacy ratio of **16.9%** (2024: 17.4%).

Risk Management



Organization of Governance and Risk Management

The Risk Management policies and risk appetite, approved by the Board provides the necessary framework on risk management approach, objectives, management and organization structure. The risk management policies and procedures are periodically reviewed and where necessary, modified and enhanced to reflect changes in products and the market.

The Group has constituted a Board Risk Committee (BRC) for enhancing the effectiveness of the Board's monitoring of risk issues facing the Group and to submit periodic reports to the Board of Directors as appropriate. The BRC provides oversight of the Group's Risk Management on a holistic basis and ensures the autonomy and independence of the Risk function of the Group. The BRC reviews and recommends all risk management policies and risk appetite for the Board of Directors (BOD) approval. BRC reviews all high risk, large and any exposures which do not meet normal lending criteria. The Risk Management Department is headed by the Chief Risk Officer (CRO) who reports to the Board Risk Committee. The Group has also constituted an Executive Risk Committee (ERC), chaired by the Chief Risk Officer CRO, which is the apex committee for Risk Governance at the Senior Management level. The Risk Management Department of the Group provides regular reports to the BRC and ERC so that the committee members are well informed of all risk exposures of the Group.

The organisation of risk management, roles and responsibilities of the various committees are included in Note 24 of the consolidated financial statements.

Corporate Governance

Gulf Bank Group under the leadership of its Chairman and Board of Directors has implemented the new rules on Corporate Governance 2012 and its subsequent amendments in September 2019 as announced by the CBK. The Group also endeavors to adopt global best practices which are vital to its financial and communal well-being. The Group has constituted four major committees - Board Risk Committee, Board Audit Committee, Board Corporate Governance Committee and Board Nomination & Remuneration Committee for implementation of Corporate Governance of the Group.

Risk Appetite and Portfolio Strategy

The Group maintains a strong risk management culture and manages the risk/reward relationship within and across each of the Group's lines of business. The Group continuously reviews its risk management policies and practices to ensure that the Group is not subject to material asset valuation and earnings volatility.

The Group has a Risk Appetite document, which enables close monitoring of various risks on an ongoing basis against the internally set thresholds. On a quarterly basis, the risk dashboard is presented and discussed with the Executive Risk Committee and Board Risk Committee. The Risk Appetite document is periodically reviewed and amended in line with market and economic factors. The Group has a detailed credit policy approved by the Board and periodically revised in response to changes in risk and market conditions.

The Credit Policy Manual sets out the guiding principles and credit risk standards governing extension of credit to provide a structure around which the banking business must be based and ensure a consistent approach to all its lending activities. It also defines the policy on acceptable country risk exposure. The individual country limits are approved and reviewed by the Board Credit and Investment Committee (BCIC) which is the highest credit approving committee delegated by the Board of Directors within CBK guidelines.

The Group classifies its exposure as per North American Industry Classification System (NAICS) Code. Such classification is in addition to the classification based on purpose codes as defined by CBK. This allows the Group to classify its portfolio into various sub-segments so as to facilitate analysis and improve management of concentrations, if any. The Group uses a credit rating model to rate corporate credit facilities to facilitate credit decisions and credit monitoring. In addition, the Group computes a weighted average Portfolio Risk Rating through which the overall portfolio quality is assessed at regular intervals and deliberated upon in the ERC as well as in the BRC.

RAROC (Risk Adjusted Return on Capital) Model is in use in the Group to assess the net value created in the account after taking into account the cost of capital. The Model helps to make right credit decisions and create shareholder value.

The Internal Capital Adequacy Assessment Process ('ICAAP')

The Internal Capital Adequacy Assessment Process ('ICAAP') identifies, measures, aggregates and monitors the Group's risks and enables the Group to maintain an appropriate level of internal capital in relation to the Group's overall risk profile and business plan. The Group carries out an assessment of material risks such as Credit, Market, Operational, Credit Concentration (sector and name concentration) risk, Interest Rate risk, Liquidity risk, Legal risk, Reputational risk, Climate risk etc., as part of the ICAAP process. The Group also runs a Stress Testing analysis to measure the impact on the value of collateral, income streams, downgrades of lending portfolio etc. over a one year horizon for three plausible stress scenarios (mild, medium and severe).

The capital allocation for each of the risks and stress testing results are reviewed and discussed at ERC and BRC meetings to ensure sufficient capital is allocated for each risk, keeping in view both macro and micro economic factors.

Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lending, trade finance and treasury activities. The Group has comprehensive policies and procedures to control and monitor all such risks. The BOD has delegated all authority (except credit facilities to Board members and related names) for credit decisions to Board Credit and Investment Committee ("BCIC") who in turn can delegate its authority to Executive Credit Committee ("ECC") as stipulated by the Board of Directors within the CBK guidelines. Note 24 (A) to the consolidated financial statements explains credit risk in detail and also outlines Group's policy and framework to manage it.

Market Risk

Market risk is the potential losses to the Group's income or to the value of the Group's portfolio because of change in market determined variables such as currency rates, interest rates, investment prices, credit spreads and so on.

The Group is exposed to market risk through its trading activities, which are carried out both for customers and on a proprietary basis, as well as its holdings of financial assets and liabilities. The Treasury group manages the Group's foreign exchange, interest rate risk and liquidity risks. The Treasury and Investments groups monitor the risk in the investment portfolio. Limits are set to ensure that the Group's market risk is managed within the overall CBK regulatory guidelines and internal limits set by the Group's Risk Appetite. Interest rate, currency and liquidity mismatches are monitored constantly by the Treasury group and regularly reviewed by ALCO.

The Group's primary treasury business involves foreign exchange transactions on behalf of corporate customers. Customer transactions are mostly undertaken on a back-to-back basis. The Treasury group undertakes a limited amount of proprietary foreign exchange trading, predominantly in the G7 currencies in addition to regional and other minor currencies. The risks are limited since the open foreign exchange positions are very small, compared to the bank's balance sheet size. Further, such positions are managed with internal limits and the group's risk appetite as well as within the regulatory limits set by CBK. The Group does not trade in fixed income or equity securities

Money Market activities are restricted to meeting the funding requirements of the Group's domestic and international foreign currency assets and investing any surpluses. As a matter of general policy, these positions do not contain material interest rate risk.

Risk Management

Group's treasury also maintains a portfolio of Kuwait Government treasury bonds and CBK bonds to meet the CBK statutory liquidity requirements as well as a portfolio of mostly GCC sovereign bonds & OECD denominated in USD to manage surplus liquidity.

The Kuwaiti Dinar is the Group's functional currency and almost all of the Group's assets and liabilities are denominated in either KD or USD and are match funded in the same currency. As a result, there is limited structural cross currency foreign exchange exposure.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Note 24 (C) to the consolidated financial statements explains currency risk in detail.

Interest Rate Risk (Banking Book)

Interest rate risk for the Group arises from the possibility that changes in the interest rates will affect the fair value or future cash flows of the financial instruments. The Group monitors the impacts on the net interest income for a 12 month period as well as the change in economic value of the assets and liabilities under various interest rate scenarios. Note 24 (B) to the consolidated financial statements outlines the sensitivity of the Group's net interest income to interest rate changes.

Equity Risk (Banking Book)

The Investments group is responsible for managing the investment securities portfolio in the Banking (i.e. non-trading) book. The Group complies with all Investment related limits mandated by CBK.

Equity investments are classified as 'Fair value through other comprehensive income' ('FVOCI'). The accounting classifications and fair value measurements are disclosed in the significant accounting policies note to the consolidated financial statements. The types and accounting classifications of investments are disclosed in Note 13 of the consolidated financial statements.

Liquidity Risk

Liquidity risk is the risk arising from the inability of the Group to meet its financial obligations on time without incurring significant costs. Liquidity risk arises in the general funding of a group's activities. The Group has maintained a balance in liquid assets over and above the CBK's minimum requirements. Note 24 (D) to the consolidated financial statements explains liquidity risk in detail and also outlines Group's policy and framework to manage it.

Operational Risk

Operational risk is the risk of loss arising out of the failure of people, processes or technology or the impact of external events. It includes fraud, unauthorized activities, errors, systems failures and external events.

The Group's Operational Risk Management framework is intended to identify, assess, monitor, and mitigate operational risk effectively in the Group in a consistent manner.

The Group's Operational Risk Management establishes and implements the bank-wide operational risk framework, promoting a strong risk culture through ongoing awareness initiatives and training programs. Risks are identified through risk and control self-assessments (RCSA), Scenario analysis, operational loss and incidents. The Group collates internal operational loss information and the data facilitates the Group to put in place appropriate controls to prevent incidence of such losses in future. Note 24 (E) to the consolidated financial statements provides additional information on the Group's operational risk management framework.

Credit Risk Exposure

The Group uses the Moody's Risk Rating system for risk rating its credit exposures. Note 24 (A) to the consolidated financial statements explain Group's internal grading process in detail.

Gross Credit Risk Exposure

The summary of the Group's gross credit risk exposure (before credit risk mitigation) as of 31 December 2025 and 31 December 2024 are shown below. The unfunded (i.e. off-balance-sheet) amounts represent the gross credit risk exposure before the credit conversion factor ('CCF') adjustments, since the gross amounts reflect the Group's ultimate credit risk in the event of default by the counterparties.

(KD Million)			
Gross Credit Risk Exposure	31-Dec-25	31-Dec-24	Variance
Funded Gross Credit Exposure	7,905.8	7,691.9	213.9
Unfunded Gross Credit Exposure	2,044.3	1,786.6	257.7
Total Gross Credit Risk Exposure	9,950.1	9,478.5	471.6

Funded gross credit risk exposure as of 31 December 2025 is **79.5%** (2024: 81.2%) of the total gross credit risk exposure.

Gross credit risk exposure divided between funded and unfunded on the basis of standard portfolio is detailed in the credit risk exposure section.

Average Credit Risk Exposure

Average credit risk exposure as at 31 December 2025 and 31 December 2024 are detailed below:

Funded and Unfunded credit facilities (Average) as at 31 December

	2025			2024		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Cash items	45,908	-	45,908	65,267	-	65,267
Claims on sovereigns	1,451,784	-	1,451,784	1,370,184	-	1,370,184
Claims on PSEs	546,668	107,828	654,496	375,923	101,035	476,958
Claims on MDBs	86,854	-	86,854	82,759	-	82,759
Claims on banks	592,741	348,282	941,024	675,363	331,654	1,007,016
Claims on corporates	2,713,933	1,392,511	4,106,444	2,651,256	1,323,595	3,974,851
Retail exposures	1,930,809	1,213	1,932,021	1,975,920	2,915	1,978,835
Past due exposures	52,630	6,532	59,162	49,778	5,432	55,210
Other exposures	321,557	317	321,874	383,427	258	383,685
Total	7,742,885	1,856,683	9,599,568	7,629,877	1,764,890	9,394,766

Average funded gross credit risk exposure for 2025 is **80.66%** (2024: 81.21%) of the total average gross credit risk exposure. The full year average amounts are calculated using a 13-point average of the month end figures from 31 December 2024 to 31 December 2025 inclusive.

Risk Management

Geographical Distribution of Gross Credit Risk Exposures

The geographical distribution of the total gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio as at 31 December 2025 and 31 December 2024 are shown below. The geographical distribution is based on the primary purpose of the credit facilities.

Total gross credit risk exposures as at 31 December 2025 - Region wise

(KD Thousands)

	Kuwait	Other Middle East	Western Europe	USA & Canada	Asia Pacific	Rest of World	Total
Cash items	42,070	-	-	-	-	-	42,070
Claims on sovereigns	1,237,419	84,879	43,557	114,003	-	-	1,479,858
Claims on PSEs	344,506	330,195	65,751	-	-	7,683	748,135
Claims on MDBs	-	23,950	-	-	23,458	39,806	87,214
Claims on banks	13,473	328,977	408,020	23,819	131,949	176,989	1,083,227
Claims on corporates	3,326,846	475,122	188,545	92,675	173,147	56,096	4,312,431
Retail exposures	1,815,501	-	-	-	-	-	1,815,501
Past due exposures	49,968	167	-	-	-	-	50,135
Other exposures	329,649	1,560	299	-	-	-	331,508
Total	7,159,432	1,244,850	706,172	230,497	328,554	280,574	9,950,079
Percentage of gross credit risk exposure by geographical region	71.9%	12.5%	7.1%	2.3%	3.3%	2.9%	100.0%

Total gross credit risk exposures as at 31 December 2024 - Region wise

(KD Thousands)

	Kuwait	Other Middle East	Western Europe	USA & Canada	Asia Pacific	Rest of World	Total
Cash items	44,986	-	-	-	-	-	44,986
Claims on sovereigns	1,524,423	52,622	-	115,246	-	-	1,692,291
Claims on PSEs	119,448	281,003	-	-	-	-	400,451
Claims on MDBs	-	7,728	-	-	15,405	48,049	71,182
Claims on banks	98,405	148,992	225,855	27,578	160,372	128,528	789,730
Claims on corporates	3,207,807	584,363	127,825	25,223	125,183	59,048	4,129,448
Retail exposures	1,930,731	-	-	-	-	-	1,930,731
Past due exposures	60,351	-	-	-	-	-	60,351
Other exposures	344,675	10,079	1,203	-	728	2,659	359,344
Total	7,330,826	1,084,786	354,883	168,047	301,688	238,284	9,478,514
Percentage of gross credit risk exposure by geographical region	77.3%	11.4%	3.7%	1.8%	3.2%	2.6%	100.0%

The majority of the Group's credit exposure is in Kuwait which comprises **KD 7.16 billion** (71.9% of total gross credit exposure) at 31 December 2025, compared with **KD 7.33 billion** (77.3% of total gross credit exposure) at 31 December 2024.

Industry Segment Distribution of Gross Credit Risk Exposures

The industry segment split of the gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio, as at 31 December 2025 and 31 December 2024 are shown below:

Total gross credit risk exposures as at 31 December 2025- Industry wise

(KD Thousands)

	Personal	Financial	Trade and commerce	Crude oil and gas	Construction	Manufacturing	Real Estate	Other Services	Total
Cash items	-	-	-	-	-	-	-	42,070	42,070
Claims on sovereigns	-	416,825	-	-	-	-	-	1,063,033	1,479,858
Claims on PSEs	-	179,279	15,770	249,062	7,426	1,432	-	295,166	748,135
Claims on MDBs	-	87,214	-	-	-	-	-	-	87,214
Claims on banks	-	1,015,443	55	-	1,686	-	66,043	-	1,083,227
Claims on corporate	221,191	375,419	886,394	220,684	636,541	372,159	814,197	785,846	4,312,431
Regulatory retail exposures	1,814,759	75	479	-	46	-	-	142	1,815,501
Past due exposures	26,356	1,165	322	-	9,319	10	11,208	1,755	50,135
Other exposures	34,751	-	-	-	-	-	158,436	138,321	331,508
Total	2,097,057	2,075,420	903,020	469,746	655,018	373,601	1,049,884	2,326,333	9,950,079
Percentage of gross credit risk exposure by industry segment	20.9%	20.9%	9.1%	4.7%	6.6%	3.8%	10.6%	23.4%	100.0%

Total gross credit risk exposures as at 31 December 2024- Industry wise

(KD Thousands)

	Personal	Financial	Trade and commerce	Crude oil and gas	Construction	Manufacturing	Real Estate	Other Services	Total
Cash items	-	-	-	-	-	-	-	44,986	44,986
Claims on sovereigns	-	836,563	-	-	-	-	-	855,728	1,692,291
Claims on PSEs	-	243,032	-	147,386	-	636	-	9,397	400,451
Claims on MDBs	-	71,182	-	-	-	-	-	-	71,182
Claims on banks	-	708,660	-	-	2,179	-	73,359	5,531	789,730
Claims on corporate	280,912	314,501	829,139	290,669	697,614	213,148	751,165	752,301	4,129,448
Regulatory retail exposures	1,928,189	-	-	-	-	-	-	2,542	1,930,731
Past due exposures	41,010	1,615	398	49	11,224	66	3,258	2,731	60,351
Other exposures	48,947	8,214	-	1,394	653	35	142,804	157,297	359,344
Total	2,299,058	2,183,767	829,537	439,499	711,670	213,885	970,586	1,830,513	9,478,514
Percentage of gross credit risk exposure by industry segment	24.3%	23.0%	8.8%	4.6%	7.5%	2.3%	10.2%	19.3%	100.0%

Risk Management

Residual Maturity Distribution of Gross Credit Risk Exposures

The residual maturity of the gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio, as at 31 December 2025 and 31 December 2024 are shown below:

Total gross credit risk exposures as at 31 December 2025

	(KD Thousands)						
	Upto 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Total
Cash items	42,070	-	-	-	-	-	42,070
Claims on sovereigns	626,342	221,906	254,002	6,084	238,535	132,989	1,479,858
Claims on PSEs	12,491	25,087	5,511	52,405	163,201	489,440	748,135
Claims on MDBs	-	-	19,950	19,856	47,408	-	87,214
Claims on banks	270,162	34,483	140,373	124,646	408,605	104,958	1,083,227
Claims on corporates	517,268	454,454	429,622	620,873	1,067,088	1,223,126	4,312,431
Regulatory retail exposures	753	1,567	3,547	13,787	157,387	1,638,460	1,815,501
Past due exposures	-	-	-	-	26,989	23,146	50,135
Other exposures	175,492	71,952	46,314	32,694	5,051	5	331,508
Total	1,644,578	809,449	899,319	870,345	2,114,264	3,612,124	9,950,079
Percentage of gross credit risk exposure by residual maturity	16.5%	8.1%	9.0%	8.7%	21.2%	36.5%	100.0%

Total gross credit risk exposures as at 31 December 2024

	(KD Thousands)						
	Upto 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Total
Cash items	44,986	-	-	-	-	-	44,986
Claims on sovereigns	1,325,270	208,783	129,761	8,953	19,524	-	1,692,291
Claims on PSEs	6,701	2,182	61	110,982	133,138	147,387	400,451
Claims on MDBs	-	-	-	7,087	63,454	641	71,182
Claims on banks	68,327	106,676	104,489	162,927	272,622	74,689	789,730
Claims on corporates	477,266	544,377	369,589	629,439	885,848	1,222,929	4,129,448
Regulatory retail exposures	30,213	50,414	77,802	155,902	494,030	1,122,369	1,930,731
Past due exposures	-	-	-	-	32,286	28,065	60,351
Other exposures	160,859	80,403	14,589	73,001	332	30,160	359,344
Total	2,113,622	992,835	696,291	1,148,291	1,901,234	2,626,240	9,478,514
Percentage of gross credit risk exposure by residual maturity	22.3%	10.5%	7.3%	12.1%	20.1%	27.7%	100.0%

Impaired Loans and Provisions

Impaired Loans and Provisions by Industry Segments

Impairment on credit facilities shall be recognised in the statement of financial position at an amount equal to the higher of Expected Credit Losses under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. The accounting and measurements of impaired loans and provisions are disclosed in the significant accounting policies note and in Note 12 and Note 24 to the consolidated financial statements.

The industry segments split of impaired loans (past due portion and balance outstanding) and the associated provisions (specific and general) as at 31 December 2025 and 31 December 2024 are shown below:

Impaired loans and provisions (by industry segment) as at 31 December 2025

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision Cash	Specific Provision Cover
	Past due portion	Balance outstanding		
Personal	26,354	47,093	20,739	44.0%
Financial	167	1,118	951	85.1%
Trade and commerce	305	563	259	46.0%
Crude oil and gas	-	49	49	100.0%
Construction	4,320	4,948	628	12.7%
Manufacturing	-	-	-	0.0%
Real estate	11,208	11,289	81	0.7%
Others	1,599	1,599	-	0.0%
Total	43,953	66,659	22,707	34.1%

Impaired loans and provisions (by industry segment) as at 31 December 2024

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision Cash	Specific Provision Cover
	Past due portion	Balance outstanding		
Personal	41,010	63,434	22,424	35.4%
Financial	600	600	-	0.0%
Trade and commerce	265	633	368	58.2%
Crude oil and gas	49	49	-	0.0%
Construction	6,231	6,343	112	1.8%
Manufacturing	56	111	56	50.1%
Real estate	3,258	3,677	419	11.4%
Others	1,768	1,795	26	1.4%
Total	53,237	76,642	23,404	30.5%

Risk Management

Provision Charge by Industry Segments

The industry segments split of the provision charges and write-offs are shown below:

Provision Charges during 2025 (by Industry Segments)

(KD Thousands)

	Charge/(Release) for impairment provision		
	Specific Charge	General Charge	Total Charge
Personal	53,851	(1,946)	51,905
Financial	879	1,958	2,837
Trade and commerce	1,321	212	1,533
Crude oil and gas	49	(83)	(34)
Construction	1,780	(337)	1,443
Manufacturing	(72)	770	698
Real estate	(338)	714	376
Others	(32)	(10,551)	(10,583)
Total	57,438	(9,263)	48,175

Provision Charges during 2024 (by Industry Segments)

(KD Thousands)

	Charge/(Release) for impairment provision		
	Specific Charge	General Charge	Total Charge
Personal	42,363	(224)	42,139
Financial	23	292	315
Trade and commerce	2,322	249	2,571
Crude oil and gas	-	119	119
Construction	17,299	(32)	17,267
Manufacturing	30,683	(13,546)	17,137
Real estate	(1,201)	355	(846)
Others	2,861	(46,650)	(43,789)
Total	94,350	(59,437)	34,913

Specific charge mentioned above excludes **KD 62.5 million** (2024: KD 76.6 million) amounts written off during the year, for more details refer Note 12 of consolidated financial statements.

Impaired Loans and Provisions by Geographical Segments

The geographical split of impaired (i.e. non-performing) loans and the associated provisions cover as at 31 December 2025 and 31 December 2024 are shown below:

Impaired loans and provisions (by Geographical Region) as at 31 December 2025

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision Cash	Specific Provision Cover
	Past due portion	Balance outstanding		
Kuwait	43,786	65,541	21,756	33.2%
Other Middle East	167	1,118	951	85.1%
Western Europe	-	-	-	0.0%
USA & Canada	-	-	-	0.0%
Asia Pacific	-	-	-	0.0%
Rest of World	-	-	-	0.0%
Total	43,953	66,659	22,707	34.1%

Impaired loans and provisions (by Geographical Region) as at 31 December 2024

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision Cash	Specific Provision Cover
	Past due portion	Balance outstanding		
Kuwait	53,237	76,642	23,404	30.5%
Other Middle East	-	-	-	0.0%
Western Europe	-	-	-	0.0%
USA & Canada	-	-	-	0.0%
Asia Pacific	-	-	-	0.0%
Rest of World	-	-	-	0.0%
Total	53,237	76,642	23,404	30.5%

The total credit exposure after applying the relevant Basel III standardised approach credit conversion factor ('CCF') but before CRM as at 31 December 2025 and 31 December 2024, broken down by standard credit risk portfolio, are shown below:

Risk Management

Gross credit risk exposure before CRM as at 31 December 2025

(KD Thousands)

	Gross credit exposure			Credit exposure before CRM			
	Funded	Unfunded	Total	Funded Credit Exposure	Unfunded Credit After CCF	FX Contracts After CCF	Total Before CRM
Cash items	42,070	-	42,070	42,070	-	-	42,070
Claims on sovereigns	1,479,858	-	1,479,858	1,479,858	-	38	1,479,896
Claims on PSEs	580,785	167,350	748,135	580,785	90,397	-	671,182
Claims on MDBs	87,214	-	87,214	87,214	-	-	87,214
Claims on banks	714,467	368,760	1,083,227	714,467	172,209	5,291	891,967
Claims on corporates	2,811,151	1,501,280	4,312,431	2,811,151	610,789	462	3,422,402
Retail exposures	1,815,198	303	1,815,501	1,815,198	147	-	1,815,345
Past due exposures	43,954	6,181	50,135	43,954	3,091	-	47,045
Other exposures	331,130	378	331,508	331,130	189	-	331,319
Total	7,905,827	2,044,252	9,950,079	7,905,827	876,822	5,791	8,788,440

Gross credit risk exposure before CRM as at 31 December 2024

(KD Thousands)

	Gross credit exposure			Credit exposure before CRM			
	Funded	Unfunded	Total	Funded Credit Exposure	Unfunded Credit After CCF	FX Contracts After CCF	Total Before CRM
Cash items	44,986	-	44,986	44,986	-	-	44,986
Claims on sovereigns	1,692,291	-	1,692,291	1,692,291	-	63	1,692,354
Claims on PSEs	346,712	53,739	400,451	346,712	26,710	-	373,422
Claims on MDBs	71,182	-	71,182	71,182	-	-	71,182
Claims on banks	444,630	345,100	789,730	444,630	169,564	2,094	616,288
Claims on corporates	2,752,034	1,377,414	4,129,448	2,752,034	595,226	37	3,347,297
Retail exposures	1,927,776	2,955	1,930,731	1,927,776	1,477	-	1,929,253
Past due exposures	53,237	7,114	60,351	53,237	3,557	-	56,794
Other exposures	359,087	257	359,344	359,087	128	-	359,215
Total	7,691,935	1,786,579	9,478,514	7,691,935	796,662	2,194	8,490,791

Credit Risk Mitigation and Credit Risk-Weighted Assets

Under the Basel III standardized approach for credit risk, CRM techniques are used to reduce the risk-weighted amount of credit risk exposures for capital adequacy purposes. Note 24 (A) to the consolidated financial statements explains credit risk in detail and also outlines Group's policy and framework to manage it. As per Basel III CBK guidelines, real estate is not considered as an eligible CRM for capital computation purposes.

As per Credit Policy of the Group, collateral requirement, coverage and top up, if any, will be decided upon by the Credit Committee who approves the credit facilities based on various factors including financial strength of the borrower, cash flows sources for repayment, track record, group support, volatility, etc. Wherever the share collateral is the main source of repayment, a top up clause must be maintained. When the value of the collateral held in respect of a particular loan falls below the initial prescribed collateral coverage ratio and reaches the top up ratio threshold, the customer is requested to provide additional collateral or partially settle exposure to increase the coverage. Quoted shares are valued daily by using Bursa Kuwait prices and recognised stock exchange. In certain cases, personal/corporate guarantees from high net worth individuals or companies are also used to help secure credit facilities. The CRM treatment of these guarantees for capital computation is strictly as stipulated under Basel guidelines.

Consumer loans are generally not secured, but the credit risk is minimised by the 'assignment of salary' condition that requires the customer's employer to pay their salary directly to their Gulf Bank Group account. Collateral or security, normally in the form of a blocked customer deposit with the Group, or a personal guarantee or standing orders, is taken on some occasions when consumer loans are granted without an assignment of salary.

Total Credit Exposure after Credit Risk Mitigation and Resulting Credit Risk Weighted Assets

The exposure after CRM, as at 31 December 2025 and 31 December 2024 and the resulting credit risk-weighted assets are further divided into rated and unrated exposures as given below:

Credit Risk Exposure after CRM; risk-weighted assets ('RWAs) as at 31 December 2025

(KD Thousands)

	CRM			Credit exposure after CRM	Risk - Weighted Assets		
	Credit exposure before CRM	Eligible Financial Collateral	Eligible Guarantees		Rated	Unrated	Total
Cash items	42,070	-	-	42,070	-	-	-
Claims on sovereigns	1,479,896	151,260	-	1,328,636	57,821	43,557	101,378
Claims on PSEs	671,182	118,771	-	552,411	162,441	-	162,441
Claims on MDBs	87,214	-	-	87,214	48,498	-	48,498
Claims on banks	891,967	21,620	-	870,347	467,765	4,178	471,943
Claims on corporates	3,422,402	617,184	-	2,805,218	274,039	2,438,459	2,712,498
Retail exposures	1,815,345	112,054	-	1,703,291	-	1,703,069	1,703,069
Past due exposures	47,045	4,516	-	42,529	-	34,874	34,874
Other exposures	331,319	69,963	-	261,356	-	325,917	325,917
Total	8,788,440	1,095,368	-	7,693,072	1,010,564	4,550,054	5,560,618

Risk Management

Credit Risk Exposure after CRM; risk-weighted assets ('RWAs) as at 31 December 2024

(KD Thousands)

	CRM			Credit exposure after CRM	Risk - Weighted Assets		
	Credit exposure before CRM	Eligible Financial Collateral	Eligible Guarantees		Rated	Unrated	Total
Cash items	44,986	-	-	44,986	-	-	-
Claims on sovereigns	1,692,354	261,250	-	1,431,104	7,417	-	7,417
Claims on PSEs	373,422	61,536	-	311,886	84,369	-	84,369
Claims on MDBs	71,182	-	-	71,182	40,643	-	40,643
Claims on banks	616,288	34,460	-	581,828	285,673	335	286,008
Claims on corporates	3,347,297	580,053	-	2,767,244	219,825	2,441,029	2,660,854
Retail exposures	1,929,253	129,792	-	1,799,461	-	1,798,532	1,798,532
Past due exposures	56,794	4,223	-	52,571	-	48,343	48,343
Other exposures	359,215	62,763	-	296,452	-	355,878	355,878
Total	8,490,791	1,134,077	-	7,356,714	637,927	4,644,117	5,282,044

Most of the CRM takes the form of eligible financial collateral, mainly equities listed on the Kuwait stock exchange and cash deposits.

Trading Portfolio

Trading portfolio is limited to a modest amount of open currency position in the course of facilitating customer needs, trading and the Group's Balance Sheet management.

The Group uses standardised approach for determining the capital required for market risk. The trading book is marked to market on a daily basis and the Group uses a structure of limits to manage and control the market risk exposures from trading activities. The Group also uses trading Value at Risk (VAR) to track and observe foreign exchange risks. As per Basel III, total market risk weighted assets is determined by multiplying the market risk capital charge by 12.5.

The details of the market risk capital charge for the Group as at 31 December 2025 and 31 December 2024 are shown in the following table:

(KD thousands)

Market Risk	31-Dec-25	31-Dec-24	Variance
Interest rate position risk	-	-	-
Foreign exchange risk	490	145	345
Total market risk capital charge	490	145	345
Market risk - weighted assets	6,125	1,813	4,313
Total market risk capital requirement at 13.0% (2024 13.0%)	796	236	560

On 31 December 2025, total market risk weighted assets were **KD 6.13 million** (2024: KD 1.81 million) and total capital requirement was **KD 796 thousand** (2024: KD 236 thousand).

Operational Risk

The Group's business activities are mapped into the following three business lines: trading and sales, commercial Banking and retail Banking. The Group's internal funds transfer pricing methodology is used to allocate interest income and interest expense between the above business lines.

The details of the operational risk capital charge for the Group as at 31 December 2025 and 31 December 2024 are shown in the following table:

Operational Risk as at 31 December 2025

	3 year average gross income	Beta factor	Operational risk capital charge
Trading and sales	57,957	18%	10,432
Commercial banking	57,908	15%	8,686
Retail banking	76,959	12%	9,235
Total	192,825		28,353
Total operational risk weighted exposure			354,413
Total operational risk capital requirement (at 13.0%)			46,074

Operational Risk as at 31 December 2024

	3 year average gross income	Beta factor	Operational risk capital charge
Trading and sales	50,031	18%	9,006
Commercial banking	60,582	15%	9,087
Retail banking	79,603	12%	9,552
Total	190,216		27,645
Total operational risk weighted exposure			345,563
Total operational risk capital requirement (at 13.0%)			44,923

As per Basel III, the total operational risk capital charge is calculated by multiplying the three year average gross income of the business lines by a pre-defined beta factor. The total operational risk weighted exposure is determined by multiplying the operational risk capital charge by 12.5. Gross income includes net interest income and net non-interest income. At 31 December 2025 operational risk-weighted exposure was **KD 354.4 million** (2024: KD 345.6 million) and total operational risk capital requirement was **KD 46 million** (2024: KD 45 million).

Risk Management

Equity Risk in the Banking Book

The Group does not trade in equities. All of the Bank's equity investments are held in the Banking (i.e. non-trading) book and are classified as FVOCI, i.e. they represent assets acquired to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Fair value gains and losses are recognised in Other comprehensive income (OCI) and are not subsequently reclassified to income statement, including on disposal. Upon disposal cumulative gains or losses are reclassified from fair valuation reserve to retained earnings in the statement of changes in equity. The fair values of quoted instruments are based on the quoted closing bid prices or by using the current market rate for the instrument. The fair values of unquoted instruments estimated by using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price/net asset values. The Group uses external valuation services when necessary.

The fair value of the investment securities-equity held at 31 December 2025 and 31 December 2024 are shown below, along with the cumulative unrealised gains in the fair valuation reserve in equity and the regulatory capital implications.

Information related to Group's equity position in the Banking book as at 31 December 2025

	(KD Thousands)		
	Publicly traded	Privately traded	Total investment securities
Total fair value of equity securities at FVOCI/FVTPL		30,065	30,065
Unrealised gains in equity securities (part of CET1)		2,571	2,571
Regulatory capital details			
Regulatory capital requirement	-	4,209	4,209
Disposal details			
Income from disposal of investment securities			-

Information related to Group's equity position in the Banking book as at 31 December 2024

	(KD Thousands)		
	Publicly traded	Privately traded	Total investment securities
Total fair value of equity securities	13,932	21,391	35,323
Unrealised gains in equity securities (part of CET1)	1,792	328	2,120
Regulatory capital details			
Regulatory capital requirement	1,950	2,995	4,945
Disposal details			
Income from disposal of investment securities			-

Interest Rate Risk in the Banking Book

Future net interest income is affected by movements in interest rates and a principal part of the Group's management of market risk in the banking (i.e. non-trading) book is to manage the sensitivity of the Group's net interest income to changes in market interest rates. The sensitivity of net interest income to interest rate changes is provided in note 24 (B) to the consolidated financial statements.

Counter Party Credit Risk

The Group has put in place risk policies and processes to identify, measure, monitor and report on counter party credit risk. These policies are integrated into credit risk management and have been applied in determining the internal limits for maximum exposures based on the counterparty's credit rating. High grade counter parties will attract higher limits exposures while low credit grade customers will be restricted lower level exposures. These limits have been determined based on the probability of default associated with each risk grade of borrowers. Based on the probability of default the Bank seeks to minimize the unexpected losses.

For foreign exchange contracts the limits structure have been set up are based on the tenor of the contract and the risks which are the function of the volatility of the underlying. Counterparty limits structures are in place, by product, including limits for settlement risk.

Remuneration Policy

For details refer to the Annual Report - Corporate Governance section.

Risk Management

Leverage ratio common disclosure template

In accordance with the CBK guidelines (CBK circular No.2/BS/342/2015), Kuwait banks must maintain minimum leverage ratio of 3%. Leverage ratio is calculated as a ratio of Tier 1 capital as per Basel III to the total exposure. Total exposure is the sum of on balance sheet exposures and off balance sheet exposures after adjusting the credit conversion factor.

		(KD thousands)		
		31-Dec-25	31-Dec-24	Variance
On-balance sheet exposures				
1.	On-balance sheet items (excluding derivatives and SFTs, but including collaterals)	7,699,709	7,480,148	219,561
2.	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	-	-
3.	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	7,699,709	7,480,148	219,561
Derivative exposures				
4.	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-	-	-
5.	Add-on amounts for PFE associated with all derivatives transactions	-	-	-
6.	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-
7.	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-
8.	(Exempted CCP leg of client-cleared trade exposures)	-	-	-
9.	Adjusted effective notional amount of written credit derivatives	-	-	-
10.	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-
11.	Total derivative exposures (sum of lines 4 to 10)	-	-	-
Securities financing transaction exposures				
12.	Gross SFT assets (with no recognition of netting)	-	-	-
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
14.	CCR exposure for SFT assets	-	-	-
15.	Agent transaction exposures	-	-	-
16.	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-	-
Other off-balance sheet exposures				
17.	Off-balance sheet exposure (before implementation of CCF)	3,237,417	3,053,332	184,085
18.	(Adjustments for conversion to credit equivalent amounts)	(2,128,982)	(1,992,643)	(136,339)
19.	Off-balance sheet items (sum of lines 17 and 18)	1,108,436	1,060,690	47,746
Capital and total exposures				
20.	Tier 1 capital	854,365	833,603	20,762
21.	Total exposures (sum of lines 3, 11, 16 and 19)	8,808,145	8,540,838	267,307
Leverage ratio				
22.	Basel III leverage ratio (Tier 1 capital (20) /Total exposures (21))	9.70%	9.76%	(0.06%)

Following is the reconciliation of on balance sheet assets as per the published consolidated financial statements along with the total exposure amount in the leverage ratio measure.

SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

(KD thousands)

	31-Dec-25	31-Dec-24	Variance
1. Total consolidated assets as per published financial statements	7,699,709	7,480,148	219,561
2. Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-
3. Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-
4. Adjustments for derivative financial instruments	-	-	-
5. Adjustment for securities financing transactions (i.e. repo and similar secured lending)	-	-	-
6. Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,108,436	1,060,690	47,746
7. Other adjustments	-	-	-
8. Leverage ratio exposure	8,808,145	8,540,838	267,307





Consolidated Financial Statements

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Independent Auditors' Report

To The Shareholders Of Gulf Bank K.S.C.P.



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Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Bank K.S.C.P. (the “Bank”) and its subsidiary (together, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 issued by the International Accounting Standards Board (IASB) as adopted by the Central Bank of Kuwait (CBK) for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 the consolidated 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 loans and advances

The recognition of credit losses on loans and advances (“credit facilities”) is the higher of the Expected Credit Loss (“ECL”) under International Financial Reporting Standard 9: Financial Instruments (“IFRS 9”), determined in accordance with the CBK guidelines, and the provision required by the CBK rules on classification of credit facilities and calculation of their provision (the “CBK rules”) as disclosed in the accounting policies in notes 2 and 12 to the consolidated financial statements.

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

Credit losses on loans and advances (continued)

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

The recognition of specific provision on impaired facility under the CBK rules is based on the instructions by CBK on the minimum provision to be recognized, together with any additional provision to be recognised based on management estimate of expected cash flows related to that credit facility.

Due to the significance of credit facilities and the related estimation uncertainty and management's judgement in assessing significant increase in credit risk and classification of credit facilities into various stages, and adjustments to ECL models, where applicable, this was considered as a key audit matter.

Our audit procedures included assessing the design and implementation of controls over the inputs 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 credit facilities outstanding as at the reporting date, and evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit 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, where applicable, considered by management, in order to determine ECL, taking into consideration the CBK guidelines. For a sample of credit facilities, we have computed the ECL, including the eligibility and value of collateral considered in the ECL models used by the Group. We have also evaluated the various inputs and assumptions used by the Group's management to determine ECL.

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, where applicable, it has been computed accordingly. For the samples selected, we have verified whether all impairment events have been identified by the Group's management. For the selected samples, which also included impaired credit 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. The other information comprises 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 Annual Report for the year ended 31 December 2025 after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance or 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 of other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

To The Shareholders Of Gulf Bank K.S.C.P.

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 issued by the IASB as adopted by CBK for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 the 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 performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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.

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 Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments, and 2/BS/342/2014 dated 21 October 2014, and its amendments respectively, the Companies Law No I of 2016, as amended, and its executive regulations, as amended, or 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, 2/BS/342/2014 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.

BADER A. AL-ABDULJADER

LICENCE NO. 207 A

EY

AL-AIBAN, AL-OSAIMI & PARTNER

29 January 2026

Kuwait

ALI B. AL-WAZZAN

LICENCE NO. 246 A

DELOITTE & TOUCHE

AL-WAZZAN & CO.

Consolidated Income Statement

Year Ended 31 December 2025

	NOTES	2025 KD 000's	2024 KD 000's
Interest income	4	380,349	403,476
Interest expense	5	(234,325)	(247,228)
Net interest income		146,024	156,248
Net fees and commissions	6	28,267	25,617
Net gains from dealing in foreign currencies and derivatives		9,983	10,567
Dividend income		1,668	1,001
Other income		2,941	5,895
Operating income		188,883	199,328
Staff expenses		53,912	53,489
Occupancy costs		2,531	2,779
Depreciation		8,736	8,116
Other expenses		29,113	28,202
Operating expenses		94,292	92,586
OPERATING PROFIT BEFORE PROVISIONS/ IMPAIRMENT LOSSES		94,591	106,742
Charge (release) of provisions:			
- specific	7	57,438	81,188
- general	12,18	(9,263)	(46,275)
Loan recoveries, net of write-off	12	(8,873)	8,651
Net provision on other financial assets	9,13	5	(62)
		39,307	43,502
OPERATING PROFIT BEFORE DIRECTORS' REMUNERATION AND TAXATION		55,284	63,240
Directors' remuneration	22	430	240
Contribution to Kuwait Foundation for the Advancement of Sciences		553	633
National Labour Support Tax		1,381	1,572
Zakat		540	623
PROFIT FOR THE YEAR		52,380	60,172
EARNINGS PER SHARE Basic and diluted per share (Fils)	8	13	15

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2025

	2025 KD 000's	2024 KD 000's
Profit for the year	52,380	60,172
Other comprehensive income		
<i>Items that will not be reclassified subsequently to the consolidated income statement:</i>		
Net changes in fair value of investment securities-equity	6,590	2,836
Revaluation of premises and equipment	(295)	(371)
<i>Items that are or may be reclassified subsequently to the consolidated income statement:</i>		
Net changes in fair value of debt instruments at FVOCI	21	-
Other comprehensive income for the year	6,316	2,465
Total comprehensive income for the year	58,696	62,637

STRATEGIC REVIEW

BUSINESS OVERVIEW

GOVERNANCE

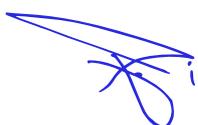
CONSOLIDATED
FINANCIAL STATEMENTS

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of Financial Position

As at 31 December 2025

	NOTES	2025 KD 000's	2024 KD 000's
ASSETS			
Cash and cash equivalents	9	843,128	1,387,876
Kuwait Government treasury bonds	10	221,000	2,500
Central Bank of Kuwait bonds	11	15,789	140,031
Deposits with banks and other financial institutions	9	302,330	135,468
Loans and advances	12	5,858,707	5,466,938
Investment securities	13	308,761	204,625
Other assets	14	109,241	101,762
Premises and equipment		40,753	40,948
TOTAL ASSETS		7,699,709	7,480,148
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	15	187,956	365,430
Deposits from financial institutions	15	769,904	944,513
Customer deposits	16	4,954,788	4,656,680
Other borrowed funds	17	778,540	519,824
Other liabilities	18	154,156	160,098
TOTAL LIABILITIES		6,845,344	6,646,545
EQUITY			
Share capital	19	399,263	380,250
Proposed bonus shares	22	19,963	19,013
Statutory reserve	20	72,390	66,862
Share premium	20	186,937	186,937
Property revaluation reserve	20	17,308	17,603
Fair valuation reserve		2,571	2,120
Retained earnings		158,310	163,195
		856,742	835,980
Treasury shares	21	(2,377)	(2,377)
TOTAL EQUITY		854,365	833,603
TOTAL LIABILITIES AND EQUITY		7,699,709	7,480,148



Ahmad Mohammad AlBahar
(Chairman)



Sami Bakhos Mahfouz
(Acting Chief Executive Officer)

The attached notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended 31 December 2025

	NOTES	2025 KD 000's	2024 KD 000's
OPERATING ACTIVITIES			
Profit for the year before directors' remuneration and taxation		55,284	63,240
Adjustments:			
Dividend income		(1,668)	(1,001)
Depreciation		8,736	8,116
Loan loss provisions	7,12,18	48,175	34,913
Net provision on other financial assets	9,13	5	(62)
<i>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</i>		110,532	105,206
<i>(Increase)/decrease in operating assets:</i>			
Kuwait Government treasury bonds		(218,500)	14,000
Central Bank of Kuwait bonds		124,242	197,684
Deposits with banks and other financial institutions		(166,867)	45,514
Loans and advances		(444,342)	(291,824)
Other assets		(4,046)	10,754
<i>(Decrease)/increase in operating liabilities:</i>			
Due to banks		(177,474)	109,076
Deposits from financial institutions		(174,609)	(204,070)
Customer deposits		298,108	437,421
Other liabilities		(1,553)	(16,609)
Taxes paid		(2,895)	(3,340)
<i>NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</i>		(657,404)	403,812
INVESTING ACTIVITIES			
Purchase of investment securities		(393,183)	(285,517)
Proceeds from sale/maturity of investment securities		292,225	280,847
Purchase of premises and equipment		(8,836)	(9,952)
Dividend income received		1,668	1,001
<i>NET CASH FLOWS USED IN INVESTING ACTIVITIES</i>		(108,126)	(13,621)
FINANCING ACTIVITIES			
Net proceeds from other borrowed funds	17	258,716	(50,238)
Dividend paid	22	(37,934)	(43,457)
Purchase of treasury shares	21	-	(2,377)
<i>NET CASH FLOWS FROM/USED IN FINANCING ACTIVITIES</i>		220,782	(96,072)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(544,748)	294,119
CASH AND CASH EQUIVALENTS AT 1 JANUARY		1,387,876	1,093,757
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	843,128	1,387,876
<i>Additional cash flows information</i>			
Interest received		374,293	405,595
Interest paid		234,707	250,149

The attached notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended 31 December 2025

	RESERVES							Treasury shares KD 000's	Total KD 000's	
	Share capital KD 000's	Proposed bonus shares KD 000's	Statutory reserve KD 000's	Share premium KD 000's	Property revaluation reserve KD 000's	Fair valuation reserve KD 000's	Retained earnings KD 000's			Sub-total reserves KD 000's
At 1 January 2024	362,143	18,107	60,538	186,937	17,974	(716)	171,817	436,550	-	816,800
Profit for the year	-	-	-	-	-	-	60,172	60,172	-	60,172
Other comprehensive (loss) income for the year	-	-	-	(371)	2,836	-	-	2,465	-	2,465
Total comprehensive (loss) income for the year	-	-	-	(371)	2,836	-	60,172	62,637	-	62,637
Dividend paid (Note 22)	-	-	-	-	-	-	(43,457)	(43,457)	-	(43,457)
Issue of bonus shares (Note 22)	18,107	(18,107)	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(2,377)	(2,377)
Transfer to reserve	-	-	6,324	-	-	-	(6,324)	-	-	-
Proposed bonus shares (Note 22)	-	19,013	-	-	-	-	(19,013)	(19,013)	-	-
At 31 December 2024	380,250	19,013	66,862	186,937	17,603	2,120	163,195	436,717	(2,377)	833,603
At 1 January 2025	380,250	19,013	66,862	186,937	17,603	2,120	163,195	436,717	(2,377)	833,603
Profit for the year	-	-	-	-	-	-	52,380	52,380	-	52,380
Other comprehensive (loss) income for the year	-	-	-	(295)	6,611	-	-	6,316	-	6,316
Total comprehensive (loss) income for the year	-	-	-	(295)	6,611	-	52,380	58,696	-	58,696
Dividend paid (Note 22)	-	-	-	-	-	-	(37,934)	(37,934)	-	(37,934)
Issue of bonus shares (Note 22)	19,013	(19,013)	-	-	-	-	-	-	-	-
Realised gain on equity securities at FVOCI	-	-	-	-	(6,160)	-	6,160	-	-	-
Transfer to reserve	-	-	5,528	-	-	-	(5,528)	-	-	-
Proposed bonus shares (Note 22)	-	19,963	-	-	-	-	(19,963)	(19,963)	-	-
At 31 December 2025	399,263	19,963	72,390	186,937	17,308	2,571	158,310	437,516	(2,377)	854,365

The attached notes 1 to 30 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. INCORPORATION AND REGISTRATION

Gulf Bank K.S.C.P. (the "Bank") is a public shareholding company incorporated in Kuwait on 29 October 1960 and is registered as a bank with the Central Bank of Kuwait (the "CBK"). The Bank's shares are listed on Boursa Kuwait. Its registered office is at Mubarak Al Kabir Street, P.O. Box 3200, 13032 Safat, Kuwait City.

Gulf Capital Investment Company KSCC is a 100% owned subsidiary, with an authorized, issued and fully paid up capital of **KD 10,000 thousand**, engaged in securities activities in the State of Kuwait.

The Bank and its subsidiary are together referred to as (the "Group") in this consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 14 January 2026. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

During the year, the Bank has received an initial approval from the CBK for its conversion to an Islamic bank in accordance with Islamic Shari'ah. This conversion is subject to final approvals from the CBK, shareholders and other regulatory authorities. The Bank is in the process of carrying out all necessary arrangements for the conversion.

The principal activities of the Group are described in Note 27.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis, except for investment securities at fair value through other comprehensive income and fair value through profit or loss, derivative financial instruments, freehold land and buildings that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Group's functional currency, rounded off to the nearest thousand (KD 000), except when otherwise indicated.

2.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait 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") with an amendment for measuring the expected credit loss ("ECL") on credit facilities at the higher of ECL computed under IFRS 9 – 'Financial Instruments' in accordance to the 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 in the State of Kuwait".

2.3 Presentation of consolidated financial statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement is presented in note 24(D).

2.4 Changes in accounting policies and disclosures

The accounting policies applied are consistent with those used in previous year. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following amendment to existing IFRS accounting standards became effective for annual periods beginning on 1 January 2025:

- Lack of exchangeability - Amendments to IAS 21

This amendment did not have an impact on the Group's consolidated financial statements at 31 December 2025.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December each year.

Subsidiaries are those entities controlled by the Bank. Control is achieved when the Bank 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. The Bank 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. The financial statements of subsidiaries are included in these consolidated financial statements on a line-by-line basis, from the date on which the control is transferred to the Group until the date that such control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intra-group balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intra-group transactions are also eliminated in full.

2.6 Summary of material accounting policies

a. Financial instruments

Classification of financial instruments

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") (with and without recycling of gains or losses to profit or loss on derecognition of debt and equity instruments, respectively), and fair value through profit or loss («FVTPL»). The Group determines the classification of financial assets based on the business model in which assets are managed and their contractual cash flow characteristics.

Business model assessment

The business model reflects how the Group manages the financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of <Sell> business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- 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; and
- 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.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

SPPI Test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the «SPPI 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).

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility in contractual cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Recognition/de-recognition

A financial asset or a financial liability is recognised at fair value when the Group becomes a party to the contractual provisions of the instrument. Transaction costs are added to, or subtracted from, only for those financial instruments that are not measured at fair value through consolidated income statement.

All regular way purchases and sales of financial assets are recognised using settlement date accounting i.e. the date that the Group receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement, or in consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset (in whole or in part) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired, or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a «pass through» arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 agreement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

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 lender 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 recognition of a new liability and the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated income statement.

Measurement of financial instruments

All financial instruments are initially recognised at fair value. Transaction costs are included only for those financial instruments that are not measured at fair value through profit or loss.

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest "SPPI" on the principal amount outstanding.

Cash and cash equivalents, Kuwait Government treasury bonds, Central Bank of Kuwait bonds, deposits with banks and other financial institutions, loans and advances, certain investment debt securities and certain other assets are classified as financial assets carried at amortised cost using the Effective Interest rate (EIR) method and are presented net of expected credit losses. Interest income from these financial assets is included in <Interest income> using the EIR method.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in consolidated income statement. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement and recognised in <Realised gains from disposal of investment securities>. Interest income from these financial assets is included in <Interest income> using the EIR method.

All other financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on debt instruments that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in consolidated income statement and presented in the consolidated income statement within <Net trading income> in the period in which it arises.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Equity instruments at FVOCI

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Group subsequently measures all equity instruments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to consolidated income statement, including on disposal. Such classification is determined on an instrument by instrument basis. Equity instruments at FVOCI are not subject to impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair valuation reserve to retained earnings in the consolidated statement of changes in equity. Dividends, when representing a return on such investments, to be recognised in consolidated income statement as 'Dividend income' when the Group's right to receive payments is established.

Financial asset at FVTPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Included in this classification are derivatives that are not designated as hedging instruments in a hedge relationship, that have been acquired principally for the purpose of selling or repurchasing in the near term. Income recognised, from these financial assets is included in 'Net gains from dealing in foreign currencies'.

Financial liabilities carried at amortised cost

Due to banks, deposits from financial institutions, customer deposits, Subordinated Tier 2 bonds and medium term borrowings are classified as financial liabilities. These financial liabilities are initially recognised at their fair value being the issue proceeds net of transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Impairment on financial assets

The Group computes Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- loans and advances including commitments;
- letters of credit, acceptances and financial guarantee contracts including commitments;
- investment in debt securities measured at amortised cost or FVOCI; and
- balances and deposits with banks and other financial institutions.

The Group considers impairment on financial assets mainly in two following categories:

Impairment on credit facilities

Credit facilities include loans and advances, guarantees, letter of credit and acceptances and undrawn commitments. Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Impairment on other financial assets (other than credit facilities)

The Group recognises ECL on investment in debt securities measured at amortised cost or FVOCI and on balances and deposits with banks and other financial institutions. Equity investments are not subject to ECL.

Balances with the Central Bank of Kuwait, Kuwait Government treasury bonds and Central Bank of Kuwait bonds are considered to be low risk and fully recoverable and hence no ECL is recognised.

The Group recognises a 12-month ECL on current accounts with banks and other financial institutions, placements with banks and other financial institutions and debt securities carried at amortised cost that are determined to have low credit risk at the initial recognition date.

Expected Credit Losses

The ECL provision is based on the credit losses expected to arise over the life of the asset "the Life Time Expected Credit Loss" or "LT ECL", unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Loss ("12m ECL").

The 12m ECL is the portion of LT ECLs that represent the ECLs that result from default events on a credit facility that are possible within the 12 months after the reporting date. Both LT ECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of Credit Facilities.

The Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised. 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

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL-credit impaired

Credit facilities, considered as credit-impaired, are those facilities where any payment of principal or interest is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan and credit rating downgrades. For Stage 3, ECL for credit impaired financial asset shall be calculated at 100% of the net default balance after excluding eligible collateral value.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Impairment on financial assets (continued)

Determining the significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and back stop indicators and analysis based on the Group's historical experience, internal credit rating and expert credit risk assessment, including forward-looking information for triggering a significant increase in credit risk for credit facility. Regardless of the change in credit grades, if contractual payments are more than 30 days past due for credit facilities, the credit risk is deemed to have increased significantly since initial recognition. All financial assets, where there has been a significant increase in credit risk since initial recognition are migrated to Stage 2.

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers facilities as credit impaired when there is objective evidence of impairment including whether any payment of principal or interest is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan and credit rating downgrades. All credit impaired financial assets are classified as Stage 3 for ECL measurement purposes. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Purchased or originated credit-impaired financial assets («POCI») are those financial assets that are credit-impaired on initial recognition and are taken to Stage 3.

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 ECLs

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money. The 12- months ECL is equal to the discounted sum over the next 12-months PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of PD over the full remaining life multiplied by LGD and EAD.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Lifetime ECL are recorded on financial assets that exhibit significant increase in credit risk since inception or are credit-impaired.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. If the amount to be written off is greater than the impairment provision, the difference is first treated as an addition to the provision that is then applied against the gross carrying amount. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Commitments

When estimating LT ECLs for undrawn commitments, the Group estimates the expected portion of the commitment that will be drawn down over its expected life. The EAD is calculated after applying credit conversion factor as prescribed by the CBK.

ECLs for undrawn commitments is calculated based on same methodology followed for other drawn credit facilities.

Modification of loans and advances

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether the loan remains past due. If the modifications are substantial, such a facility is derecognised and a new facility is recognised with substantially different terms and conditions. The facility will have a loss allowance measured based on 12 month ECL except in rare occasions where the new facility is considered to be originated credit-impaired. When loans and advances have been modified but not derecognised, any impairment is measured using the original effective interest rate as calculated before the modification of terms. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Provisions for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities 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 credit facility is classified as past due and impaired when the interest/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 but not impaired and Impaired loans 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 provisions %
Watch list	Irregular for a period of up to 90 days	-
Substandard	Irregular for a period of 91 to 180 days	20%
Doubtful	Irregular for a period of 181 to 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. In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities, net of certain categories of collateral, to which the Instructions are applicable and not subject to specific provision. Provision on cash facilities are presented as a deduction from the gross carrying amount of the financial assets carried at amortised cost. Provision on non-cash facilities are recognised in other liabilities.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

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. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair values of quoted instruments are based on quoted closing bid prices. The fair value of investments in managed funds are based on latest published net asset values.

Fair values of unquoted instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price/net asset values.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future cash flows at the current rates for similar financial instruments.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

Day 1 profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the consolidated statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective yield method.

Assets purchased with a corresponding commitment to resell at a specified future date at an agreed price (reverse repos) are not recognised in the consolidated statement of financial position. Amounts paid under these agreements are treated as interest earning assets and the difference between the purchase and resale price is treated as interest income using the effective yield method.

Offsetting

Financial assets and financial liabilities are offset and the net amounts reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

b. Derivative financial instruments and hedging

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. Derivatives with positive fair values (unrealised gains) are included in 'Other assets' and derivatives with negative fair values (unrealised losses) are included in 'Other liabilities' in the consolidated statement of financial position.

Derivatives embedded in financial liability or a non-financial host are separated from the host and accounted for as separate derivatives if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through the consolidated income statement. These embedded derivatives are measured at fair value with the changes in fair value recognised in the consolidated income statement.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. Any changes in the fair value of derivatives that are held for trading are taken directly to the consolidated income statement and are disclosed under operating income. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting described below.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction.

Hedge effectiveness requirements

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of 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.

At the inception of the hedge, the risk management objective and strategy is documented, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in 'Other assets' or 'Other liabilities' and the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in the consolidated statement of comprehensive income and the ineffective portion is recognised in the consolidated income statement. For cash flow hedges affecting future transactions that subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses which are recognised in the consolidated statement of comprehensive income are re-classified into the consolidated income statement in the same period or periods during which the financial asset or financial liability affects the consolidated income statement.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated income statement.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

b. Derivative financial instruments and hedging (continued)

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for hedge accounting or the forecast transaction is no longer expected to occur or the designation is revoked. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept there until the forecast transaction occurs. In cases where the forecast transaction is no longer expected to occur or the designation is revoked, the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement. In the case of fair value hedges of interest-bearing financial instruments, any adjustment to its carrying value relating to the discontinued hedge is amortized over the remaining term to maturity.

c. Repossessed collaterals

The Group occasionally acquires certain assets, which are given as collaterals, in settlement of those related loans and advances. Such asset is stated at the lower of the carrying value of the related loans and advances or the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated income statement.

The Group reviews its repossessed collaterals classified as 'other assets' at each reporting date and ensures that those are valued as per accounting policy applicable to the same class of investments.

d. Provisions

Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

e. End of service indemnity

The Group is liable under the Kuwait Labor Law and specific employee contracts, if any, to make payment under end of service benefits to employees at cessation of employment. The entitlement to these benefits is usually based upon employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The defined benefit plan is unfunded. The present value of the defined benefit obligation is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases, turnovers and retirement age. These assumptions are reviewed at each reporting date.

Defined contribution plan

The Group makes fixed contribution to state plans under a defined contribution plan and has no further payment obligations once the contributions have been paid. The contributions are recognized as <staff expenses> in the consolidated income statement when they are due.

f. Treasury shares

Treasury shares consist of the Group's own issued shares that have been reacquired by the Group and not yet reissued or cancelled, including directly attributable cost. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are sold, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, then to statutory reserve and other reserves. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

g. Premises and equipment

Land and buildings are initially recognised at cost. After initial recognition land is carried at revalued amount, which is the fair value at the date of revaluation. The revaluation is carried out periodically by professional property valuers. The resultant revaluation surplus or deficit is recognised in the consolidated statement of comprehensive income to the extent the deficit does not exceed the previously recognised surplus. The portion of the revaluation deficit that exceeds a previously recognised revaluation surplus is recognised in the consolidated income statement. To the extent that a revaluation surplus reverses a revaluation loss previously recognised in the consolidated income statement, the increase is recognised in the consolidated income statement. Upon disposal, the revaluation reserve relating to land sold is transferred directly to retained earnings.

Equipment are stated at cost, less accumulated depreciation and impairment losses if any. Land is not depreciated. Depreciation of buildings and equipment is provided on a straight-line basis over their estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings 5 to 10 years

Equipment 3 to 5 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

h. 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 to sell and its value in use. Where 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 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, external valuations or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may 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 exceeds 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 income statement.

Impairment losses relating to goodwill cannot be reversed in future periods.

i. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Other fees and commission income are recognised as the services are provided. Dividend income is recognised when the right to receive payment is established.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

j. Interest income and expenses

Interest income and expense are recognised in the consolidated income statement for all interest bearing instruments using the effective interest rate method. The EIR is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses. Once a financial asset categorised as loans and advances is impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. When a financial asset becomes credit-impaired, the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

k. Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat ("Taxation")

KFAS, NLST and Zakat are provided for in accordance with the fiscal regulations in Kuwait.

l. Leases

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value. Those lease payments are recognized as an operating expense in the consolidated income statement on a straight line basis over the lease term.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The Group recognises right-of-use assets in 'property and equipment' in the consolidated statement of financial position.

Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments. The Group recognises lease liabilities in 'other liabilities' in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

m. Fiduciary assets

Assets held or managed in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position. Income from fiduciary activities is included in 'Net fees and commissions'.

n. Foreign currencies

Foreign currency transactions are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rates of exchange ruling at the reporting date. Forward exchange contracts are valued at the forward rates ruling at the statement of reporting date. Any resultant gains or losses are taken to the consolidated income statement.

In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised directly in the consolidated income statement, foreign exchange differences are recognised in the consolidated income statement.

o. Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand and deposits with banks and other financial institutions (including Central Bank of Kuwait) having original maturities not exceeding thirty days from the date of deposit.

p. Segment reporting

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

q. Financial guarantees, letters of credit, acceptances and undrawn loan commitments

In the ordinary course of business, the Group issues financial guarantees, letters of credit, acceptances and loan commitments. Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received, in 'Other liabilities'. The premium received is recognized in the consolidated income statement in 'net fees and commission' on a straight-line basis over the life of the guarantee. Financial guarantee are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Standards issued but not effective

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2026 have not been early adopted in the preparation of the Group's consolidated financial statements. The Group intends to adopt those standards, if applicable, when they become effective.

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

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

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

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. Most of the electronic settlement systems used by the Group result in real-time settlement. The Group does not expect any material impact on its consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will apply effective for annual periods starting on or after 1 January 2027, with earlier application permitted. IFRS 18 requires retrospective application with specific transition provisions. The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has exercised judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgements and estimates are as follows:

Significant accounting judgements

Classification of financial instruments

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and whether the changes in fair value of instruments are reported in the consolidated income statement or consolidated statement of comprehensive income. Refer Note 2.6.a classification of financial instruments for more information.

Significant estimates and assumptions

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 described below.

Impairment losses on financial instruments

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios.

The Group estimates expected credit loss for debt instruments at amortised cost and FVOCI excluding loans and advances for which the Group apply impairment requirements under CBK regulations. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer Note 2.6.a impairment of financial instruments for more information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of unquoted financial instruments

Valuation of unquoted financial instruments is normally based on one of the following:

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

The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

These values are computed based on significant assumptions including foreign exchange rates, interest rates and volatilities etc. The extent of changes to these rates and volatilities are dependent on market movements, which cannot be predicted with certainty.

4. INTEREST INCOME

	2025 KD 000's	2024 KD 000's
Kuwait Government treasury bonds and CBK Bonds	7,213	13,236
Debt investment securities	9,330	7,081
Placements with banks	36,860	47,675
Loans and advances	326,946	335,484
	380,349	403,476

5. INTEREST EXPENSE

	2025 KD 000's	2024 KD 000's
Sight and savings accounts	4,824	5,030
Time deposits	181,789	195,802
Bank borrowings	10,475	13,910
Other borrowed funds	37,237	32,486
	234,325	247,228

6. NET FEES AND COMMISSIONS

	2025 KD 000's	2024 KD 000's
Total fees and commission income	43,683	40,734
Total fees and commission expense	(15,416)	(15,117)
	28,267	25,617

Total fees and commission income includes **KD 549 thousand** (2024: KD 655 thousand) from fiduciary activities (Note 30).

Notes to the Consolidated Financial Statements

7. SPECIFIC PROVISIONS

	2025 KD 000's	2024 KD 000's
Cash facilities (Note 12)	61,848	68,105
Non-cash facilities (Note 18)	(4,410)	13,083
	57,438	81,188

8. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. The Bank does not have outstanding dilutive potential shares as at 31 December 2025.

	2025 KD 000's	2024 KD 000's
Profit for the year	52,380	60,172
Weighted average number of shares outstanding during the year	<u>Shares</u> 3,983,019,703	<u>Shares</u> 3,987,129,036
Basic and diluted earnings per share	<u>Fils</u> 13	<u>Fils</u> 15

Earnings per share calculations for the year ended 31 December 2025 and 31 December 2024 have been adjusted to the account of bonus shares issued on 15 April 2025 (Note 22). Earnings per share for the year ended 31 December 2024 was 16 fils per share before retroactive adjustment to account for the bonus shares.

9. CASH AND CASH EQUIVALENTS

	2025 KD 000's	2024 KD 000's
Balances with the Central Bank of Kuwait	459,346	543,118
Cash in hand and in current accounts with other banks and other financial institutions	60,683	76,333
Deposits with banks and other financial institutions maturing within 30 days	323,116	768,436
	843,145	1,387,887
Less: Provision for ECL	(17)	(11)
	843,128	1,387,876

9. CASH AND CASH EQUIVALENTS (continued)

At 31 December 2025, deposits with banks and other financial institutions maturing more than 30 days amounted to **KD 302,336 thousand** (2024: KD 135,469 thousand) adjusted by ECL provision amount of **KD 6 thousand** (2024: KD 1 thousand).

At 31 December 2025 and 2024, cash and equivalents and deposits with banks and other financial institutions are classified as Stage 1. During the year, there were no movement between stages.

10. KUWAIT GOVERNMENT TREASURY BONDS

The Central Bank of Kuwait, on behalf of the Ministry of Finance, issues these financial instruments.

	2025 KD 000's	2024 KD 000's
Maturing within one year	71,500	-
Maturing after one year	149,500	2,500
	<u>221,000</u>	<u>2,500</u>

At 31 December 2025 and 2024, Kuwait Government treasury bonds are considered low risk and classified as Stage 1. During the year, there were no movement between stages.

11. CENTRAL BANK OF KUWAIT BONDS

These financial instruments are issued by the Central Bank of Kuwait. They mature within a period not exceeding one year from the date of issuance.

	2025 KD 000's	2024 KD 000's
Central Bank of Kuwait Bonds	<u>15,789</u>	<u>140,031</u>

At 31 December 2025 and 2024, Central Bank of Kuwait bonds are considered low risk and classified as Stage 1. During the year, there were no movement between stages.

Notes to the Consolidated Financial Statements

12. LOANS AND ADVANCES

Loan and advances represent amount advanced to corporate, institutional customers, banks, SMEs and retail customers. The Group's assessment of the credit risk concentration, based on the primary purpose of the loans and advances given, is provided below.

At 31 December 2025:

	Kuwait KD 000's	Other Middle East KD 000's	Western Europe KD 000's	Asia Pacific KD 000's	Rest of World KD 000's	Total KD 000's
Personal	2,111,039	-	-	-	-	2,111,039
Financial	250,067	345,049	132,405	37,461	151,137	916,119
Trade and commerce	456,726	6,975	24,432	-	-	488,133
Crude oil and gas	211,821	93,147	38,175	-	7,635	350,778
Construction	141,609	-	-	7,635	-	149,244
Manufacturing	185,997	51,178	-	15,270	-	252,445
Real estate	945,287	32,067	-	-	64,134	1,041,488
Others	317,375	251,173	154,331	-	55,369	778,248
Gross loans and advances	4,619,921	779,589	349,343	60,366	278,275	6,087,494
Less: Provision for impairment						(228,787)
Loans and advances						5,858,707

At 31 December 2024:

	Kuwait KD 000's	Other Middle East KD 000's	Western Europe KD 000's	Asia Pacific KD 000's	Rest of World KD 000's	Total KD 000's
Personal	2,321,758	-	-	-	1,587	2,323,345
Financial	214,146	358,626	67,978	32,042	111,869	784,661
Trade and commerce	453,035	11,192	14,843	-	-	479,070
Crude oil and gas	189,481	129,325	38,512	-	-	357,318
Construction	146,029	17	-	15,405	-	161,451
Manufacturing	174,093	2,025	-	-	-	176,118
Real estate	866,029	32,245	-	-	64,700	962,974
Others	175,476	227,940	-	-	57,344	460,760
Gross loans and advances	4,540,047	761,370	121,333	47,447	235,500	5,705,697
Less: Provision for impairment						(238,759)
Loans and advances						5,466,938

12. LOANS AND ADVANCES (continued)

Movement in provision for impairment

	2025 KD 000's			2024 KD 000's		
	Specific	General	Total	Specific	General	Total
At 1 January	23,404	215,355	238,759	31,855	261,952	293,807
Amounts written-off	(62,545)	-	(62,545)	(76,556)	-	(76,556)
Charge (release) to consolidated income statement	61,848	(9,275)	52,573	68,105	(46,597)	21,508
At 31 December	<u>22,707</u>	<u>206,080</u>	<u>228,787</u>	<u>23,404</u>	<u>215,355</u>	<u>238,759</u>

The specific and general provisions are based on the requirements of the CBK instructions and IFRS 9 according to CBK guidelines. Refer Note 2.6.a impairment of financial instruments for more information.

Loan recoveries, net of write-off amounting to **KD 8,873 thousand** (2024: KD 8,651 thousand) represent the net difference between loans written off during the year of **KD 1,871 thousand** (2024: KD 16,960 thousand) and recoveries of **KD 10,744 thousand** (2024: KD 8,309 thousand).

Movement in provisions for impairment of loans and advances by class is as follows:	2025 KD 000's			2024 KD 000's		
	Corporate and bank lending	Consumer lending	Total	Corporate and bank lending	Consumer lending	Total
At 1 January	195,350	43,409	238,759	255,232	38,575	293,807
Amounts written-off	(7,010)	(55,535)	(62,545)	(39,652)	(36,904)	(76,556)
(Release) charge to consolidated income statement	(117)	52,690	52,573	(20,230)	41,738	21,508
At 31 December	<u>188,223</u>	<u>40,564</u>	<u>228,787</u>	<u>195,350</u>	<u>43,409</u>	<u>238,759</u>

Refer note 24A for financial assets by class individually impaired.

Provision for non-cash facilities of **KD 27,088 thousand** (2024: KD 31,486 thousand) is included under other liabilities (Note 18).

Comparison between total provisions and IFRS 9 ECL on credit facilities:

	2025 KD 000's	2024 KD 000's
Provision on cash facilities	228,787	238,759
Provision on non-cash facilities	27,088	31,486
Total provisions on credit facilities	<u>255,875</u>	<u>270,245</u>
IFRS 9 ECL on credit facilities	165,960	176,737
Excess of total provisions over IFRS 9 ECL on credit facilities	89,915	93,508
Excess provisions as a percentage of total provisions	<u>35%</u>	<u>35%</u>

Notes to the Consolidated Financial Statements

13. INVESTMENT SECURITIES

	2025 KD 000's	2024 KD 000's
Financial assets at amortised cost	278,696	169,302
Financial assets at FVOCI	27,932	35,323
Financial assets at FVTPL	2,133	-
	<u>308,761</u>	<u>204,625</u>

	2025 KD 000's	2024 KD 000's
Financial assets at amortised cost		
Quoted sovereign bonds/sukuk	265,775	168,681
Quoted other bonds	12,933	642
Less: Provision for ECL	(12)	(21)
	<u>278,696</u>	<u>169,302</u>

	2025 KD 000's	2024 KD 000's
Financial assets at FVOCI		
Quoted equity securities	-	13,932
Unquoted equity securities	22,642	21,391
Quoted other bonds	5,293	-
Less: Provision for ECL	(3)	-
	<u>27,932</u>	<u>35,323</u>

	2025 KD 000's	2024 KD 000's
Financial assets at FVTPL		
Managed funds	2,133	-

At 31 December 2025 and 2024, all the debt investment securities are classified as Stage 1. During the year, there were no movement between stages.

14. OTHER ASSETS

	2025 KD 000's	2024 KD 000's
Accrued interest receivable	36,959	30,903
Sundry debtors and others	16,156	14,733
Less: impairment loss on other receivables	(819)	(819)
Repossessed collaterals	56,945	56,945
	<u>109,241</u>	<u>101,762</u>

The fair value of the real estate properties was determined by approved valuers based on the market comparable approach (Level 3); and not materially different from their carrying values.

15. DUE TO BANKS AND DEPOSITS FROM FINANCIAL INSTITUTIONS

	2025 KD 000's	2024 KD 000's
Due to banks		
Current accounts and demand deposits	15,136	40,412
Time deposits	172,820	325,018
	<u>187,956</u>	<u>365,430</u>
Deposits from financial institutions		
Current accounts and demand deposits	34,527	53,696
Time deposits	735,377	890,817
	<u>769,904</u>	<u>944,513</u>

16. CUSTOMER DEPOSITS

	2025 KD 000's	2024 KD 000's
Current/savings accounts	1,364,451	1,499,673
Time deposits	3,590,337	3,157,007
	<u>4,954,788</u>	<u>4,656,680</u>

Customer deposits include **KD 12,846 thousand** (2024: KD 12,162 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees (refer to Note 26).

17. OTHER BORROWED FUNDS

	Effective interest rate	2025 KD 000's	2024 KD 000's
Subordinated Tier 2 bonds- KWD 2031 (Fixed tranche)	4.00%	25,000	25,000
Subordinated Tier 2 bonds-KWD 2031 (Floating tranche capped at 5%)	CBK+2.25%	25,000	25,000
Medium term borrowings-Floating- (2026-2028)	4.50% to 5.68%	728,540	469,824
		<u>778,540</u>	<u>519,824</u>

Notes to the Consolidated Financial Statements

18. OTHER LIABILITIES

	2025 KD 000's	2024 KD 000's
Accrued interest payable	56,217	56,599
Deferred income	7,765	11,468
Provisions for non-cash facilities (refer movement below)	27,088	31,486
Staff related provisions	31,635	31,548
Lease liabilities	3,934	4,124
Others	27,517	24,873
	154,156	160,098

Movement in provisions for non-cash facilities:

	2025 KD 000's	2024 KD 000's
At 1 January	31,486	18,081
(Release)/charge to the consolidated income statement	(4,398)	13,405
At 31 December	27,088	31,486

19. SHARE CAPITAL

	2025 KD 000's	2024 KD 000's
Issued and fully paid 3,992,627,203 (2024: 3,802,502,099) shares of 100 fils each	399,263	380,250

The authorised share capital of the Bank comprises **4,860,561,006 shares** (2024: 4,860,561,006 shares) of 100 fils each.

20. RESERVES

a) Statutory reserve

In accordance with the Companies Law and the Bank's Articles of Association, 10 percent of the profit for the year before directors' remuneration, contribution to KFAS, NLST and Zakat has been transferred to statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50 percent of paid up share capital.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5 percent of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

b) Share premium

The balance in the share premium account is not available for distribution but can be utilised for capital restructuring to offset the accumulated losses.

c) Property revaluation reserve

The property revaluation reserve represents the surplus of market value over carrying value of the land owned by the Group. The balance in this reserve is non distributable and is taken directly to retained earnings when the underlying assets are disposed off.

21. TREASURY SHARES

	2025	2024
Number of treasury shares	9,607,500	9,150,000
Percentage of treasury shares	0.24%	0.24%
Cost of treasury shares (KD 000's)	2,377	2,377
Weighted average market value of treasury shares (KD 000's)	3,286	2,681

Movement in treasury shares was as follows:

	No. of shares	
	2025	2024
Balance as at 1 January	9,150,000	-
Bonus shares	457,500	-
Purchase	-	9,150,000
Balance as at 31 December	9,607,500	9,150,000

22. PROPOSED DIVIDEND AND DIRECTORS' REMUNERATION

The Board of Directors have recommended distribution of a cash dividend of **9 fils** per share (2024: 10 fils per share) and bonus shares of **5%** amounting to **KD 19,963 thousand** (2024: KD 19,013 thousand) on the outstanding issued share capital as at 31 December 2025 which is subject to approval of shareholders at the Annual General Meeting. The cash dividend and proposed bonus shares, if approved by Annual General Meeting, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

During the year, the shareholders at the Annual General Meeting held on 22 March 2025 approved a cash dividend of 10 fils per share (2023: 12 fils per share) and bonus shares of 5% amounting to **KD 19,013 thousand** (2023: KD 18,107 thousand) for the year ended 31 December 2024. The cash dividend amounting to **KD 37,934 thousand** (2023: KD 43,457 thousand) was recorded and paid subsequently. The bonus shares were distributed on 15 April 2025.

Directors' remuneration of **KD 430 thousand** (2024: KD 240 thousand) is in accordance with local regulations and is subject to approval of the shareholders at the Annual General Meeting (refer to Note 23).

Notes to the Consolidated Financial Statements

23. RELATED PARTY TRANSACTIONS

Certain related parties (major shareholders, board members and executive management of the Bank, their families and companies of which they are principal owners) were customers of the Bank in the ordinary course of business. The terms of these transactions were approved as per the Bank's policies.

The transaction and balances included in the consolidated income statement and consolidated statement of financial position are as follows:

	Number of Board Members or executive management		Number of related parties		2025 KD 000's	2024 KD 000's
	2025	2024	2025	2024		
Board members, major shareholders and other related parties:						
Balances						
Deposits with banks within 30 days	-	-	1	-	31,670	-
Loans and advances	-	1	15	30	165,980	187,648
Credit cards	1	1	3	5	6	32
Deposits	5	7	39	91	783,445	825,947
Commitments/derivatives						
Guarantees /letters of credit	-	-	14	23	25,523	70,724
Forward foreign exchange contracts	-	-	1	-	2,476	-
Transactions						
Interest income	1	1	39	55	10,988	11,101
Interest expense	2	5	27	23	34,172	50,944
Net fees and commissions	5	-	95	89	317	473
Other expenses	-	-	17	17	2,327	3,896
Purchase of equipment	-	-	2	4	34	434
Executive management:						
Balances						
Loans and advances	6	9	-	-	620	782
Credit cards	12	11	-	-	42	42
Deposits	17	17	-	-	684	1,967
Transactions						
Interest income	10	10	-	-	35	44
Interest expense	20	18	-	-	98	131

23. RELATED PARTY TRANSACTIONS (continued)

The loans issued to board members and executive management are repayable within CBK regulatory limits and have interest rates of **4.25% to 6.25%** (2024: 4.75% to 6.75%) per annum. Some of the loans advanced to board members and their related parties are collateralised. The fair value of these collaterals as of 31 December 2025 was **KD 5,200 thousand** (2024: KD 48,031 thousand).

Compensation for key management, including executive management, comprises the following:

	2025 KD 000's	2024 KD 000's
Salaries and other benefits	3,933	4,345
End of service/termination benefits	718	234
Directors' remuneration and meeting attendance fee	619	240
	<u>5,270</u>	<u>4,819</u>

Directors' remuneration of **KD 430 thousand** (2024: KD 240 thousand) and Directors' meeting attendance fee included in other expenses of **KD 189 thousand** (2024: KD Nil) are in accordance with local regulations and are subject to approval of the shareholders at the Annual General Meeting.

24. FINANCIAL INSTRUMENTS

Strategy in using financial instruments

As a commercial bank, the Group's activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. It also seeks to increase these margins by consolidating short term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that may fall due.

With the exception of specific hedging and liquidity management arrangements, foreign exchange and interest rate exposures associated with these instruments are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Risk management

The use of financial instruments also brings with it the associated inherent risks. The Group recognises the relationship between returns and risks associated with the use of financial instruments and the management of risk forms an integral part of the Group's strategic objectives.

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major lines of business. The Group continuously reviews its risk management policies and practices to ensure that the Group is not subject to large asset valuation volatility and earnings volatility.

The Group has constituted a Board Risk Committee (BRC) for enhancing the effectiveness of the Board's monitoring of risk issues facing the Group and to submit periodic reports to the Board of Directors as appropriate. The BRC provides oversight of the Group's Risk Management on a holistic basis and ensure the autonomy and independence of Risk function of the Group. The BRC reviews and recommends all risk management policies and risk appetite for Board of Directors (BOD) approval. BRC reviews all high risk, large and any exposure which do not meet the normal lending criteria. The Risk Management Department is headed by the Chief Risk Officer (CRO) who reports to the Board Risk Committee. The Group has also constituted an Executive Risk Committee (ERC), chaired by the Chief Risk Officer (CRO), which is the apex committee for Risk Governance at the Senior Management level. The Risk Management Department of the Group provides regular reports to the BRC and ERC so that the committee members are well informed of all risk exposures of the Group.

The following sections describe the different risks inherent in the banking process, their nature and how they are managed.

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK

Credit risk is the potential for financial loss due to failure of debtors or counterparties to meet obligations to pay the Group in accordance with agreed terms. It arises principally from lending, trade finance and treasury activities.

Concentrations of credit risk arise when there is a potential for aggravation of losses owing to correlated exposures, for example, when a number of counterparties have common ownership, or are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry, geographic location or ownership.

The Group has comprehensive policies and procedures to control and monitor all such risks. Credit risk is minimized by setting limits for transactions with individual counterparties and counterparties under common ownership, monitoring credit exposures against these limits and continually assessing collateral coverage/quality and the creditworthiness of counterparties.

Individual customer and customer groups, industry segment and country limits are used to diversify lending and avoid undue concentrations. Credit exposure relating to trading activities is controlled by the use of strict counterparty limits, master netting agreements and collateral arrangements (where appropriate), and by limiting the duration of exposures.

Independent Credit Departments covering wholesale and consumer risk, reporting to CRO, is responsible for providing centralised management of credit risk. The responsibilities of the teams include: monitoring adherence to credit policies and procedures; establishing and maintaining large credit exposure policies covering the maximum exposure to customers, groups and other risk concentrations; undertaking independent and objective credit reviews to assess the credit risk for both new facilities and renewals; controlling exposures to banks and other financial institutions; controlling cross-border exposures; controlling exposures to specific industry groups; maintaining and developing the Group's obligor rating process in order to rank order risk and categorize exposures into meaningful segments; and preparing regular reports to senior management on areas such as customer/industry risk concentrations, country limits and cross-border exposures and non-performing accounts and provisions.

The Group also has detailed credit approval criteria for each of its retail loan products. The eligibility criteria vary according to the specific loan product, but include items such as minimum length of employment, minimum salary, etc. Applicants must also provide a reference from their employer, specifying salary and length of service, and in most cases, a commitment from the employer to pay their salary directly to their current account with the Group. In accordance with CBK regulations, the applicant's total monthly debt repayment to income ratio must not exceed the limits stipulated.

Other than BRC, the Group has – seven credit committees: Board Credit and Investment Committee (BCIC), Executive Credit Committee ('ECC'), Management Credit Committee ('MCC'), Consumer Credit Committee ('CCC'), Remedial Credit Committee ('RCC'), Wealth Management Credit Committee ('WMCC') and Classification and Provisions Committee ('CPC').

The Board of Directors has delegated all authority (except credit facilities to Board members and related names) for credit decisions to the BCIC within the CBK guidelines. The responsibilities of the BCIC are to review and approve, reject, modify or conditionally approve credit proposals up to the legal lending limit of the Group in compliance with the credit policies of the Group. BCIC is also vested the authority to grant credit delegation to ECC as stipulated by the Board of Directors.

The ECC has the authority to approve, sanction and amend credit facilities within the approved delegated authority. ECC can also approve credit criteria, credit programs and treasury limits within the approved risk appetite of the Group. ECC has the authority to form new or amend existing Credit Committees within the limits of ECC's overall delegated authority. A summary of all credit approvals are reported to the BRC.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

The MCC with lower delegated authority meets regularly to approve, reject or modify credit applications submitted to it. Applications that fall outside the delegated authority limits of the MCC are referred to the ECC and BCIC based on respective delegation. All MCC decisions are periodically reviewed by the CRO.

The CCC meets as required and has the authority to review the performance of consumer credit portfolio periodically, approve/amend Consumer Credit Criteria subject to the approved Risk Appetite of the Bank and to approve/amend Consumer credit delegation for individual authorities.

RCC reviews all remedial management credits and/or approves or recommends for MCC's or ECC's approval. All proposals to settle, restructure, reschedule, abandon recovery efforts or write-off debts applications that fall outside the delegated authority limits of the Remedial Credit Committee are referred to the relevant Credit Committee.

WMCC has authority to approve, reject or modify credit applications from Wealth Management clients submitted to it within its delegated authority levels. Applications that fall outside the delegated authority limits of the WMCC are referred to the ECC and BCIC based on respective delegation.

CPC operates within the principles of CBK's rules and regulations and the Group's Credit Policy guidelines for credit facilities classification, computation of their provisions and accounting of income generated therefrom and govern the classification of the credit portfolios of the Group and provisioning decisions. The CPC is responsible for making provisions as per IFRS 9 models and methodologies adopted by the Group in line with the guidelines issued by CBK.

Depending on the amount and risk profile of the client, credit applications for corporate and international lending may be reviewed by the Board of Directors, BCIC, ECC, MCC and Remedial Credit Committee and typically include the following information: executive summary, customer profile, summary of limits, amounts outstanding; risk rating and credit memorandum; customer profitability analysis; financial and cash flow analysis; details of purpose of loan, collateral, repayment source and details of guarantors, if applicable; and audited financial statements and/or personal net worth statements, as appropriate.

The Group has legal lending limits, country limits and industry sector limits that must be adhered to when approval is being considered in respect of relevant credit applications or participations.

The Group has a detailed credit policy approved by the Board and this is periodically revised. The Credit Policy Manual sets out the guiding principles and credit risk standards governing extension of credit, provide a structure around which banking business must be based and ensure a consistent approach to all its lending activities. It also defines the policy on acceptable country credit risk exposure. The individual country limits are approved and reviewed by the BCIC. This approval is based on the country analysis and assessment of business requirements undertaken by the Group's Financial Institutions division and recommended by the MCC and ECC.

The Financial Institutions division regularly reviews the Group's overall country limits and exposures. The review focuses on the spread of country risk and recommendations to alter individual country risk limits are made where necessary.

Risk appetite document approved by Board provides a consistent framework for understanding risk through the organization and provides a means to ensure that risk considerations are ingrained in the day-to-day operation of the Group. The risk appetite set by the Group is monitored and mitigation, if any, carried out at the appropriate time. The risk appetite threshold at a macro level is defined for Corporate, International, Treasury and Consumer Banking. Risk appetite is further drilled down into industry segments which are important for Bank's business.

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

ECL methodology

The Group is equipped with an internal credit rating system and has developed models to arrive at the ECL based on the requirements of IFRS 9. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Refer to note 2.6.a impairment of financial instruments for more information related to stage classification.

The Group calculates ECL on credit facilities classified in stage 3 at 100% of the defaulted exposure net of value of eligible collaterals after applying the haircuts prescribed by CBK guidelines.

ECL is arrived at on the basis of Probability of Default (PD) for the corresponding rating grade of the facility, Loss Given Default (LGD) and Exposure at Default (EAD). Further details are provided in the ensuing paragraphs of the Section on ECL Methodology. 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 macro-economic scenarios etc. The ECL methodology is summarised below:

- Stage 1: The 12 months ECL is calculated as the loss that result from default events on a Credit Facility that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL provision based on the expectation of a default occurring in the 12 months following the reporting date.
- Stage 2: When a Credit Facility has shown a significant increase in credit risk since origination due to quantitative and qualitative factors, the Group records an allowance for the LT ECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For Credit Facility considered credit-impaired i.e, having objective evidence of default, the Group calculates ECL on credit facilities classified in Stage 3 at 100% of the defaulted exposure net of value of eligible collaterals after applying the haircuts prescribed by CBK guidelines.

Significant increase in credit risk

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally accepted definition of 'investment grade'. Credit facilities (other than consumer/ installment facilities) are classified under Stage 2 when there has been a downgrade in the obligor risk rating by 2 grades for the credit facilities with investment grade and by 1 grade for those with non-investment grade.

The Group applies consistent quantitative criteria for internally rated portfolio to assess significant increase in credit risk. In the absence of ratings at inception, the Group considers current rating at reporting date, the account conduct and past dues, to determine the stage in which the facilities to be classified. In addition, the Group considers all restructured credit facilities which are not credit impaired as stage 2.

The Group considers expected maturity period of 7 years for credit facilities to corporate customers classified in stage 2 unless these facilities have non-extendable contractual maturity date and periodic schedule of repayments with final repayment amount not exceeding 50% of the original credit facilities. The expected maturity period of minimum of 5 years is considered for consumer financing and credit cards and 15 years for housing loans and financing.

The Group considers all facilities which are in default and rated 8 to 10 as Stage 3 accounts.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Staging review

A key indicator of changes in the credit quality of loan portfolio is how much of it has been moved between stages, as this indicates whether the loan portfolio has undergone a significant increase in credit risk.

The Group considers a financial asset as 'cured' (i.e. no longer be impaired) and therefore reclassified out of Stage 3, when it no longer meets any of the credit impaired criteria. In respect of impaired facilities which are classified in Stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for classifying the facility in Stage 2/Stage 1. The Group also considers related CBK guidelines before any credit facility is reclassified between stages. One year curing period is not applicable for consumer and instalment facilities.

ECL on loans and advances is the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Probability of default

The Group's policy is to assess the credit risk in Commercial banking through a risk rating process. The process is based on international best practices, and provides transparency and consistency to enable comparison between obligors. The Group uses Moody's Risk Rating tool for rating its corporate borrowers. Under the Moody's Risk rating framework all the borrowers are rated based on financial and business assessments. Financial assessment takes into account operational performance, liquidity, capital structure and debt coverage while business assessment is based on industry risk, management quality and company standing.

The framework adopted by the Group for calculating the PD is based upon obligor risk rating, internal default and macro- economic data. Under macro-economic data, three scenarios (a base case, upside case, and a downside case) has been considered. The Group uses industry standard rating tools for assessing ratings/scores that are leveraged for PD estimation process. The tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. 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.

The PD is the likelihood that an obligor will default on its obligations in the future. IFRS 9 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 the rating tool based on the internal/external credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structure using appropriate models and techniques.

For Consumer banking, the payment behaviour of the borrower is monitored on a periodic basis. Consumer loans are generally not secured, but the credit risk is minimized by the 'assignment of salary' condition that requires the customer's employer to pay their salary directly to their Gulf Bank's salary account. If salaries are not credited and there are no funds available in accounts, the related exposures get delinquent. The days past due is used to determine the credit risk of the retail customers. Loan applications are subject to an evaluation process involving 'Score Card' based decisioning which is revalidated periodically. In addition, all consumer credit applications are subject to a credit check by the industry-owned Credit Information Network ('Ci- Net') credit reference agency to assess the creditworthiness and indebtedness of the applicant. PD used for retail credit facilities has been segmented into pools that share similar risk characteristics.

For financial instruments in Treasury, Investment securities, money market instruments and other assets portfolios, external rating agency credit grades are used. These published grades are continuously monitored and updated.

The Group applies minimum thresholds for 12 months PD at 1% for non-investment grade credit facilities and 0.75% for investment grade credit facilities. However, these minimum thresholds are not applicable for consumer and housing loans and financing and also to credit facilities to governments and banks with external credit rating of investment grade.

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Loss given default

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. For secured facilities, the Group applies a minimum haircut to its collateral values as prescribed by CBK guidelines. For all unsecured credit facilities, the Group considers a minimum of 50% LGD for senior debt and 75% LGD for subordinated debt as prescribed by CBK guidelines.

Exposure at default

EAD represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values in accordance with credit conversion factor prescribed by CBK guidelines.

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 expected credit losses for each portfolio. 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, consumer price index and government expenditure, 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 ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Collateral and other credit enhancements

The Group employs a range of tools to reduce credit risk. The Group seeks collateral coverage, assignment of contract proceeds and other forms of protection to secure lending and minimize credit risks wherever possible. The Group's borrowing agreements also include legally enforceable netting arrangements for loans and deposits enabling the Group to consolidate the customer's various accounts with the Group and either transfer credit balances to cover any outstanding borrowings or freeze the credit balances until the customer settles their outstanding obligations to the Group.

The Group's credit facilities are secured by collateral, wherever required, consisting primarily of: equities listed on the Kuwait Stock Exchange; unquoted equities, real estate (land and buildings); fixed term deposits and cash balances with the Group that are blocked and legally pledged in its favor; and direct, explicit, irrevocable and unconditional bank guarantees.

As of 31 December 2025, **25%** (2024: 25%) of the total outstanding loans and advances were partially or fully secured by collaterals.

The Group has procedures to ensure that there is no excessive concentration of any particular asset class within the collaterals.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk net of provision for the components of the consolidated statement of financial position, including positive fair value of derivatives without taking into account any collateral and other credit enhancements. Maximum concentration of credit risk to a single or group of related counterparties is limited to 15 per cent of the Group's comprehensive capital as determined by the regulatory guidelines.

BY CLASS OF FINANCIAL ASSETS	Maximum exposure 2025 KD 000's	Maximum exposure 2024 KD 000's
Cash and cash equivalents (excluding cash in hand)	801,058	1,342,890
Kuwait Government treasury bonds	221,000	2,500
Central Bank of Kuwait bonds	15,789	140,031
Deposits with banks and other financial institutions	302,330	135,468
Loans and advances:		
- Corporate and bank lending	3,858,159	3,338,632
- Consumer lending	2,000,548	2,128,306
Debt investment securities (Note 13)	283,986	169,302
Other assets (Note 14)	52,296	44,817
Total	7,535,166	7,301,946
Contingent liabilities and commitments	3,134,423	2,926,907
Foreign exchange contracts (including spot contracts)	124,775	152,614
Total	3,259,198	3,079,521
Total credit risk exposure	10,794,364	10,381,467

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty, this risk is managed by diversification of the portfolio. The 20 largest gross loan exposures outstanding as a percentage of total credit risk exposures as at 31 December 2025 is **14.5%** (2024: 13%).

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Maximum exposure to credit risk (continued)

Geographic region:	2025		2024	
	Assets KD 000's	Off balance sheet items KD 000's	Assets KD 000's	Off balance sheet items KD 000's
Domestic (Kuwait)	5,681,634	2,134,385	5,862,090	2,074,580
Other Middle East	922,695	464,849	889,115	456,809
Europe	458,153	259,111	123,320	248,401
USA and Canada	123,132	107,365	128,355	39,692
Asia Pacific	70,049	258,132	61,716	239,652
Rest of world	279,503	35,356	237,350	20,387
	7,535,166	3,259,198	7,301,946	3,079,521

Industry sector:	2025		2024	
	Assets KD 000's	Off balance sheet items KD 000's	Assets KD 000's	Off balance sheet items KD 000's
Personal	2,076,638	80,712	2,281,263	90,649
Financial	1,580,703	704,663	1,724,846	698,209
Trade and Commerce	483,692	732,484	473,981	636,147
Crude Oil and Gas	109,316	116,376	276,576	195,459
Construction	147,939	650,914	160,503	698,408
Government	1,559,967	150,512	984,763	12
Manufacturing	251,193	253,064	174,359	158,600
Real Estate	1,039,371	108,312	960,928	171,285
Others	286,347	462,161	264,727	430,752
	7,535,166	3,259,198	7,301,946	3,079,521

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Internal credit quality rating

The Group's policy is to assess the credit risk in Commercial banking through a risk rating process. The process is based on international best practices, and provides transparency and consistency to enable comparison between obligors.

The Group uses Moody's CreditLens tool for rating its corporate borrowers. Under the Moody's Risk rating framework all the borrowers are rated based on financial and business assessments. Financial assessment takes into operational performance, liquidity, capital structure and debt coverage while business assessment is based on industry risk, management quality and company standing.

The Risk Rating Process derives the Obligor Risk Ratings (ORRs) and Facility Risk Ratings (FRRs). The rating methodology focuses on factors such as: operating performance, liquidity, debt service and capital structure. The ratio analysis includes assessment of each ratio's trend across multiple periods, both in terms of rate change and the volatility of the trend. It also compares the value of the ratio for the most recent period with the values of the comparable peer group. Qualitative assessment of the operations, liquidity and capital structure are also included in the assessment.

For new ventures or project finance transactions, Obligor Risk Ratings are generated through the use of projections covering the period of the loan.

Obligor Risk Rating (ORR) reflects the probability of default for an obligor (irrespective of facility type or collateral) over the next 12 months for a senior unsecured facility.

The Obligor Risk Ratings of performing assets are broadly classified into 3 categories, viz, 'High', 'Standard' and 'Acceptable quality'. Credit exposures classified as 'High' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. Credit exposures classified as 'Standard' quality comprise facilities whose financial condition, and risk indicators and repayment capacity are satisfactory. Credit exposures classified as 'Acceptable' quality are performing accounts, and payment performance is fully compliant with contractual conditions. The ultimate risk of financial loss on 'Acceptable' quality is assessed to be higher than that for the exposures classified within 'High' and 'Standard' quality range.

Facility Risk Rating

The Group also has an approved framework for Facility Risk Ratings (FRR). While Obligor Risk Rating does not take into consideration factors like availability of collateral and support, FRR is a measure of the quality of the credit exposure based on the expected loss in the event of default after considering collateral and support. The availability of eligible collateral or support substantially reduces the extent of the loss in the event of default and such risk mitigating factors are reflected in FRR.

North American Industry Classification System (NAICS) Code:

The Group classifies the Group's exposure as per NAICS Code. Such classifications are in addition to the classification based on purpose codes as defined by the CBK.

The Group classifies its loans and advances mainly into two categories; corporate and bank lending and consumer lending. Corporate and bank lending includes credit facilities, trade finance products to its corporate, institutional customers and banks. Consumer lending includes consumer and instalment facilities, credit cards and other credit facilities to high net worth individuals and SMEs. This allows the Group to classify its portfolio into various sub-segments so as to facilitate analysis and improve management of concentrations, if any.

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Portfolio Risk Rating

The Group computes a weighted average Risk Rating through which the overall portfolio quality is assessed at regular intervals and deliberated upon in the ERC as well as in the BRC.

RAROC Model

RAROC (Risk Adjusted Return on Capital) model is in use in the Group to assess the net value created in the account after taking into account the cost of capital. The Models help to make right credit decisions and create shareholder value.

Credit Infrastructure:

The Group has a specialized unit with core objective of supporting the development, approval and monitoring of credit products, manage credit risk infrastructure and MIS Reporting. The unit supports management of credit/risk systems, Credit Application System, Risk Rating Models, RAROC Model and credit related policies of the Group. The Group has a Credit Application system for dissemination of credit packages to credit committee members thereby improving the efficiency of credit approval process.

The table below shows the credit quality by class of financial assets for consolidated statement of financial position lines, based on the Group's credit rating system.

2025	Neither past due nor impaired			Past due but not impaired KD 000's	Total KD 000's
	High KD 000's	Standard KD 000's	Acceptable KD 000's		
Cash and cash equivalents (excluding cash in hand)	799,910	1,163	2	-	801,075
Kuwait Government treasury bonds	221,000	-	-	-	221,000
Central Bank of Kuwait bonds	15,789	-	-	-	15,789
Deposits with banks and other financial institutions	302,336	-	-	-	302,336
Loans and advances:					
- Corporate and bank lending	3,438,988	564,010	17,434	10,032	4,030,464
- Consumer lending	1,926,838	14,196	1,977	47,360	1,990,371
Debt investment securities (Note 13)	281,556	2,445	-	-	284,001
Other assets	52,296	-	-	-	52,296
	<u>7,038,713</u>	<u>581,814</u>	<u>19,413</u>	<u>57,392</u>	<u>7,697,332</u>

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

2024	Neither past due nor impaired			Past due but not impaired KD 000's	Total KD 000's
	High KD 000's	Standard KD 000's	Acceptable KD 000's		
Cash and cash equivalents (excluding cash in hand)	1,342,692	209	-	-	1,342,901
Kuwait Government treasury bonds	2,500	-	-	-	2,500
Central Bank of Kuwait bonds	140,031	-	-	-	140,031
Deposits with banks and other financial institutions	135,469	-	-	-	135,469
Loans and advances:					
- Corporate and bank lending	3,027,169	448,452	22,908	18,195	3,516,724
- Consumer lending	1,970,513	23,530	65,466	52,822	2,112,331
Debt investment securities (Note 13)	163,751	5,572	-	-	169,323
Other assets	44,817	-	-	-	44,817
	<u>6,826,942</u>	<u>477,763</u>	<u>88,374</u>	<u>71,017</u>	<u>7,464,096</u>

63% (2024: 75%) of the past due but not impaired category is below 60 days and 37% (2024: 25%) is between 60-90 days.

Financial assets by class individually impaired

2025	Gross exposure KD 000's	Impairment provision KD 000's	Fair value of collateral KD 000's
Loans and advances:			
- Corporate and bank lending	15,918	1,816	13,547
- Consumer lending	50,741	20,891	4,187
	<u>66,659</u>	<u>22,707</u>	<u>17,734</u>

2024	Gross exposure KD 000's	Impairment provision KD 000's	Fair value of collateral KD 000's
Loans and advances:			
- Corporate and bank lending	17,258	877	15,587
- Consumer lending	59,384	22,527	6,058
	<u>76,642</u>	<u>23,404</u>	<u>21,645</u>

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Contingent liabilities and commitments are financial instruments with contractual amounts representing credit risk

The primary purpose of these instruments is to ensure that funds are available to a customer as required. However, the total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. These instruments are disclosed in Note 26.

Derivative financial instruments with contractual or notional amounts that are subject to credit risk

These derivative financial instruments comprise of foreign exchange contracts. Foreign exchange contracts allow the Group and its customers to transfer, modify or reduce their foreign exchange risk. Foreign exchange contracts are subject to credit risk and are limited to the current replacement value of instruments that are favorable to the Group, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding.

These instruments are disclosed in Note 28. This credit risk exposure was managed as part of the overall borrowing limits granted to customers.

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

At 31 December 2025:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Loans and advances				
- High	5,359,515	6,311	-	5,365,826
- Standard	467,594	110,612	-	578,206
- Acceptable	1,929	17,482	-	19,411
- Past due but not impaired	15,800	32,467	-	48,267
- Impaired	-	-	75,784	75,784
	<u>5,844,838</u>	<u>166,872</u>	<u>75,784</u>	<u>6,087,494</u>

At 31 December 2024:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Loans and advances				
- High	4,980,040	17,642	-	4,997,682
- Standard	401,224	70,758	-	471,982
- Acceptable	65,466	22,908	-	88,374
- Past due but not impaired	18,738	47,861	-	66,599
- Impaired	-	-	81,060	81,060
	<u>5,465,468</u>	<u>159,169</u>	<u>81,060</u>	<u>5,705,697</u>

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

At 31 December 2025:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Contingent liabilities and commitments				
- High	2,673,816	5,582	-	2,679,398
- Standard	370,093	46,943	-	417,036
- Acceptable	35	8,706	-	8,741
- Impaired	-	-	29,248	29,248
	<u>3,043,944</u>	<u>61,231</u>	<u>29,248</u>	<u>3,134,423</u>

At 31 December 2024:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Contingent liabilities and commitments				
- High	2,485,848	34,791	-	2,520,639
- Standard	309,811	49,495	-	359,306
- Acceptable	47	12,452	-	12,499
- Impaired	-	-	34,463	34,463
	<u>2,795,706</u>	<u>96,738</u>	<u>34,463</u>	<u>2,926,907</u>

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

An analysis of the movement in the ECL in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines:

At 31 December 2025:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL balance as at 1 January 2025	46,051	32,559	98,127	176,737
Impact due to transfer between stages:				
- Transfer to Stage 1	23,059	(7,740)	(15,319)	-
- Transfer to Stage 2	(1,425)	8,598	(7,173)	-
- Transfer to Stage 3	(354)	(2,540)	2,894	-
ECL (release)/charge for the year	(9,391)	(7,699)	68,858	51,768
ECL release on written off facilities	-	-	(62,545)	(62,545)
ECL balance as at 31 December 2025	<u>57,940</u>	<u>23,178</u>	<u>84,842</u>	<u>165,960</u>

At 31 December 2024:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL balance as at 1 January 2024	36,635	75,216	74,831	186,682
Impact due to transfer between stages:				
- Transfer to Stage 1	19,449	(3,113)	(16,336)	-
- Transfer to Stage 2	(974)	7,623	(6,649)	-
- Transfer to Stage 3	(199)	(25,648)	25,847	-
ECL (release)/charge for the year	(8,860)	(21,519)	96,990	66,611
ECL release on written off facilities	-	-	(76,556)	(76,556)
ECL balance as at 31 December 2024	<u>46,051</u>	<u>32,559</u>	<u>98,127</u>	<u>176,737</u>

ECL's sensitivity

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process. Further, the Group carries an excess of **35%** (2024: 35%) total provisions over ECL on credit facilities (Note 12) for any increase in ECL resulting due to sensitivity.

B. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or cash flows of the financial instruments. In general, the banking business is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance-sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies. A majority of the interest bearing assets and liabilities reprice within one year. Accordingly, there is a limited exposure to interest rate risk.

24. FINANCIAL INSTRUMENTS (continued)

B. INTEREST RATE RISK (continued)

The interest rate sensitivity of the consolidated income statement measures the effect of assumed changes in interest rates on the net interest income for the next one year, based on the interest bearing financial assets and liabilities held at year end. The interest rate sensitivity on equity (comprehensive income) is the impact of changes in interest rates on the fair value of FVOCI fixed/floating rate bonds held at year end.

The following table reflects the effects of 25 basis points change in interest rates on the consolidated income statement and consolidated statement of comprehensive income, with all other variables held constant:

Currency	2025			2024		
	Change in basis points	Effect on profit KD 000's	Effect on equity KD 000's	Change in basis points	Effect on profit KD 000's	Effect on equity KD 000's
KWD	(+) 25	2,521	-	(+) 25	1,449	-
USD	(+) 25	775	(89)	(+) 25	1,114	-
GBP	(+) 25	72	-	(+) 25	(47)	-
EUR	(+) 25	69	-	(+) 25	(48)	-
SAR	(+) 25	(159)	-	(+) 25	-	-

C. CURRENCY RISK

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group views itself as a Kuwaiti entity with Kuwaiti Dinars as its functional currency. Open currency positions are monitored daily against the regulatory limits and Board approved internal limits to ensure compliance.

Based on the Group's financial assets and liabilities held at the consolidated statement of financial position date, for a given change in currency movements, with all other variables held constant, the effect on the Group's consolidated income statement and consolidated statement of comprehensive income is as follows:

Currency	2025			2024		
	Change in currency rate in %	Effect on profit KD 000's	Effect on equity KD 000's	Change in currency rate in %	Effect on profit KD 000's	Effect on equity KD 000's
USD	+5	(372)	78	+5	(134)	88
GBP	+5	(23)	11	+5	(11)	7

The Group's investments are held in a well diversified portfolio of equity, debt instruments and funds which invest in a variety of securities and products which are denominated in different currencies whose performance cannot necessarily be measured with relation to movement in any particular currency rate. Only the impact on the carrying amount of these securities has been considered in the sensitivity analysis.

D. LIQUIDITY RISK

Liquidity risk is the risk arising from potential inability of the Group to meet its payment obligations on time when they become due or being able to meet such obligations at excessive costs. Liquidity risk is a sequential risk that may be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, the Group has diversified funding sources and maintains high quality assets that includes cash, cash equivalents and readily marketable securities.

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

Liquidity risk arises from the general funding of the Group's activities. Under the guidance of the Asset Liability Committee (ALCO), the Treasury group manages the liquidity and funding of the Group to ensure that sufficient funds are available to meet the Bank's current and prospective funding requirements. At all times, the Group holds what it considers to be adequate levels of liquidity to meet lending and repayment requirements, even under stressed conditions.

The Group measures and monitors Basel III short term and long term liquidity ratios of LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). The objective of LCR is to improve the short-term liquidity profile of the Group by ensuring that the Group has sufficient stock of High Quality Liquid Assets to cover a 30 day period of stressed cash outflows. Similarly, NSFR aims to improve the long-term liquidity profile by ensuring that the Group has stable funding sources to cover funding requirements over the short and long term period. In addition, Liquidity risk is further monitored by adhering to the CBK maturity ladder mismatch limits and the Loan to Deposit Ratio.

The liquidity and funding management process includes: projecting cash flows by major currency; monitoring financial position, maintain liquidity ratios against internal and regulatory requirements; maintaining a diverse range of funding sources; monitoring depositor concentration to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and managing debt financing needs. The Group maintains a diversified and stable funding base of core retail and corporate deposits, and the treasury group maintains liquidity and funding contingency plans to cope with potential liquidity stress that may arise from local or regional markets or geopolitical events.

The table below summarizes the maturity profile of the assets and liabilities at the yearend based on residual contractual repayment arrangements (assets and liabilities without a contractual maturity are based on management expectation):

At 31 December 2025:	Up to 1 month KD 000's	1 to 3 months KD 000's	3 to 6 months KD 000's	6 to 12 months KD 000's	1 to 3 years KD 000's	Over 3 years KD 000's	Total KD 000's
Assets:							
Cash and cash equivalents	843,128	-	-	-	-	-	843,128
Kuwait Government treasury bonds	-	-	71,500	-	67,000	82,500	221,000
Central Bank of Kuwait bonds	-	7,929	7,860	-	-	-	15,789
Deposits with banks and other financial institutions	-	166,945	135,385	-	-	-	302,330
Loans and advances	321,208	478,875	272,638	678,451	1,732,924	2,374,611	5,858,707
Investment securities	55,812	45,587	37,168	6,047	115,760	48,387	308,761
Other assets	43,587	2,963	2,585	1,769	57,981	356	109,241
Premises and equipment	-	-	-	-	-	40,753	40,753
Total assets	1,263,735	702,299	527,136	686,267	1,973,665	2,546,607	7,699,709
Liabilities:							
Due to banks	83,042	28,743	-	76,171	-	-	187,956
Deposits from financial institutions	178,558	294,351	160,346	136,649	-	-	769,904
Customer deposits	1,920,761	978,255	1,212,655	823,494	19,623	-	4,954,788
Other borrowed funds	22,600	15,270	-	30,540	710,130	-	778,540
Other liabilities	25,350	53,170	22,042	21,184	32,410	-	154,156
Total liabilities	2,230,311	1,369,789	1,395,043	1,088,038	762,163	-	6,845,344

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

At 31 December 2024:	Up to 1 month KD 000's	1 to 3 months KD 000's	3 to 6 months KD 000's	6 to 12 months KD 000's	1 to 3 years KD 000's	Over 3 years KD 000's	Total KD 000's
Assets:							
Cash and cash equivalents	1,387,876	-	-	-	-	-	1,387,876
Kuwait Government treasury	-	-	-	-	2,500	-	2,500
Central Bank of Kuwait bonds	18,972	93,378	27,681	-	-	-	140,031
Deposits with banks and other financial institutions	-	130,468	-	-	5,000	-	135,468
Loans and advances	322,886	532,793	222,443	757,429	1,053,024	2,578,363	5,466,938
Investment securities	-	41,306	101,549	8,953	16,852	35,965	204,625
Other assets	36,970	1,482	2,376	2,069	57,418	1,447	101,762
Premises and equipment	-	-	-	-	-	40,948	40,948
Total assets	1,766,704	799,427	354,049	768,451	1,134,794	2,656,723	7,480,148
Liabilities:							
Due to banks	190,925	49,444	69,842	55,219	-	-	365,430
Deposits from financial institutions	410,277	254,439	121,133	156,515	2,149	-	944,513
Customer deposits	1,845,548	954,138	1,110,348	721,116	25,530	-	4,656,680
Other borrowed funds	-	-	-	70,810	449,014	-	519,824
Other liabilities	29,468	56,669	21,309	20,540	32,112	-	160,098
Total liabilities	2,476,218	1,314,690	1,322,632	1,024,200	508,805	-	6,646,545

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

The tables below summarize the maturity profile of the Group's financial liabilities and contingent liabilities, commitments and non-derivative financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

At 31 December 2025:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Financial liabilities:						
Due to banks	78,226	23,096	69,168	20,804	-	191,294
Deposits from financial institutions	34,828	157,982	530,175	66,289	-	789,274
Customer deposits	1,401,512	470,649	2,971,196	206,519	-	5,049,876
Other borrowed funds	25,665	20,941	56,654	741,406	-	844,666
Other liabilities	25,350	53,170	43,226	32,410	-	154,156
Total undiscounted liabilities	1,565,581	725,838	3,670,419	1,067,428	-	7,029,266

At 31 December 2024:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Financial liabilities:						
Due to banks	145,079	39,108	143,201	46,545	-	373,933
Deposits from financial institutions	93,803	290,241	493,885	85,845	-	963,774
Customer deposits	1,577,678	334,744	2,494,616	341,656	-	4,748,694
Other borrowed funds	2,214	4,297	89,872	470,754	-	567,137
Other liabilities	29,468	56,669	41,849	32,112	-	160,098
Total undiscounted liabilities	1,848,242	725,059	3,263,423	976,912	-	6,813,636

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities:

At 31 December 2025:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Contingent liabilities	224	52,009	555,290	554,678	721,586	1,883,787
Commitments	6,257	19,096	109,320	419,525	696,438	1,250,636
	<u>6,481</u>	<u>71,105</u>	<u>664,610</u>	<u>974,203</u>	<u>1,418,024</u>	<u>3,134,423</u>

At 31 December 2024:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Contingent liabilities	3,224	53,935	373,494	592,273	735,357	1,758,283
Commitments	4,577	21,432	61,272	413,062	668,281	1,168,624
	<u>7,801</u>	<u>75,367</u>	<u>434,766</u>	<u>1,005,335</u>	<u>1,403,638</u>	<u>2,926,907</u>

The table below shows the contractual expiry by maturity of the Group's forward foreign exchange contracts positions:

Derivatives	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	Total KD 000's
At 31 December 2025:				
Forward foreign exchange	23,483	85,974	-	109,457
At 31 December 2024:				
Forward foreign exchange	99,353	-	-	99,353

Notes to the Consolidated Financial Statements

24. FINANCIAL INSTRUMENTS (continued)

E. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal controls, human error, systems failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group.

The operational risks are primarily monitored through the Operational Risk Management Unit in the Risk Management Department. The department has specialized units focusing on Fraud, Technology, Policy & Procedures, Business Continuity, Third Party Management, Information and Cyber Security. The department ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall risk management. The Operational Risk Management Unit function is in line with the Central Bank of Kuwait instructions dated 14 November 1996, concerning the general guidelines for internal controls and the instructions dated 13 October 2003, regarding the sound practices for managing and supervising operational risks in banks.

F. EQUITY PRICE RISK

This is a risk that the value of equity investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group manages this risk through diversification of investments.

A portion of the Group's investments are held in well diversified portfolio of managed funds which invest in a variety of securities whose performance cannot necessarily be measured in relation to movement in any specific equity index.

The effect on equity (as a result of change in the fair value of equity instruments held as FVOCI) at the yearend due to an assumed 5% change in the market indices (assuming that listed equity investment securities are changing in line with their equity markets), with all other variables held constant, is as follows:

Market indices	% Change in equity price	2025 Effect on equity KD 000's	2024 Effect on equity KD 000's
Kuwait Stock Exchange	+5%	-	697

G. 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 or later than expected, such as fixed rate loans when interest rates fall.

Majority of the Group's interest bearing financial assets are at floating rates. In addition, majority of the interest bearing financial liabilities where the repayment option is with the Group, have a maturity of less than one year and accordingly, the Group is not exposed to significant prepayment risk.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amounts approximates their fair value and this applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

At 31 December 2025:	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Financial assets at FVOCI:				
Equity securities	-	86	22,556	22,642
Debt securities	5,290	-	-	5,290
	<u>5,290</u>	<u>86</u>	<u>22,556</u>	<u>27,932</u>
Financial assets at FVTPL:				
Managed funds	-	2,133	-	2,133

At 31 December 2024:	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Financial assets at FVOCI:				
Equity securities	13,932	116	21,275	35,323

The following table analyses the movement in level 3 of financial assets:

Financial assets at FVOCI:	At 1 January KD 000's	Change in fair value KD 000's	Additions/ disposals KD 000's	Exchange rate movements KD 000's	At 31 December KD 000's
Equity securities					
2025	21,275	1,742	(453)	(8)	22,556
2024	21,294	(20)	-	1	21,275

The fair value of the above investment securities classified under Level 1, Level 2 and Level 3 is categorised as per the policy on fair value measurement in Note 2. During the year, there were no transfers between any of the fair value hierarchy levels.

The positive and negative fair values of forward foreign exchange contracts are valued using significant inputs of observable market data (Level 2). Refer Note 28.

The amortized cost and fair value of investment securities at amortised cost as at 31 December 2025 were **KD 278,696 thousand** (2024: KD 169,302 thousand) and **KD 279,306 thousand** (Level 1) (2024: KD 169,201 thousand) respectively.

The fair values of other financial assets and liabilities which are carried at amortised cost are estimated using the valuation models that incorporate a range of input assumptions. These assumptions may include estimates using credit spreads, forward looking discounted cash flow models using the assumptions which the management believes are consistent with those which would be used by market participants in valuing such financial assets and liabilities. The Group has also performed a sensitivity analysis by varying these assumptions to a reasonable margin and there is no material impact.

The fair values of these financial assets and liabilities are not materially different from their carrying values at the reporting date. The interest rates on these financial assets and liabilities are repriced immediately based on market movements. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

Notes to the Consolidated Financial Statements

26. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group enters into various contingent liabilities and irrevocable commitments. Even though these obligations may not be reflected in the consolidated statement of financial position, they do contain credit risk and therefore form part of the overall risk of the Group.

The total outstanding contingent liabilities and commitments are as follows:

	2025 KD 000's	2024 KD 000's
Guarantees	1,333,578	1,363,359
Letters of credit and acceptances	550,209	394,924
Undrawn irrevocable commitments	182,246	54,485
Undrawn revocable commitments	1,068,390	1,114,139
	3,134,423	2,926,907

The contractual terms entitle the Group to withdraw undrawn revocable facilities at any time.

27. SEGMENTAL ANALYSIS

a. By Business Unit

Commercial Banking	Acceptance of deposits from individuals, corporate and institutional customers and providing consumer loans, overdrafts, credit card facilities and funds transfer facilities to individuals; and other credit facilities to corporate, institutional customers and banks.
Treasury & Investments	Providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Kuwait Government treasury bonds, government securities, placements and acceptances with other banks. The proprietary investments of the Bank are managed by the Investments unit.

Segmental information for the year ended 31 December is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2025 KD 000's	2024 KD 000's	2025 KD 000's	2024 KD 000's	2025 KD 000's	2024 KD 000's
Operating income	131,171	135,469	12,460	15,650	143,631	151,119
Segment result	55,019	56,039	8,378	12,458	63,397	68,497
Unallocated income					45,252	48,209
Unallocated expense					(56,269)	(56,534)
Profit for the year					52,380	60,172
Segment assets	5,957,140	5,573,953	1,661,238	1,832,148	7,618,378	7,406,101
Unallocated assets					81,331	74,047
Total Assets					7,699,709	7,480,148
Segment liabilities	3,234,996	3,261,131	3,382,472	3,191,679	6,617,468	6,452,810
Unallocated liabilities and equity					1,082,241	1,027,338
Total Liabilities and Equity					7,699,709	7,480,148

27. SEGMENTAL ANALYSIS (continued)

b. Geographic segment information relating to location of assets, liabilities and off balance sheet are given in Note 24A.

Revenue from transactions with a single external customer or counter party did not result in 10% or more of the Group's total revenue in 2025 or 2024.

28. DERIVATIVES

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity	
				Within 3 months	3-12 months
At 31 December 2025:	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	130	(22)	109,457	109,457	-
At 31 December 2024:					
Derivatives instruments held as:					
Trading (and non qualifying hedges)					
Forward foreign exchange contracts	308	(7)	99,353	99,353	-

Notes to the Consolidated Financial Statements

28. DERIVATIVES (continued)

Derivative product types

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount or to transfer third party credit risk based on an agreed principal and related outstanding interest.

For currency swaps, fixed or floating interest payments as well as notional amounts are exchanged in different currencies.

Derivatives held or issued for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and expected risks. Positioning involves managing positions with the expectation of reducing the market risk. Arbitrage involves identifying and profiting from price differentials between markets or products.

29. CAPITAL ADEQUACY & CAPITAL MANAGEMENT

Capital Management

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements, maintains a strong and healthy capital ratio in order to support its operations and to maximize shareholders' value.

The Group actively manages its capital base in order to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Kuwait in supervising the Group.

The disclosures relating to the Capital Adequacy Regulations issued by CBK as stipulated in its Circular number 2/ RB,RBA/336/2014 and its amendments are included under the 'Capital Management and Allocation' section of the annual report. Below ratios are calculated without proposed cash dividend impact.

The Group's regulatory capital and capital adequacy ratios for the year ended 31 December 2025 and 31 December 2024 are calculated in accordance with CBK circular number 2/RB,RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2025 KD 000's	2024 KD 000's
Risk weighted assets	5,779,274	5,474,792
Capital required	809,098	766,471
Capital available		
Tier 1 capital	854,365	833,603
Tier 2 capital	119,508	116,026
Total capital	973,873	949,629
Tier 1 capital adequacy ratio	14.78%	15.23%
Total capital adequacy ratio	16.85%	17.35%

29. CAPITAL ADEQUACY & CAPITAL MANAGEMENT (continued)

Financial leverage ratio

The Group's financial leverage ratio for the year ended 31 December 2025 and 31 December 2024 calculated in accordance with CBK circular number 2/BS/ 342/2014 dated 21 October 2014 are shown below:

	2025 KD 000's	2024 KD 000's
Tier 1 capital	854,365	833,603
Total Exposure	8,808,145	8,540,838
Financial leverage ratio	9.70%	9.76%

The disclosures relating to the capital adequacy regulations issued by CBK as stipulated in 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 CBK circular number 2/BS/ 342/2014 dated 21 October 2014 for the year ended 31 December 2025 and 31 December 2024 are included under the 'Risk Management' section of the annual report.

30. FIDUCIARY ASSETS

At 31 December 2025, the aggregate value of assets held or managed in fiduciary capacity by the Group amounted to **KD 847,524 thousand** (2024: KD 924,742 thousand) and the income related to this activity amounted to **KD 549 thousand** (2024: KD 655 thousand) included in net fees and commissions (Note 6).



BRANCH NETWORK

☎ 1885588 ▶

CAPITAL

Abdullah Al-Salem 

Ext.: 6030 / 6034

Audiliya

Ext.: 6020 / 6029

Crystal Tower 

Ext.: 6840 / 6841

Daiya 

Ext.: 6370 / 6378

Fahad Al-Salem Street

Ext.: 6279 / 6827

Ghazali

Ext.: 6420 / 6422

Jaber Al-Ahmad

Ext.: 6740 / 6744

Mansouriya

Ext.: 6120 / 6126

Ministry Complex

Ext.: 6170 / 6176

Head Office - Mubarak Al Kabeer Street 

Ext.: 2002 / 2717

Nuzha

Ext.: 6360 / 6369

Sharq - Ahmed Al-Jaber Street 

Ext.: 6680 / 6687

Surra

Ext.: 6100 / 6101

Qairawan

Ext.: 6730 / 6737

Sulabikhat

Ext.: 6470 / 6479

Shuwaikh

Ext.: 6290 / 6293

Shuwaikh Port

Ext.: 6080 / 6083

AHMADI

Ahmadi

Ext.: 6240 / 6249

Sabah Al-Ahmed 

Ext.: 6870 / 6871

Al-Khiran Mall 

(self service branch)

Fahaheel Xcite 

Ext.: 6040 / 6049

Fahaheel - Al-Dabous Street

Ext.: 6040 / 6049

Hadiya 

Ext.: 6140 / 6148

Mina Al-Zoor

Ext.: 6110 / 6119

Fahad Al-Ahmad

Ext.: 6430 / 6438

Sabahiya 

Ext.: 6660 / 6668

FARWANIYAH

Farwaniya

Ext.: 6600 / 6609

Firdous

Ext.: 6390 / 6395

Jleeb Al-Shuyoukh 

Ext.: 6060 / 6068

Khaitan

Ext.: 6320 / 6329

Sabah Al-Naser

Ext.: 6610 / 6619

JAHRAA

West Jahra

Ext.: 6350 / 6354

Jahra Co-op

Ext.: 6150 / 6154

Al-Oyoun 

Ext.: 6630 / 6638

Saad Al-Abdullah

Ext.: 6785 / 6780

HAWALLI

Hawalli 

Ext.: 6280 / 6289

Midan Hawalli

Ext.: 6700 / 6709

Jabriya 

Ext.: 6400 / 6409

Rumaithiya

Ext.: 6190 / 6195

Zahra

Ext.: 6690 / 6699

Al-Fanar Mall 

Ext.: 6300 / 6309

Shaab 

Ext.: 6070 / 6078

Salmiya (Co-op)

Ext.: 6050 / 6051

Al-Salam 

Ext.: 6410 / 6419

Mishref 

Ext.: 6200 / 6209

Bayan 

Ext.: 6180 / 6181

MUBARAK AL-KABEER

Adan  

Ext.: 6090 / 6099

Sabah Al-Salem

Ext.: 6670 / 6679

Sabhan

Ext.: 6340 / 6349